LVMH

MOËT HENNESSY · LOUIS VUITTON

TRANSLATION OF THE FRENCH
DOCUMENT DE RÉFÉRENCE

FISCAL YEAR ENDED DECEMBER 31, 2017

CONTENTS

This document is a free translation into English of the original French “Document de référence”, hereafter referred to as the “Reference Document”. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

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 14th century to the present

14th century	1365	Le Clos des Lambrays
16th century	1593	Château d'Yquem
18th century	1729	Ruinart
	1743	Moët & Chandon
	1765	Hennessy
	1772	Veuve Clicquot
	1780	Chaumet
19th century	1815	Ardbeg
	1817	Cova
	1828	Guerlain
	1832	Château Cheval Blanc
	1843	Krug
		Glenmorangie
	1846	Loewe
	1849	Royal Van Lent
	1852	Le Bon Marché
	1854	Louis Vuitton
	1858	Mercier
	1860	TAG Heuer
		Jardin d'Acclimatation
	1865	Zenith
	1870	La Samaritaine
	1884	Bvlgari
	1895	Berluti
	1898	Rimowa
20th century	1908	Les Echos
	1916	Acqua di Parma
	1923	La Grande Épicerie de Paris
	1924	Loro Piana
	1925	Fendi
	1936	Dom Pérignon
		Fred
	1944	Le Parisien-Aujourd'hui en France
	1945	Céline
	1946	Christian Dior Couture
	1947	Parfums Christian Dior
		Emilio Pucci
	1952	Givenchy
		Connaissance des Arts
	1957	Parfums Givenchy
	1958	Starboard Cruise Services
	1959	Chandon
	1960	DFS
	1969	Sephora
	1970	Kenzo
		Cape Mentelle
	1972	Parfums Loewe
	1974	Investir-Le Journal des Finances
	1975	Ole Henriksen
	1976	Benefit Cosmetics
	1977	Newton
	1980	Hublot
	1983	Radio Classique
	1984	Thomas Pink
		Marc Jacobs
		Make Up For Ever
	1985	Cloudy Bay
	1988	Kenzo Parfums
	1991	Fresh
	1992	Colgin Cellars
	1993	Belvedere
	1998	Bodega Numanthia
	1999	Terrazas de Los Andes
		Cheval des Andes
21st century	2004	Nicholas Kirkwood
	2005	Edun
	2008	Kat Von D
	2009	Maison Francis Kurkdjian
	2010	Woodinville
	2013	Ao Yun
	2017	Fenty Beauty by Rihanna

FINANCIAL HIGHLIGHTS

Key consolidated data

(EUR millions and percentage)	2017	2016	2015
Revenue	42,636	37,600	35,664
Profit from recurring operations	8,293	7,026	6,605
Net profit	5,616	4,363	4,001
Net profit, Group share	5,129	3,981	3,573
Cash from operations before changes in working capital [a]	10,404	8,733	7,945
Operating investments	2,276	2,265	1,955
Free cash flow [b]	4,754	3,974	3,679
Equity [c]	30,260	27,903	25,799
Net financial debt [d]	7,178	3,265	4,235
Net financial debt/Equity ratio	24%	12%	16%

(a) Before tax and interest paid.
(b) Net cash from operating activities and operating investments.
(c) Including minority interests.
(d) Excluding purchase commitments for minority interests included in Other non-current liabilities.

Information by business group

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

(a) See Note 23.1 Information by business group to the consolidated financial statements.

Change in revenue by business group *(EUR millions and percentage)*	2017	2016	Change	
			Published	Organic [a]
Wines and Spirits	5,084	4,835	+5%	+7%
Fashion and Leather Goods	15,472	12,775	+21%	+13%
Perfumes and Cosmetics	5,560	4,953	+12%	+14%
Watches and Jewelry	3,805	3,468	+10%	+12%
Selective Retailing	13,311	11,973	+11%	+13%
Other activities and eliminations	(596)	(404)	-	-
Total	**42,636**	**37,600**	**+13%**	**+12%**

(a) On a constant consolidation scope and currency basis. The net impact of exchange rate fluctuations was -3% and the net impact of changes in the scope of consolidation was +4%. The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 27.

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

(a) See Note 23.1 Information by business group to the consolidated financial statements.

Information by geographic region

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

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

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

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

Data per share

(EUR)	2017	2016	2015
Earnings per share			
Basic Group share of earnings per share	10.21	7.92	7.11
Diluted Group share of earnings per share	10.18	7.89	7.08
Dividend per share			
Interim	1.60	1.40	1.35
Final	3.40	2.60	2.20
Gross amount paid for fiscal year [a] [b]	5.00	4.00	3.55

(a) For fiscal year 2017, amount proposed at the Shareholders' Meeting of April 12, 2018.
(b) Gross amount paid for fiscal year, excluding the impact of the tax regulations applicable to the recipient.

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

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Antoine Arnault [2]

Delphine Arnault

Nicolas Bazire [2]

Bernadette Chirac [1]

Charles de Croisset [1][2]

Diego Della Valle [1]

Clara Gaymard [1]

Marie-Josée Kravis [1]

Lord Powell of Bayswater [2]

Marie-Laure Sauty de Chalon [1]

Yves-Thibault de Silguy [1][2]

Natacha Valla [1]

Hubert Védrine [1]

Advisory Board members

Paolo Bulgari

Albert Frère

Pierre Godé [3]

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Nicolas Bazire
Development and Acquisitions

Michael Burke
Louis Vuitton

Chantal Gaemperle
Human Resources and Synergies

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora and Beauty

Pierre-Yves Roussel
Fashion Group

Philippe Schaus
Wines and Spirits

Jean-Baptiste Voisin
Strategy

General secretary

Marc-Antoine Jamet

Performance Audit Committee

Yves-Thibault de Silguy [1]
Chairman

Antoine Arnault

Charles de Croisset [1]

Nominations and Compensation Committee

Charles de Croisset [1]
Chairman

Marie-Josée Kravis [1]

Yves-Thibault de Silguy [1]

Ethical and Sustainable Development Committee

Yves-Thibault de Silguy [1]
Chairman

Delphine Arnault

Marie-Laure Sauty de Chalon [1]

Hubert Védrine [1]

Statutory Auditors

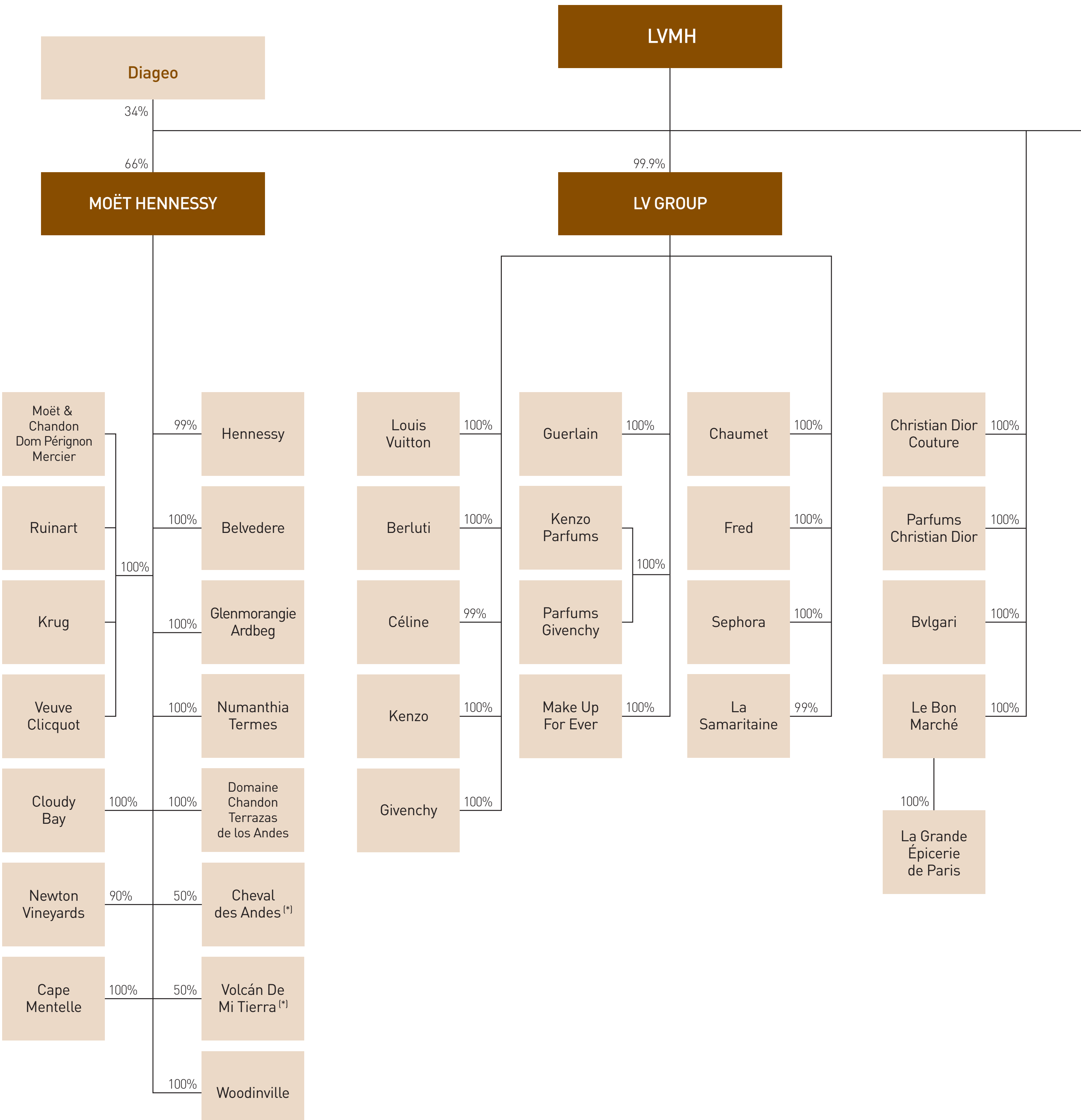
ERNST & YOUNG Audit
represented by Jeanne Boillet and Patrick Vincent-Genod

MAZARS
represented by Simon Beillevaire and Loïc Wallaert

(1) Independent Director.
(2) Renewal proposed to the Shareholders' Meeting of April 12, 2018.
(3) Passed away on January 31, 2018.

The list of Directors' appointments can be found in §1.4.1 of the *Board of Directors' report on corporate governance* on pages 121 to 131 of the Reference Document.

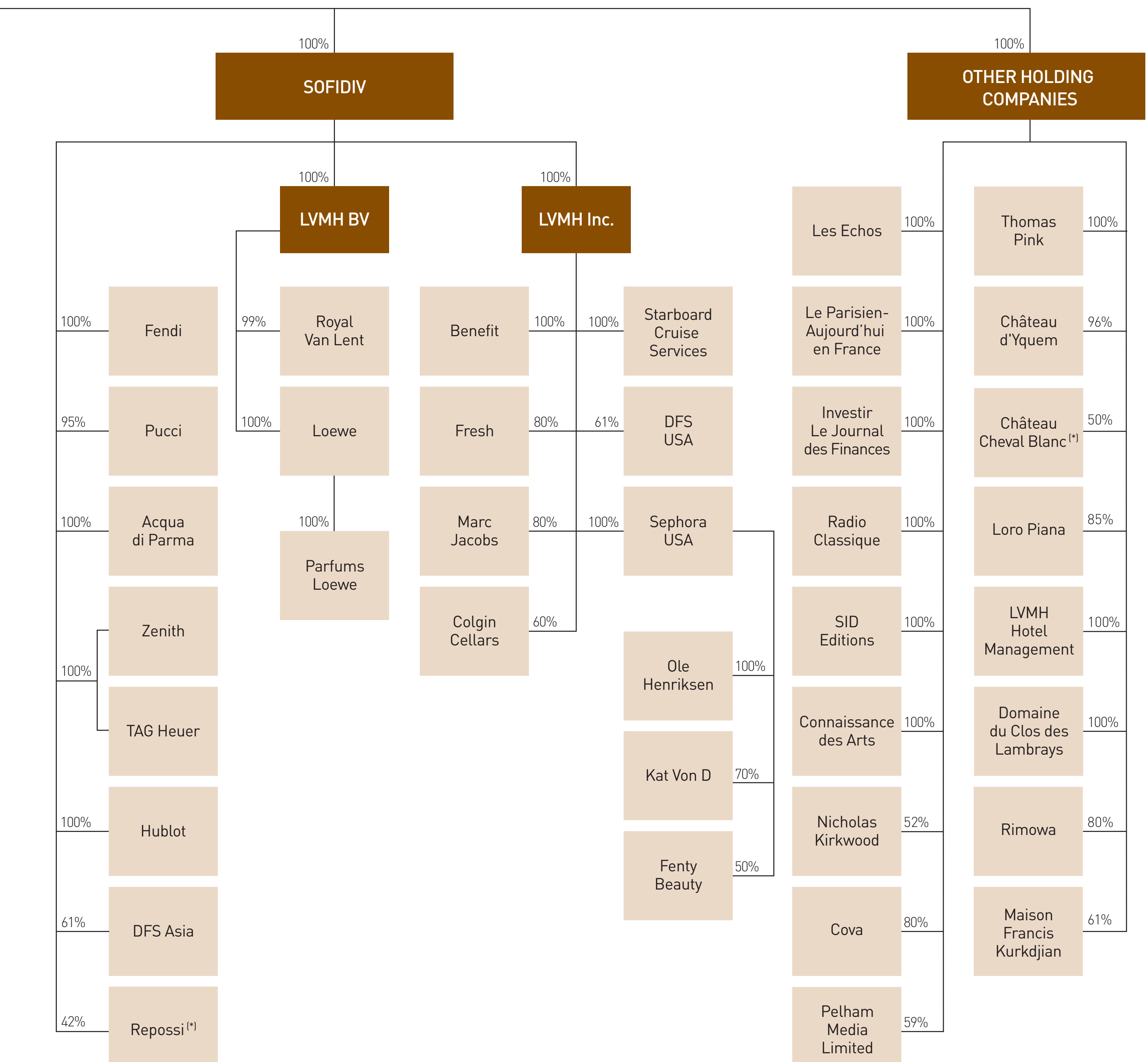
SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2017



(*) Accounted for using the equity method.

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.

■ Holding companies ■ Brands and trade names



BUSINESS DESCRIPTION

1. WINES AND SPIRITS

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

In 2017, revenue for the Wines and Spirits business group amounted to 5,084 million euros, or 12% of the LVMH group's total revenue.

1.1. Champagne and Wines

In 2017, revenue for Champagne and Wines was 2,406 million euros, representing 47% of the total revenue of the 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 the Champagne region, the Group develops and distributes a range of high-end still and sparkling wines from countries on four continents: France, Spain, California, Argentina, Brazil, Australia, New Zealand, India and China.

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 in the Champagne region, 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.

The **Chandon** brand (created in 1959 in Argentina) includes the Moët Hennessy wines developed in California, Argentina, Brazil, Australia, India and China by Chandon Estates.

The Group also owns a number of prestigious wines from the New World: **Cape Mentelle** in Australia, **Cloudy Bay** in New Zealand, and **Newton** in California, as well as **Terrazas de Los Andes** and **Cheval des Andes** in Argentina. In 2016, after many years of research guided by its ambition to create one of China's great wines, the Group launched the first **Ao Yun** vintage.

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-Émilion. Château Cheval Blanc owns a 37-hectare domain within the Saint-Émilion 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 an exceptional balance and unique personality. This business is accounted for under the equity method in accordance with IFRS 11 Joint Arrangements.

In 2014, LVMH acquired **Domaine du Clos des Lambrays**, one of the oldest and most prestigious Burgundy vineyards, located in Morey-Saint-Denis. With a vineyard area of 8.66 contiguous hectares, Clos des Lambrays is the premier Grand Cru of the Côte de Nuits. It also produces Morey-Saint-Denis Premier Crus and prestigious white wines under the name Puligny-Montrachet Premier Cru, such as Clos du Cailleret and Premier Cru Les Folatières.

In 2017, the Group acquired a 60% stake in **Colgin Cellars**, a stand-out winery established by Ann Colgin 25 years ago at the heart of Napa Valley. Colgin Cellars' reputation is rooted in the unmatched quality of its four exceptional wines – "Tychson Hill" Cabernet Sauvignon, "Cariad" Napa Valley Red Wine, "IX Estate" Napa Valley Red Wine and "IX Estate" Syrah. These wines have gained an iconic status among the top wine collectors and aficionados.

1.1.2. Competitive position

In 2017, shipments of LVMH champagne brands were up 7.5% in volume, while shipments from the Champagne region as a whole were up 0.4% (source: CIVC). LVMH's market share was 21.9% of the total shipments from the region, compared to 20.4% in 2016.

Champagne shipments, for the whole Champagne region, break down as follows:

(in millions of bottles and percentage)	2017			2016			2015		
	Volumes		Market share	Volumes		Market share	Volumes		Market share
	Region	LVMH	*(%)*	Region	LVMH	*(%)*	Region	LVMH	*(%)*
France	153.7	9.9	6.4	157.7	9.8	6.2	161.9	9.7	6.0
Export	153.6	57.3	37.3	148.4	52.7	35.6	150.7	53.0	35.2
Total	**307.3**	**67.2**	**21.9**	**306.1**	**62.5**	**20.4**	**312.6**	**62.7**	**20.1**

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

The geographic breakdown of LVMH champagne sales in 2017 is as follows (as a percentage of total sales expressed in number of bottles):

(as %)	2017	2016	2015
Germany	5	5	5
United Kingdom	8	9	9
United States	19	19	18
Italy	4	4	4
Japan	10	9	9
Australia	5	5	5
Other	34	34	34
Total export	**85**	**85**	**84**
France	15	15	16
Total	**100**	**100**	**100**

1.1.3. The champagne production method

The Champagne appellation covers a defined geographic area classified A.O.C. (*Appellation d'Origine Contrôlée*), which covers the 34,000 hectares that can be legally used for production. There are essentially three main types of grape varietals used in the production of champagne: chardonnay, pinot noir and pinot meunier. The preparation method used for sparkling wines produced outside this defined 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 land plots. 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 constantly adjust 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, 2017, the number of bottles in LVMH's cellars in Champagne was 209 million, the equivalent of 3.12 years of sales; this is in addition to wines still in the storage tanks waiting to be drawn (equivalent of 85 million bottles), including the quality reserve withheld from sale in accordance with applicable industry rules (equivalent of 11 million bottles).

1.1.4. Grape supply sources and subcontracting

The Group owns nearly 1,700 hectares under production, which provide slightly more than 20% of its annual needs. In addition, 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 10% of total supplies for the Group's brands. Since 1996, industry agreements have been signed and renewed, with a view to limiting upward or downward fluctuations in grape prices. The most recent renewal of this agreement dates back to 2014, setting the framework for negotiations relating to harvests from 2014 to 2018 (CIVC Decision No. 182). 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 level of security for future years with smaller harvests.

For the 2017 harvest, the *Institut National de l'Origine et de la Qualité* (INAO, the French organization responsible for regulating controlled place names) set the marketable yield for the Champagne appellation at 10,300 kg/ha. This 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. Thus, it is possible to harvest grapes beyond the marketable yield within the limits of a ceiling referred to as the *plafond limite de classement* (PLC), the highest permitted yield. This ceiling is determined each year depending on the maximum total yield. It was set at 3,100 kg/ha for the 2017 harvest. Grapes harvested over and above the marketable yield are 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 for the reserve created from the 2011 harvest, and 8,500 kg/ha for the total of all quantities held in reserve.

The price paid for each kilogram of grapes in the 2017 harvest ranged between 5.59 euros and 6.40 euros depending on the vineyard, an average increase of 2.15% compared to the 2016 harvest. Premiums may be paid on top of the basic price in line with the special conditions agreed under each partnership (including for sustainable winegrowing).

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

In 2017, the champagne houses used subcontractors for about 25 million euros of services, notably pressing, handling, and storing bottles.

1.2. Cognac and Spirits

In 2017, revenue for the Cognac and Spirits segment totaled 2,679 million euros, or 53% 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 as early as 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.

Since 2007, LVMH has owned 100% of the luxury vodka **Belvedere**. The brand was founded in 1993 in order to bring a luxury vodka for connoisseurs to the American market. Belvedere was introduced to this market in 1996, and in 1999 the company decided to develop flavored vodkas. The Polmos Zyrardow distillery in Poland, which makes Belvedere vodka, was founded in 1910.

LVMH acquired Glenmorangie in 2005. Glenmorangie notably owns the single malt whisky brands **Glenmorangie** and **Ardbeg**.

In 2017, the first bottles of **Volcán De Mi Tierra** tequila, created with Mexican partner Don Juan Gallardo, went on sale in a limited number of points of sale in the United States and Mexico.

In 2017, the Group acquired **Woodinville Whiskey Company**, which was established in 2010 by Orlin Sorensen and Brett Carlile and is now the largest craft whiskey distillery in Washington State. Its two flagship products – Woodinville Straight Bourbon Whiskey and Woodinville Straight Rye Whiskey – were crowned as the best craft whiskeys in their respective categories in 2016 and 2017 by the American Distilling Institute.

1.2.2. Competitive position

In 2017, the volumes shipped from the Cognac region were up 10% from 2016 (source: *Bureau National Interprofessionnel du Cognac* – BNIC), while the volumes of Hennessy shipped were up 8%. The market share of Hennessy was 48.6%, compared to 49.4% in 2016. 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 number of bottles, excluding bulk, are as follows:

(in millions of bottles and percentage)	2017			2016			2015		
	Volumes		Market share	Volumes		Market share	Volumes		Market share
	Region	LVMH	*(%)*	Region	LVMH	*(%)*	Region	LVMH	*(%)*
France	3.5	0.7	20.1	3.5	0.4	11.2	3.7	0.4	9.5
Europe (excluding France)	35.3	8.4	23.9	33.1	8.2	24.8	34.5	8.0	23.3
United States	82.4	53.4	64.8	73.9	48.0	65.0	65.1	41.1	63.1
Asia	58.1	23.0	39.7	51.8	22.3	43.0	51.3	20.8	40.6
Other markets	14.1	8.4	59.8	13.1	7.8	59.7	11.4	6.8	60.0
Total	**193.3**	**94.0**	**48.6**	**175.5**	**86.7**	**49.4**	**166.0**	**77.1**	**46.5**

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

(as %)	2017	2016	2015
United States	55	53	51
Japan	1	1	1
Asia (excluding Japan)	24	25	27
Europe (excluding France)	9	10	10
Other	11	11	11
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* essentially 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

Most of the cognac *eaux-de-vie* that Hennessy needs for its production are purchased from a network of approximately 1,600 independent producers, a collaboration which enables the company to ensure that exceptional quality is preserved as part of an ambitious sustainable winegrowing policy. Hennessy directly operates about 170 hectares, providing for less than 1% of its *eaux-de-vie* needs.

Purchase prices for *eaux-de-vie* are agreed on between the company and each producer based on supply and demand and the quality of the *eaux-de-vie*. In 2017, the price of *eaux-de-vie* from the harvest increased by 3% compared to the 2016 harvest.

With an optimized inventory of *eaux-de-vie*, the Group can manage the impact of price changes by adjusting its purchases from year to year under the contracts with its partners.

Hennessy continues to control its purchase commitments and diversify its partnerships to prepare for its future growth across the various quality grades.

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 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.

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

Overall, Belvedere's top raw *eaux-de-vie* supplier represents less than 30% of the company's supplies.

1.2.6. The Scotch 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.

According to 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 tubs called mash tuns in order to extract the sugars from the malted barley. The resulting sugary liquid, known as wort, is transferred to a fermentation vessel or washback 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 tallest 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 sealed into oak ex-bourbon barrels and matured in a distillery warehouse for at least three years. Maturation is a 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.

1.3. 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 plc. In 2017, 24% of champagne and cognac sales were made through this channel.

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

Since 1987, LVMH and Guinness (prior to the creation of Diageo) have signed agreements leading to the creation of joint ventures for the distribution of their top brands in major countries, 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.

In the United States, Moët Hennessy products have been sold by Moët Hennessy USA since 2005 following the winding up of the Schieffelin & Somerset joint venture, but Moët Hennessy and Diageo products continue to be sold through joint distributors.

Since 2010, following the restructuring of the distribution of Moët Hennessy's and Diageo's products in Japan, Moët Hennessy has refocused 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 other premium brands was transferred to a joint venture between Kirin and Diageo.

Since 2011, as a result of the buyout by LVMH of Whitehall's stake in the joint venture, a subsidiary wholly owned by Moët Hennessy has been responsible for distribution in Russia.

In China, the MHD China joint venture primarily distributes Moët Hennessy products; Diageo now handles the distribution of the majority of its brands through one of its subsidiaries.

2. FASHION AND LEATHER GOODS

The Fashion and Leather Goods business group includes Louis Vuitton, the world's leading luxury brand, Christian Dior, Fendi, Loewe, Céline, Kenzo, Marc Jacobs, Givenchy, Thomas Pink, Pucci, Berluti, Rossimoda, Loro Piana, Rimowa and Nicholas Kirkwood. This exceptional group of brands, born in Europe and the United States, has 1,769 stores around the world. LVMH supports the growth of these brands by providing them with shared resources, while at the same time respecting their identity and their creative positioning. In 2017, Rimowa – the global leader in high-quality luggage – and Christian Dior Couture joined the Fashion and Leather Goods business group.

In 2017, the Fashion and Leather Goods business group posted revenue of 15,472 million euros, representing 36% 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 Italian, Spanish, British, German and American companies.

Louis Vuitton (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, its first eyewear collection in 2005, and a line of high-end leather goods in 2011. In 2016, it launched Louis Vuitton perfumes, a collection of seven fragrances.

Christian Dior was founded in 1946. Ever since its first "New Look" show, it has continued to assert its vision through elegant, structured and infinitely feminine collections. It offers a range of leather goods, ready-to-wear, footwear and accessories for men and women, as well as watches and jewelry. Parfums Christian Dior is included in the Perfumes and Cosmetics business group.

Fendi, founded in Rome in 1925, one of the flagship brands of Italian fashion, has been part of the Group since 2000. Particularly well-known for its skill and creativity in furs, the brand is also present in leather goods, accessories and ready-to-wear.

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

Marc Jacobs, created in New York in 1984, is named after its founder. LVMH has handled its distribution activities since 1997. Through its collections of men's and women's ready-to-wear, leather goods and shoes, it aims to be the symbol of an irreverent urban fashion movement that is culturally driven but also socially engaged.

Céline, founded in 1945 and owned by LVMH since 1996, offers ready-to-wear items, leather goods, shoes and accessories.

Kenzo, formed in 1970, joined the Group in 1993. Today, the company operates in the areas of ready-to-wear for men and women, fashion accessories and leather goods. Its perfume business is part of the Perfumes and Cosmetics business group.

Givenchy, founded in 1952 by Hubert de Givenchy and part of the Group since 1988, 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. Givenchy perfumes are included in the Perfumes and Cosmetics business group.

Thomas Pink, a brand formed in 1984 that joined the Group in 1999, is a recognized specialist in high-end shirts in the United Kingdom.

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 2000.

Berluti, an artisan bootmaker established in 1895 and held by LVMH since 1993, designs and markets very high-quality men's shoes, as well as a line of leather goods, now enriched with a line of ready-to-wear items for men.

Loro Piana, an Italian company founded in 1924 and held by LVMH since 2013, creates exceptional products and fabrics, particularly from cashmere, of which it is the world's foremost processor. The brand is famous for its dedication to quality and the noblest raw materials, its unrivalled standards in design and its expert craftsmanship.

Rimowa, founded in Cologne in 1898, is the first German brand to be owned by LVMH. Renowned for its prestigious luggage, its products feature an iconic design and reflect its constant quest for excellence.

Nicholas Kirkwood, the British luxury footwear company established in 2004 and named after its founder, in which LVMH acquired a 52% stake in 2013, is famous throughout the world for its unique, innovative approach to footwear design.

2.2. Competitive position

In the Fashion and Leather Goods segment, the luxury market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands. LVMH's brands are present all around the world, and it has established itself as one of the most international groups, alongside Kering, Hermès, Chanel, Prada, Burberry, Tapestry and Richemont. All these groups compete in various product categories and geographic areas.

2.3. 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. In 2013, Nicolas Ghesquière succeeded Marc Jacobs, who had designed the Louis Vuitton women's ready-to-wear collections since 1998. Since 2016, Maria Grazia Chiuri has been the first female Creative Director of Dior's womenswear collections. Karl Lagerfeld is in charge of the creation of Fendi's ready-to-wear line for women, while Silvia Fendi is in charge of accessories and men's ready-to-wear collections. In early 2018, Hedi Slimane will take over from Phoebe Philo, who has been Céline's Creative Director since 2008. He will oversee all of the Maison's collections, which will be expanded to include men's fashion, couture and fragrances. In 2017, Clare Waight Keller was made Artistic Director of Givenchy with responsibility for Haute Couture, ready-to-wear and women's and men's accessories. Since 2013, Jonathan Anderson has been Creative Director of Loewe. In 2011, Humberto Leon and Carol Lim were appointed as Creative Directors for all of the Kenzo collections. Olga Berluti, the heiress of the expertise built up by her predecessors, is perpetuating the unique style and quality of Berluti shoes. Haider Ackermann has been the brand's Creative Director since September 2016. Marc Jacobs is in charge of design at his eponymous brand.

2.4. Distribution

Controlling the distribution of its products is a core strategic priority for LVMH, particularly in luxury Fashion and Leather Goods. This control allows the Group to benefit from 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 1,769 stores as of December 31, 2017.

2.5. Supply sources and subcontracting

Louis Vuitton's nineteen leather goods workshops – thirteen in France, three in Spain, two in the United States and one in Italy – manufacture most of its leather goods products. All development and manufacturing processes for the entire footwear line are handled at Louis Vuitton's workshops in Fiesso d'Artico, Italy, whilst production of accessories (textiles, jewelry, belts, eyewear, etc.) is concentrated in the Louis Vuitton workshops at Barbera (Catalonia) and Gallarate (Lombardy). Louis Vuitton uses external manufacturers only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Louis Vuitton purchases its materials from suppliers located around the world, with whom it has established partnership relationships. The supplier strategy implemented over the last few years has enabled volume, quality and innovation requirements to be met thanks to a policy of concentration and supporting the best suppliers while limiting Louis Vuitton's dependence on them. For this reason, the leading leather supplier accounts for only around 25% of Louis Vuitton's total leather supplies.

Dior Couture's production capacity and use of outsourcing vary very widely depending on the product. In leather goods, it works with companies outside the Group to increase its production capacity and provide greater flexibility in its manufacturing processes. In ready-to-wear and fine jewelry, it purchases supplies solely from non-Group businesses.

Fendi and Loewe have leather workshops in their countries of origin, and in Italy for Céline and Berluti, which cover only a portion of their production needs. Rimowa manufactures a large proportion of its products in Germany. Generally, the subcontracting used by the business group is diversified in terms of the number of subcontractors and is located primarily in the brand's country of origin, France, Italy and Spain.

Loro Piana manages all stages of production, from the sourcing of natural fibers to the delivery of finished products to stores. Loro Piana procures its unique materials (baby cashmere from northern China and Mongolia, vicuña from the Andes, and extra-fine Merino wool from Australia and New Zealand) through exclusive partnerships with suppliers all over the world. Its exquisite textiles and products are then manufactured in Italy.

Moreover, in order to safeguard and develop the Fashion and Leather Goods companies' access to the high-quality raw materials and know-how they need, the LVMH Métier d'Arts business segment created in 2015 invests in, and provides long-term support to, its best suppliers. In leather, for example, LVMH teamed up with the Koh brothers in 2011 to develop the business of the Heng Long tannery in Singapore. Founded in 1950, it is now a leading crocodile leather tannery. In 2012, LVMH acquired Tanneries Roux, founded in 1803 and one of the last French tanneries specializing in calfskin.

Overall, the use of subcontractors for Fashion and Leather Goods operations represented about 33% of the cost of sales in 2017.

Finally, for the different Group companies, the fabric suppliers are often Italian, but on a non-exclusive basis.

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

3. PERFUMES AND COSMETICS

The LVMH group is present in the perfume and cosmetics sector through its major French houses: Parfums 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 cosmetics brand incubator Kendo; the prestigious Italian brand Acqua di Parma; Parfums Loewe, a Spanish brand with strong positions in its domestic market; and Make Up For Ever, a French company originally specialized in professional makeup products. Maison Francis Kurkdjian, a niche French fragrance company, was added to the portfolio in 2017.

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's 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 subsidiaries increases the effectiveness of support functions for worldwide distribution 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 Perfumes and Cosmetics.

The Group's Perfumes and Cosmetics brands are sold mainly through "selective retailing" channels (as opposed to mass-market retailers and drugstores), although certain brands also sell their products in their own stores. There were a total of 302 points of sale of this type for the business group as of December 31, 2017.

In 2017, the Perfumes and Cosmetics business group posted revenue of 5,560 million euros, representing 13% of LVMH's total revenue.

3.1. The brands of the Perfumes and Cosmetics business group

Parfums Christian Dior was founded in 1947, one year after the Christian Dior fashion house, with the introduction of the *Miss Dior* perfume. While developing its lines of fragrances for men and women over the years, Parfums Christian Dior expanded its activity to the makeup sector in 1955, and to skincare products in 1973. François Demachy, perfumer and Creative Director, and Peter Philips, Creative Director for makeup, both build on Christian Dior's rich heritage and legacy. Today, Parfums Christian Dior allocates 1.2% of its revenue to research and is on the cutting edge of innovation.

Guerlain, founded in 1828 by Pierre-François-Pascal Guerlain, has created more than 700 perfumes since its inception. The brand has developed an exceptional image in the perfume universe and many of its creations have enjoyed remarkable longevity. Guerlain's iconic perfumes include *Shalimar*, *L'Instant de Guerlain* and *La Petite Robe Noire* as well as *Mon Guerlain*, which was launched in 2017. Today it is also known for its makeup and skincare lines, including *Orchidée Impériale* and *Abeille Royale*.

Parfums Givenchy, founded in 1957, complements Givenchy's fashion lines with a range of fragrances for women and men, including *Amarige*, *Organza*, *Very Irrésistible*, in addition to *Givenchy Pour Homme*, and *Gentlemen Only*, and has also developed a rich cosmetics offering, including now-iconic makeup lines such as *Le Rouge* and *Prisme Libre*, as well as a skincare line.

Parfums Kenzo appeared in 1988, and developed with the success of *FlowerbyKenzo*, launched in 2000. The brand diversified its activities in the "well-being" segment by launching the *KenzoKi* line in 2001. In subsequent years, it launched the *KenzoAmour* fragrance for women and created the *KenzoHomme* line for men. In 2016, it launched *Kenzo World*, a new women's perfume, as part of a drive to establish closer ties with the fashion world and expand the brand's customer base.

Benefit Cosmetics, founded in San Francisco in 1976, joined LVMH in late 1999. The brand owes its rapid success to the high quality of its beauty and makeup products, which convey a true sense of pleasure and are enhanced by the playful aspect of the product names and packaging. In addition to sales through its 79 exclusive boutiques around the world (United States, Asia, Europe, Australia), the brand currently retails at around 5,500 points of sale in some 50 countries worldwide.

Fresh, created in 1991, joined LVMH in September 2000. The brand initially built its reputation by creating body care products inspired by ancestral beauty recipes and entirely natural and high-quality fragrances, before expanding its concept to makeup and haircare products.

Parfums 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 1999. The brand specializes in professional makeup and its applications for consumers. Its products are sold through exclusive boutiques in Paris, New York, Los Angeles and Dallas, and through a number of selective retailing circuits, particularly in France, Europe and the United States (markets developed in partnership with Sephora), as well as in China, South Korea and the Middle East.

Acqua di Parma, founded in 1916 in Parma and acquired by LVMH in 2001, 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 and Paris.

Kendo is a cosmetics brand incubator set up in 2010, which now houses five brands: Kat Von D, Marc Jacobs Beauty, Ole Henriksen, lipstick specialist Bite Beauty, and Fenty Beauty, which was launched in 2017. These brands are primarily distributed by Sephora.

Maison Francis Kurkdjian was founded in 2009 by Francis Kurkdjian, a renowned perfumer, to create a new multi-faceted landscape of olfactory free expression encapsulating French *savoir-vivre*. This acquisition, which was completed in 2017, has established the LVMH group in the fast-growing segment of niche perfumes.

3.2. Competitive position

In France, where the prestige beauty product market shrank by 1.4% in 2017 compared with 2016, the LVMH group kept the contraction in its sales below the market average, maintaining its market share. Likewise, in Italy, the sales decline registered by the Group was below the market average, allowing it to increase its market share at the end of 2017. Conversely, LVMH's sales in Spain lagged behind the 7.2% expansion in the market. Trends remain highly positive in Asia (source: Beauty Research sell-out panel, November 30, 2017), including in China, where the Group's market share surged, despite a vibrant performance that nonetheless underperformed the market at large in Japan. In the United States, the Group successfully defended its positions by achieving growth almost in line with the broader market.

3.3. Research in Perfumes and Cosmetics in 2017

In recent years, the cosmetics market has been rocked by some major changes as a result of the digital revolution, regulatory changes, the emergence of a plethora of "indie" brands and the surge in Asian markets. Generation Z's inspirational rise to the fore has brought with it new consumer trends shaped by a profound attachment to natural and authentic products.

In this highly competitive environment, LVMH continued to step up the pace of all its innovation programs, forging stronger links with non-Group partners and adding new business areas and skills. It nurtured its agile organization methods and built closer ties with its Maisons to achieve a single goal: become its end customers' favorite brand, owing to the exceptional quality of its products.

In 2017, its innovation was evident in several new products. Dazzling lipstick shades should be both comfortable and long-lasting. The texture of the *Dior Addict Gel lacquer* stick made using the backfill technique – three times more fondant than a conventional stick – imparts a smooth, thin layer of glossy shine. At Make-Up For Ever, *Rouge Artist Satin*'s ultra-pigmented formula delivers an opaque makeup that lasts for more than eight hours. Guerlain has introduced *KissKiss Matte*, its first-ever matte lipstick with a hydrating and plumping effect. As comfortable as a balm, this lipstick contains a subtle spice extract and a next-generation hyaluronic acid that smooths and shapes the smile. *Dior Addict Lip Tattoo* is a real feat of formulation. This more than 50% water-based emulsion infused with "no material" and "no transfer" colored pigments is very easy to apply, just like Guerlain's *Lingerie de Peau Aquanude* foundation, which smooths and evens out the complexion with an intangible natural veil. *Diorskin Forever Mousse* foundation is available in a new form that instantly delivers a long-lasting, extra-matte, non-powdery finish. Dior has moved away from the traditional packaging by developing a squeezable pack that puts just the right amount of mascara on the brush. With its new pump and new mascara architecture, the *Diorshow Pump 'N' Volume* has pushed back the limits of what is achievable almost instantly with an ultra-volumizing formula across the entire eyelash. Givenchy is reinventing mascara and has added an innovative 90° bendable brush to its *Noir Interdit* to create a lash extension effect. Similarly, makeup removal can become a time to treasure. Formulated with Sucragel CF that creates D-phase gel, Givenchy's *Soin Noir Rituel de Nettoyage* turns into fine and gentle oil on contact with the user's fingers and then into a white emulsion on contact with water, leaving skin pure, soft and radiant.

In skincare, the latest discoveries in the field of skin cell hypoxia (lack of oxygen) have given rise to a new technology known as Cell Respiration, which lies at the heart of the next generation of Guerlain's *Orchidée Impériale* anti-aging cream. The latest discoveries about how the brain interacts with the skin have unlocked more of the secrets of the skin's self-repair mechanisms and how to correct signs of aging. The skin's repair mechanisms are linked to its neuro-sensorial functions. Guerlain has developed a new technology based on an oil used in ayurvedic medicine. Preserved intact in microbeads, this oil is kept completely protected from the other components. Upon application, the beads melt away instantly when they come into contact with the fingers, releasing the biologically active molecules.

Remaining loyal to its desire to protect the environment, LVMH Recherche is continuing with its efforts to focus on natural products. Dior's *Hydra Life* line offers a new sensory experience through its novel formulations, featuring 82% naturally derived ingredients, and exceptional hydration resulting from a new approach that acts on the skin flora to boost hydration. Dior's *La Micro-Huile de Rose* is a highly concentrated blend of exclusive active ingredients extracted from the Granville rose encapsulated in micro-pearls. This micro-oil recharges the skin by delivering micro-nutrients and providing it with endogenous nutrition for the first time.

In the anti-aging segment, to meet demand from women keen to delay any signs of aging, Dior's *Capture Youth* is a cream that draws on predictive medicine to help fight the appearance of signs of aging by acting on glyoxalase, a key enzyme at the early stages of the oxidation mechanisms for skin aging.

To guard against stress and pollution, *One Essential* provides greater protection against volatile organic compounds (VOCs), pollutants found everywhere, including indoors, using a natural hibiscus extract, and Givenchy's *L'Intemporel* shelters the skin from the aging caused by ultra-violet and infra-red rays.

Fresh's *Lotus Youth Preserve Rescue Mask* offers a completely new sensory experience for tired skin. In contact with water, the mask with its gelling polymer is transformed into a voluptuous cocoon that works to gently buff and refine, restoring the skin's vitality.

Innovation, performance and sensoriality are the guiding principles for LVMH Recherche. Connected to the world, by strengthening its research teams in Asia in particular (Japan, China and South Korea) it has been able to obtain key economic and technological information from these markets in real time. A number of products are the result of international collaborations with universities and businesses of various sizes, including startups. Numerous scientific communications at international conventions provide the opportunity to continuously enhance its network of researchers and pave the way for new scientific territories and partnerships.

3.4. Supply sources and subcontracting

The five French production centers of Guerlain, Parfums Christian Dior and LVMH Fragrance Brands meet almost all the manufacturing needs of the four major French brands, including Kenzo Parfums, in fragrances as well as makeup and beauty products. Make Up For Ever also has manufacturing capacities in France. Benefit, Parfums Loewe and Fresh have some of their products manufactured by the Group's other brands, with the remainder subcontracted externally.

Overall, manufacturing subcontracting represented about 6% of the cost of sales for this activity in 2017, plus approximately 11 million euros for logistics 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 to create 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 (France) laboratories, but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

4. WATCHES AND JEWELRY

The Watches and Jewelry business group holds a portfolio of top-quality watch and jewelry brands with highly complementary market positions: TAG Heuer, the world's leading maker of luxury sports watches and chronographs; Hublot, a high-end watchmaker; the luxury watchmaker Zenith, which has its own manufacture; Montres Dior, which offers collections inspired by the designs of the fashion house; Bvlgari, the pace-setter for Italian fine jewelry since 1884; Chaumet, the prestigious historic jeweler on Place Vendôme in Paris; Fred, a designer of contemporary jewelry pieces. The stake held in the De Beers Diamond Jewellers joint venture was divested during the year.

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.

In watchmaking, manufacturing has been coordinated 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 jewelry, centralized checking has been introduced for diamonds, alongside technical cooperation between brands for the development of new products.

In 2017, the Watches and Jewelry business group posted revenue of 3,805 million euros, which represented 9% of total LVMH revenue.

4.1. The brands of the Watches and Jewelry business group

TAG Heuer, founded in 1860 in the Swiss Jura town of Saint-Imier and acquired by LVMH in November 1999, has forged strong ties over the years with the world of competitive sports, reflected in the brand's core performance values. TAG Heuer is recognized for the quality and precision of its timepieces, combined with cutting-edge design aesthetics. Its most coveted traditional and automatic watches and chronographs are the *Carrera*, *Aquaracer*, *Formula 1*, *Link* and *Monaco* lines. In 2010, TAG Heuer launched the first automatic movement developed and built in-house, followed, in 2015, by the launch of a smartwatch.

Hublot, founded in 1980 and part of the LVMH group since 2008, has always been an innovative brand, creating the first watch in the industry's history fitted with a natural 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 has launched the *Classic Fusion* and the more recent *Spirit of Big Bang* lines.

Zenith (founded in 1865 and established in Le Locle near the Swiss Jura region) joined LVMH in November 1999. Zenith belongs to the very select group of watch movement manufactures. 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 chronograph *El Primero* and the extra-flat movement *Elite*, absolute benchmarks for Swiss watchmaking, are provided on the watches sold under this brand. In 2017, Zenith launched its innovative new *Defy* models.

Bvlgari, founded in 1884, stands for creativity and excellence worldwide and is universally recognized as one of the major players in its sector. The long-celebrated Italian brand occupies a strong leadership position in jewelry, with an outstanding reputation for its expertise in combining colored gemstones and watches, while also playing an important role in the fragrance and accessories segments. Iconic lines include *Serpenti*, *B.Zero1*, *Diva* and *Octo*.

Chaumet, a jeweler established in 1780, has maintained its prestigious expertise, which is reflected in all its designs, whether high-end jewelry pieces, jewelry or watch collections. Its major lines are *Joséphine* and *Liens*. The LVMH group acquired Chaumet in 1999.

Fred, founded in 1936 and part of the LVMH group since 1995, is present in high-end jewelry, jewelry and watchmaking. Since joining the Group, Fred has completely revamped its design, image and distribution. This revival can be seen in the bold, contemporary style exemplified by the brand's iconic *Force 10* line.

4.2. Competitive position

The growth rate posted in 2017 by the Watches and Jewelry business group's watch business outpaced the increase in Swiss watch exports, which rose by 3% over the period.

The jewelry market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands from a large number of different countries. LVMH's brands are present right around the world, and it has established itself as one of the international leaders, alongside Richemont and Tiffany.

4.3. Distribution

The Watches and Jewelry brands' directly operated store network comprised 405 stores as of December 31, 2017 at prestigious locations in the world's largest cities. The Watches and Jewelry business group also developed a network of franchises.

4.4. Supply sources and subcontracting

At its Swiss workshops and manufacturing centers, located in Le Locle, La Chaux-de-Fonds, Neuchâtel, Cornol, Tramelan, Le Sentier, Chevenez and Nyon, the Group assembles a substantial proportion of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Bvlgari, Montres Dior, Chaumet and Fred brands; it also designs and manufactures mechanical movements such as *El Primero* and *Elite* by Zenith, *Heuer 01* by TAG Heuer, *UNICO* by Hublot and *Solotempo* by Bvlgari; and it manufactures some critical components such as dials, cases and straps. Zenith's manufacturing facility in Le Locle underwent a major renovation in 2012. In 2013, TAG Heuer inaugurated a new movement manufacturing facility in Chevenez, and in 2015 Hublot opened a second one at its Nyon site.

At the end of 2016, Bvlgari opened a jewelry manufacturing facility in Valenza, Italy. It also operates a high jewelry workshop in Rome.

In the watch business, subcontracting accounted for around 10% of the cost of sales in 2017.

Even though the Watches and Jewelry group can sometimes 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, the Middle East and Latin America, and operate in two segments: travel retail (the sale of luxury products to international travelers), the business of DFS and Starboard Cruise Services, and the selective retail concepts represented by Sephora and the Paris department store Le Bon Marché.

In 2017, the Selective Retailing business group posted revenue of 13,311 million euros, or 31% of the total revenue of LVMH.

5.1. Travel retail

DFS

Duty Free Shoppers (“DFS”) joined LVMH in 1997.

DFS is the pioneer and the world leader 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 currently account for nearly 60% of its revenue.

With an area of around 6,000 to 12,000 square meters, the *Gallerias* are located in the urban centers of major airline destinations in Asia-Pacific, the United States and Japan. Each space combines in one site, close to the hotels where travelers are lodged, two different but complementary sales spaces: a general luxury product offering (including perfumes and cosmetics, fashion and accessories) and a gallery of prestigious boutiques, some of which belong to the LVMH group (including Louis Vuitton, Hermès, Bvlgari, Tiffany, Christian Dior, Chanel, Prada, Fendi and Céline).

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

Starboard Cruise Services

Starboard Cruise Services, acquired by LVMH in 2000, is an American company founded in 1958, the world leader in the sale of duty-free luxury items on board cruise ships. It provides services to nearly 90 ships representing several cruise lines. It also publishes tourist reviews, catalogs and advertising sheets available on board.

5.2. Selective retail

Sephora

Sephora, 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, makeup and skincare respectively. Based on the quality of this concept, Sephora has gained the confidence of selective perfume and cosmetics brands. In addition, Sephora has offered products sold under its own brand name since 1995 and has developed a line of exclusive products thanks to its close ties with brands selected for their bold ideas and creativity.

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. Sephora is present in 16 European countries. The Sephora concept also crossed the Atlantic in 1998, with a strong presence in the United States, an Internet site sephora.com, and a store network in Canada. Sephora entered the Chinese market in 2005. Having entered the Middle East in 2007, it had stores in five countries by the end of 2015. After entering the South American market in 2010 with its acquisition of Sack’s, the leading online retailer of selective perfumes and cosmetics in Brazil, Sephora has reinforced its presence in this country and in Mexico. Sephora has also reaffirmed its presence in Russia, raising its stake in Ile de Beauté, a perfume and cosmetics retail chain, to 100%. Starting in 2008, Sephora has also developed its presence in Southeast Asia, opening its first stores in Singapore and then in Malaysia, India and Thailand. In 2014, the brand continued expanding in the region and marked its debut in Australia and Indonesia. In 2015, geographic expansion continued with the acquisition of the e-commerce site Luxola, which is present in eight countries in Southeast Asia.

Le Bon Marché

Established in 1852, Le Bon Marché Rive Gauche 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 Rive Gauche has a food store, La Grande Épicerie de Paris. Since 1994, it has also owned Franck et Fils, located on rue de Passy in the sixteenth district of Paris. This building was transformed in order to house the second La Grande Épicerie in Paris starting in November 2017. 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 product offerings and service policy, which sets the bar very high, Le Bon Marché Rive Gauche is now the most exclusive and creative department store in Paris.

5.3. Competitive position

Following the recent round of market consolidation, DFS was the fourth-ranked travel retail operator at year-end 2016. In the United States, Sephora has been the market leader since the first quarter of 2016, and continued to make headway in 2017. In France, where the prestige beauty product market declined by 2.8% in 2017 compared with 2016, Sephora saw its share decline, but it remained the leading player. In addition, Sephora continued to gain market share in Canada, where it has led the market since 2015, and in Italy.

6. OTHER ACTIVITIES

The Other activities segment includes the media division managed by the Les Echos group, La Samaritaine, the Dutch luxury yacht maker Royal Van Lent, Cheval Blanc hotel operations and since 2013, the Cova patisserie business, based in Milan (Italy).

Les Echos group

LVMH acquired the Les Echos group in 2007. 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 business services. Les Echos group also holds several other financial and cultural media titles that were previously owned directly by LVMH: *Investir – Le Journal des finances*, resulting from the 2011 merger of two financial weeklies; *Connaissance des Arts*; and the French radio station *Radio Classique*. Les Echos group also publishes trade journals, with titles produced by SID Presse, and is active in the business-to-business segment, with the organizations *Les Echos Formation* and *Les Echos Conférences*, the trade show *Le Salon des Entrepreneurs*, and *Eurostaf* market studies. Since late 2015, Les Echos has also encompassed the *Le Parisien* daily newspaper and its *Aujourd'hui en France* magazine.

La Samaritaine

La Samaritaine is a real estate complex located at the heart of Paris, beside the Seine river. It comprised a department store in addition to leased office and retail space until 2005 when the department store was closed for safety reasons. La Samaritaine is undergoing a large-scale renovation project which adheres to an innovative environmental approach. Several activities will be grouped together in its buildings on the two blocks between the Quai du Louvre and the Rue de Rivoli: a department store, a 72-room Cheval Blanc luxury hotel, 96 social housing units, a daycare center and offices. The building permit granted at the end of 2012 was definitively validated by order of France's Supreme Administrative Court (*Conseil d'État*) on June 19, 2015.

Royal Van Lent

Founded in 1849, Royal Van Lent designs and builds luxury yachts according to customers' specifications and markets them under the Feadship brand, one of the most prestigious in the world for yachts over 50 meters.

LVMH Hotel Management

LVMH Hotel Management is the spearhead of the Group's business development in hotels, under the Cheval Blanc brand. The Cheval Blanc approach, based on the founding values of craftsmanship, exclusivity, creativity and hospitality, is applied at all of its hotels, whether proprietary or independently managed. Cheval Blanc has locations in Courchevel (France), Saint-Barthélemy (French Antilles) with the hotel acquired in 2013, and the Maldives.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

LVMH group

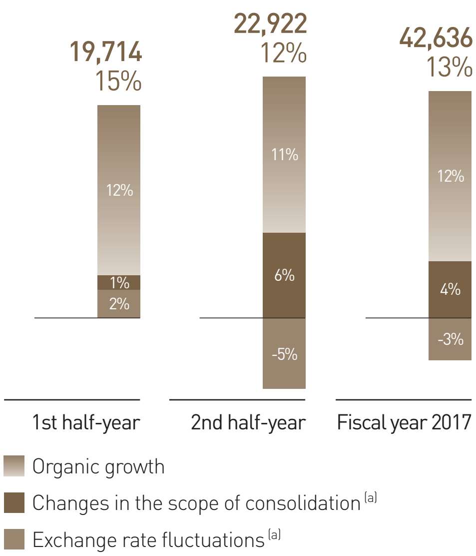
1. BUSINESS AND FINANCIAL REVIEW

1.1. Comments on the consolidated income statement

1.1.1. Analysis of revenue

Change in revenue per half-year period

(EUR millions and percentage)



(a) The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 27.

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

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

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

Revenue by invoicing currency

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

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

Revenue by geographic region of delivery

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

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

Revenue by business group

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

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

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

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

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

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

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

1.1.2. Profit from recurring operations

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

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

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

The geographic breakdown of stores is as follows:

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

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

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

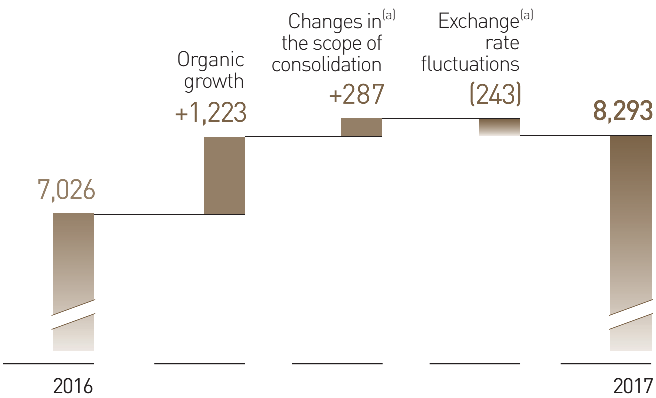
Profit from recurring operations by business group

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

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

Change in profit from recurring operations

(EUR millions)



(a) The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 27.

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

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

Wines and Spirits

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

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

Fashion and Leather Goods

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

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

Perfumes and Cosmetics

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

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

Watches and Jewelry

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

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

Selective Retailing

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

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

Other activities

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

1.1.3. Other income statement items

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

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

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

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

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

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

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

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

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

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

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

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

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

1.2. Wines and Spirits

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

Highlights

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

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

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

Mercier continued the targeted expansion of its accessible prestige champagnes.

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

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

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

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

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

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

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

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

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

Outlook

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

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

1.3. Fashion and Leather Goods

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

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

Highlights

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

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

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

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

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

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

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

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

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

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

Outlook

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

1.4. Perfumes and Cosmetics

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

Highlights

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

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

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

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

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

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

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

Outlook

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

1.5. Watches and Jewelry

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

Highlights

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

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

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

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

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

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

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

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

Outlook

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

1.6. Selective Retailing

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

Highlights

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

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

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

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

Outlook

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

1.7. Comments on the consolidated balance sheet

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

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

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

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

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

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

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

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

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

Net financial debt and equity

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

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

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

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

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

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

1.8. Comments on the consolidated cash flow statement

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

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

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

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

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

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

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

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

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

2. FINANCIAL POLICY

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

• Improving the Group's financial structure and flexibility, as evidenced by the following key indicators:

- level of equity: equity before appropriation of profit was up 9% to 30.3 billion euros as of December 31, 2017, compared to 27.9 billion euros a year earlier;
- the Group's access to liquidity, notably through its euro- and dollar-denominated commercial paper programs, which benefit from extremely favorable rates and spreads, as well as the option to call on bond markets on a regular basis over medium/long-term maturities, with issue spreads at low levels in 2017;
- maintaining a necessary level of cash and cash equivalents with a diversified range of top-tier banking partners and short-term money market funds. Special attention was given to the payment of these investments to avoid any potential negative yields, a corollary of the quantitative easing policy of the European Central Bank;
- the Group's financial flexibility, facilitated by a significant reserve of undrawn confirmed credit lines totaling 3.8 billion euros, including a 2 billion euro syndicated loan with a remaining term to maturity of four years.

• 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 to hedge its debt.

• Greater concentration of Group liquidity owing to the roll-out of cash pooling practices worldwide, ensuring the fluidity of cash flows across the Group and optimal management of surplus cash. As a rule, the Group applies a diversified short-term and long-term investment policy.

• Pursuing a dynamic policy of dividend payouts to shareholders, to enable them to benefit from the very strong performance over the year:

- an interim dividend for 2017 of 1.60 euros was paid in December 2017;
- a dividend payment of 5.00 euros per share is proposed for the fiscal year (i.e. a final dividend of 3.40 euros available for distribution in 2018). As a result, total dividend payments to shareholders by LVMH in respect of 2017 amounted to 2.5 billion euros, before the impact of treasury shares.

Net debt came to 7.2 billion euros at the end of 2017, as against 3.3 billion euros a year earlier. Net debt increased by 3.9 billion euros. This increase resulted from the acquisition of Christian Dior Couture in July 2017 for 6 billion euros, offset by high levels of net cash from operating activities and operating investments (free cash flow) in 2017.

In 2017, the Group was able to take advantage of increasingly favorable market conditions and maintained a good balance of short- and long-term debt. As such, the increase in debt had a limited impact on borrowing costs, with the cost of net debt (before fair value adjustments) coming to 77 million euros in 2017, versus 66 million euros in 2016, increasing by 17% while average net debt increased by 70%. However, this additional expense was more than offset by the positive impact of the fair value adjustment of borrowings and interest rate hedges for 14 million euros.

With regard to foreign exchange risks, the Group continued to hedge the risks of its exporting companies by buying options or collars, which protect against the negative impact of currency depreciation while retaining some of the gains in the event of currency appreciation. 2017 saw the US dollar and Japanese yen weaken throughout the year. The hedging strategies resulted in exchange rates for the US dollar and the Japanese yen better than the respective average exchange rates over the year, and for the pound sterling the hedged exchange rate was in line with the average for the year.

3. OPERATING INVESTMENTS

3.1. 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:

Communication and promotion expenses	2017	2016	2015
- in millions of euros	4,831	4,242	4,017
- as % of revenue	11.3	11.3	11.3

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.

3.2. Research and development costs

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

(EUR millions)	2017	2016	2015
Research and development costs	130	111	97

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

3.3. 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.

Purchases 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 the Group's cash from operations before changes in working capital:

Purchase of tangible and intangible fixed assets	2017	2016	2015
- in millions of euros	2,299	2,261	1,974
- as % of cash from operations before changes in working capital	22	26	25

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 2017, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total retail network increasing from 3,948 to 4,374 stores (including the integration of 198 Christian Dior Couture boutiques). In particular, Sephora continued to expand its worldwide retail network, which reached 1,825 stores as of December 31, 2017, compared to 1,726 the previous year.

In Wines and Spirits, in addition to necessary replacements of barrels and production equipment, investments in 2017 were related to ongoing investments in Champagne (initiated in 2012) as well as the start of construction on a new packaging and shipping site at Hennessy.

4. MAIN LOCATIONS AND PROPERTIES

4.1. Production

Wines and Spirits

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

(in hectares)	2017		2016	
	Total	Of which under production	Total	Of which under production
France				
Champagne appellation	1,845	1,718	1,837	1,695
Cognac appellation	187	160	187	159
Vineyards in Bordeaux	194	152	193	152
Vineyards in Burgundy	11	11	11	11
International				
California (United States)	462	337	433	316
Argentina	1,677	967	1,683	988
Australia, New Zealand	681	603	690	609
Brazil	204	119	232	82
Spain	116	80	112	80
China	68	60	68	48
India	4	2	4	-

In the table above, the total number of hectares owned presented is determined exclusive of surfaces not usable for winegrowing. 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, the United Kingdom, the United States, Argentina, Australia, China, New Zealand, Brazil, India and Spain, as well as distilleries and warehouses in Cognac and Poland. The total surface area is approximately 820,000 square meters in France and 300,000 square meters abroad.

Fashion and Leather Goods

Louis Vuitton owns nineteen leather goods and shoe production facilities, in addition to its perfume production facility; most of them are in France, but there are also major workshops located near Barcelona in Spain; in Fiesso, Italy; and in San Dimas, California. Overall, production facilities and warehouses owned by the Group represent approximately 193,000 square meters.

Fendi owns its manufacturing facility near Florence, Italy, as well as the Palazzo Fendi building in Rome, which houses its historic boutique and a hotel.

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

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

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

Loro Piana has several manufacturing workshops in Italy as well as a site in Ulaanbaatar in Mongolia.

Rimowa owns its offices in Germany and has several production facilities in Germany, the Czech Republic and Canada. Overall, this property represents approximately 70,000 square meters.

Christian Dior Couture owns four manufacturing workshops (three in Italy and one in Germany) and a warehouse in France. This property represents approximately 30,000 square meters.

The other facilities utilized by this business group are leased.

Perfumes and Cosmetics

Buildings located near Orleans in France housing the Group's 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 140,000 square meters.

Guerlain has a 20,000 square meter production site in Chartres. The brand also owns another production site in Orphin, France, measuring 10,500 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.

Make Up For Ever owns a 2,300 square meter warehouse in Gennevilliers, France.

Watches and Jewelry

TAG Heuer has two workshops in Switzerland, one in Cornol and the other in Chevenez, together totaling about 4,700 square meters.

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.

Bvlgari owns its production facilities in Italy and Switzerland.

The facilities operated by this business group's remaining brands (Chaumet and Fred) are leased.

4.2. 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 the LVMH group own the buildings that house its stores.

Louis Vuitton owns certain buildings that house its stores in Tokyo, Hawaii, Guam, Seoul, Cannes, Saint-Tropez and Genoa, for a total surface area of approximately 8,000 square meters.

Christian Dior Couture owns certain buildings that house its stores in France, South Korea, Japan, the United Kingdom, Australia and Spain, for a total surface area of approximately 5,400 square meters.

Céline, Fendi and Berluti also own some of their stores in Paris and Italy.

In Selective Retailing:

- Le Bon Marché owns some of its stores, for a total area of approximately 80,000 square meters;
- DFS owns its stores in Guam, Saipan and Hawaii.

As of December 31, 2017, the Group's store network broke down as follows:

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

(number of stores)	2017	2016	2015
Fashion and Leather Goods	1,769	1,508	1,566
Perfumes and Cosmetics	302	248	203
Watches and Jewelry	405	397	395
Selective Retailing	1,880	1,778	1,679
Of which: Sephora	*1,825*	*1,726*	*1,626*
Other, including DFS	*55*	*52*	*53*
Other	18	17	17
Total	**4,374**	**3,948**	**3,860**

4.3. 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, Christian Dior Couture, Parfums Christian Dior and Zenith.

The Group holds a 40% stake in the company that owns the building housing its headquarters on Avenue Montaigne in Paris. It also owns three buildings in New York with about 15,000 square meters of office space and two buildings in London with about 3,000 square meters of office space. These buildings are occupied by Group entities.

The Group also owns investment properties with office space in Paris, New York, Osaka and London, which total 22,000, 6,000, 3,000 and 2,000 square meters, respectively. These buildings are leased to third parties.

The group of properties previously used for the business operations of La Samaritaine's department store are the focus of a redevelopment project, which will transform it into a complex comprising mainly offices, shops and a luxury hotel.

5. OPTION PLANS IN FORCE AT THE SUBSIDIARIES

None.

6. SUBSEQUENT EVENTS

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

7. RECENT DEVELOPMENTS AND PROSPECTS

In an environment that remains buoyant at the beginning of the year and despite unfavorable currencies and geopolitical uncertainties, LVMH is well equipped to continue its growth momentum across all business groups in 2018. The Group will maintain a strategy focused on developing its brands by continuing to build on strong innovation and investments as well as a constant quest for quality in their products and their distribution.

Driven by the agility of its teams, their entrepreneurial spirit, the balance of its different businesses and its geographic diversity, LVMH enters 2018 with cautious confidence and has, once again, set an objective of increasing its global leadership position in luxury goods.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Management of non-financial and financial risks

1. GROUP ETHICS AND CODE OF CONDUCT

The Group's success requires everyone to adhere to rules, user practices and principles that guide our day-to-day conduct all over the world in terms of ethics, protecting human rights and fundamental liberties, social responsibility and respecting the environment. LVMH's Code of Conduct, the common foundation in terms of ethics, formally sets out a series of fundamental principles that guide the Group in conducting its business and guide employees in exercising their responsibilities.

The Group's Executive Management coordinates the efforts of LVMH's Risk Management, Operations, Purchasing, Environment, Social Development and Financial Communications departments, which work together to raise awareness and help the Group's companies to achieve progress in the areas of risk management and relations with suppliers in particular.

1.1. Compliance with international conventions

Since 2003, the LVMH group has shown its support for universal values as a signatory of the United Nations Global Compact. It is committed to aligning its operations and its strategy with ten principles related to human rights, working standards, respect for the environment and the fight against corruption. LVMH also supports the Universal Declaration of Human Rights, OECD guidelines, the International Labor Organization's Fundamental Conventions, the United Nations' Millennium Development Goals and Sustainable Development Goals, Women's Empowerment Principles, and the French Diversity Charter.

Taking each individual and 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 Group companies adhere.

Accordingly, all Group companies have policies for equal opportunity and treatment irrespective of discriminatory factors such as gender, race, religion or political opinion, 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 labor and forced labor.

As regards the environment, LVMH strictly adheres to applicable laws, regulations and standards in all countries. LVMH aims to always go beyond these legal and regulatory requirements in order to respond to the concerns of society, and through its companies, employees and partners plays an active role in defining and implementing ever more responsible practices in its business sectors, in particular by adopting a precautionary approach. These commitments have been set out formally in the Environmental Charter adopted in 2001 and applicable to all Group companies.

Since it was created, the Group:

- ensures that its practices reflect the highest standards of integrity, responsibility and respect for its partners;
- offers a working environment that allows its employees to fully express their talents and implement their expertise and know-how;
- ensures that its companies define and adapt their production processes, habits and behaviors in order to provide a better response to the environmental challenges they face;
- through its activities, participates in the regional development of the areas in which it operates;
- mobilizes resources and skills to serve general interest and philanthropic initiatives and promotes access for as many people as possible to art and culture.

1.2. Codes of conduct and principles

1.2.1. The LVMH Code of Conduct

The common foundation of the Group and its companies, the Code of Conduct adopted in 2009 and disseminated to all employees was revised in 2017 in order to reassert, specify and refine the principles of conduct intended to guide the actions of all employees.

The revised Code sets out all of the principles to be implemented by the Group in conducting its activities. It outlines the rules to be followed by all employees in their roles and responsibilities, with a special emphasis on the high level of integrity demanded of everyone. In particular, the Group applies a "zero tolerance" policy towards corruption. Lastly, the Code guarantees consistency and ongoing improvement in the practices of all Group companies.

It is based on the following six core principles:

- acting responsibility and with solidarity;
- offering a fulfilling working environment and making the most of talented people;

- committing to protecting the environment;
- earning customers' trust;
- earning shareholders' trust;
- making concrete and promoting integrity in business conduct.

The Code of Conduct does not replace existing codes and charters within Group companies but serves as a common basis and source of inspiration for these codes and charters.

The principles of the Code can, when appropriate, be specified by each Group company according to its business sector or location. Furthermore, locally applicable codes or charters can be implemented where this is appropriate in the light of local legislation and regulations.

At Group level, the Environmental Charter and the Supplier Code of Conduct, as well as the various guiding principles and internal charters, constitute the variations of the LVMH Code of Conduct in specific areas.

The Code of Conduct is available on the LVMH website and can also be downloaded in ten languages from the Group's new Ethics and Compliance Intranet, which provides all available documents and tools for Group employees relating to ethics and compliance in one space. The Code of Conduct is communicated to all new employees. The Code and its principles must be respected by each employee. In order to encourage appropriation of the principles of the Code by all Group employees, an online training tool has been offered to all employees since the end of 2017.

In addition to the Code of Conduct, a series of internal documents has been put together that aim to guide employees of the Group and Group companies in implementing the Code on a day-to-day basis: the guiding principles. These documents, which can also be accessed by employees on the Ethics and Compliance Intranet, constitute reference guides for certain topics relating to business ethics.

1.2.2. Supplier Code of Conduct

Suppliers are a key component of the LVMH group's value chain. As such, the Group places a priority on maintaining responsible relations with its partners, suppliers and subcontractors, and works to continually strengthen those relationships. LVMH undertakes to maintain balanced commercial relations with its partners and pays particular attention to respecting negotiated terms and payment times.

In 2008, the Group implemented a Supplier Code of Conduct which sets out its requirements in the fields of social responsibility, the environment and the fight against corruption. The Supplier Code of Conduct has been disseminated to Group companies, and all relations with partners require that the partner in question undertake to comply with all ethical principles laid down in the Code.

In 2017, the Supplier Code of Conduct was revised in order to provide more detail about the principles of conduct expected of suppliers, particularly in terms of professional integrity.

The revised Code specifies requirements relating to labor (prohibition of forced labor, child labor, harassment, discrimination, provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct (in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence peddling that must be respected by suppliers and any subcontractors in managing their business.

The Supplier Code of Conduct specifies that suppliers of LVMH and Group companies are guarantors of the work carried out by their own subcontractors and suppliers and guarantee that the latter comply with the principles set out in the Code as well as relevant obligations.

It also gives LVMH an audit right that allows it, as far as possible, to ensure that these principles are effectively observed.

If the Supplier Code of Conduct is violated by one of its suppliers or a supplier or subcontractor of a supplier, LVMH or the Group company concerned reserve the right to review and, possibly, end the commercial relationship subject to the conditions provided by law.

1.2.3. Other LVMH charters and strategic policies

The social and environmental strategy constitutes an essential contribution to management of the Group's ethical commitments.

Environmental Charter

Signed in 2001 by Bernard Arnault, the **Environmental Charter** is the founding document for LVMH's five main aims with regard to the environment: striving for high environmental performance standards; encouraging collective commitment; controlling environmental risks; designing products that factor in innovation and environmental creativity; making a commitment that goes beyond the company. It also encourages the president of each Group company to be involved in this approach by means of concrete actions.

The Environmental Charter has been significantly boosted by the **LIFE strategic program** (LVMH Initiatives For the Environment). This was launched in 2011 in order to reinforce the incorporation of environmental concerns into management processes, facilitate the development of new coordination tools, and take into account developments and improvements arising from innovative practices at Group companies. Since 2014, Group companies have incorporated the LIFE program into their strategic plans, which include environmental and social targets in relation to suppliers. The LIFE program was implemented by the Steering Committee of each Group company and is based on nine key aspects of environmental performance and risk management, including issues relating to supply of strategic raw materials, traceability and compliance of raw materials, as well as social and environmental responsibility of suppliers.

To further improve consistency and efficiency, in 2016 the Group gave its companies – regardless of business sector – four shared targets to be achieved by 2020 (the baseline year being 2013). These included: (1) sustainable product design, (2) suppliers and raw materials, (3) CO_2 emission reduction and (4) making all production sites and stores more environmentally friendly. Regarding the supply target in particular, Group companies must ensure that optimum standards are rolled out in their procurement of raw materials supplies and among their suppliers across 70% of the supply chain by 2020 and 100% by 2025. This target, which relates to the production of raw materials, farming, breeding and extraction, also concerns the production plants of Group suppliers. LVMH's environmental performance is closely linked to its ability to involve suppliers and subcontractors in its approach and make them part of its sustainable procurement policy.

Social responsibility

Based on an analysis of the challenges facing the Group and interactions with its stakeholders, LVMH has identified **four social priorities** for all its companies: (1) developing talent and skills, (2) paying constant attention to working conditions, (3) preventing all forms of discrimination, and (4) engaging with communities to help local populations.

The Group's social responsibility efforts, which are based on these four priorities throughout the world, therefore include an important aspect relating to employee health, safety and well-being. The LVMH group's CSR approach is also aimed at preventing any risk of discrimination, and ensuring the respect each person's individuality.

The LVMH Recruitment Code of Conduct, adopted in 2009, has been widely disseminated to all employees involved in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed at LVMH in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity. As regards hiring new employees, LVMH uses mandatory anti-discrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with and without disabilities. With regard to the links between continued employment and preventing discrimination, various policies and best practices have been applied by Group companies.

Internal Competition Law Compliance Charter

While the Code of Conduct includes targets in terms of respecting the principles of competition, observing trade restrictions and international sanctions programs, as well as faithful intervention in the public sphere, LVMH's commitment to respecting the principles of competition has been set out formally by the adoption of the Internal Competition Law Compliance Charter, the aim of which is to contribute within the Group to the development of a true culture of compliance with competition rules. LVMH is concerned about preserving free and fair competition respecting laws and practices in force, without any interference with competition rules.

This charter sets out the main rules that should be known by all employees in conducting commercial relationships on a day-to-day basis, and defines in a pragmatic way the standards of conduct expected of them. For example, LVMH prohibits any abuse of dominant position, concerted practice or unlawful agreement, notably through understandings, projects, arrangements or behaviors which have been coordinated between competitors concerning prices, territories, market shares or customers.

Internal IT Systems Security Charter

The use of computer technology is subject to the observance of the rules and principles set out in the LVMH Internal IT Systems Security Charter. Personal use of communications tools such as e-mail and the Internet can be tolerated provided that this is occasional, does not interfere with the employee's professional activities, does not result in additional costs for the company, complies with applicable legislation and does not damage LVMH's reputation.

More generally, it is the responsibility of each employee to defend LVMH's heritage and resources in order to avoid any loss, misuse, deterioration or waste thereof. These resources include notably equipment, goods, financial resources and any other assets of the Group. The Group has introduced internal guiding principles dedicated to protecting resources that must also be observed by employees.

1.2.4. Definitions and objectives of risk management and internal control

Framework

Risk management and internal control draw upon the Reference Framework issued by the AMF on July 22, 2010 relating to processes for monitoring the effectiveness of risk management and internal control systems.

With more specific regard to internal control, the Group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission).

Definition and objectives of risk management

According to the definition set out in the AMF's reference framework, risk represents the possibility of an event occurring that could affect the Company's personnel, assets, environment, objectives or reputation. The Group has defined "major" risks as risks with the potential to jeopardize the continuity of operations and/or the achievement of strategic objectives, and/or the Group's reputation.

The objectives of risk management are to:

- protect the value, assets and reputation of the Group and, in particular, its brands;
- enhance the security of decision-making and operational processes, by providing a comprehensive, objective and shared view of the Group's potential threats and opportunities;
- ensure that all employees embrace a shared view of the principal risks and challenges surrounding the Group's business.

Definition and objectives of internal control

Internal control refers to a set of control procedures and actions tailored to the specific characteristics of each of the Group's businesses; This contributes to the development and lasting success of our brands, supporting each department with a view to:

- respecting our values and ethics;
- preventing and managing operating, financial and legal risk across all of our business lines;
- protecting our assets and reputation;
- ensuring and developing the effectiveness and resilience of our procedures and organizational structures.

Limitations

No matter how well-designed and applied, the risk management and internal control system can only provide reasonable (not absolute) assurance that the Group's overall risks and objectives are properly managed. Internal control is subject to inherent limitations as a result of uncertainties in the international environment, the judgment required to choose between costs and opportunities, and potential problems caused by human error or failure.

The structure of the Group, consisting of a large number of subsidiaries of varying sizes, is a particular risk factor.

2. RISK IDENTIFICATION

The LVMH group's activities are exposed to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. In this regard, the implementation of the Law of March 27, 2017 concerning the duty of reasonable vigilance by parent and ordering companies has resulted in improved identification of risks and helps to prevent serious abuses of human rights and fundamental liberties, health and safety of persons, and the environment.

2.1. Strategic and operational risks

2.1.1. Group's image and reputation

Around the world, the LVMH group 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, and the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives; inappropriate behavior by brand ambassadors, the Group's employees, distributors or suppliers; or detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands, trade names and goodwill recorded in the Group's balance sheet as of December 31, 2017 amounted to 29 billion euros.

LVMH maintains an extremely high level of vigilance with respect to any inappropriate use by third parties of its brand names, in both the physical and digital worlds. In particular, this vigilance involves the systematic registration of brands and main product names, whether in France or in other countries, communications to limit the risk of confusion between LVMH brands and others with similar names, and constant monitoring, which may prompt legal action by the Group, if required. Initiatives pursued by the Group aim to promote a legal framework suited to the digital world, prescribing the responsibilities of all those involved and instilling a duty of vigilance in relation to unlawful acts online to be shared by all actors at every link in the digital value chain.

In its Wines and Spirits and Perfumes and Cosmetics business groups, and to a lesser extent in Watches and Jewelry and Fashion and Leather Goods, LVMH sells a portion of its products to distributors outside the Group, which are thus responsible for sales to end customers. The reputation of the Group's products thus rests in part on compliance by all distributors with the Group's requirements in terms of their approach to the handling and presentation of products, marketing and communications policies, and respecting brand image. In order to discourage inappropriate practices, distribution agreements include strict guidelines on these matters, which are also monitored on a regular basis by Group companies.

Furthermore, 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. All LVMH employees are conscious of the importance of acting at all times in accordance with the ethical guidelines communicated within 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. As part of a joint effort aimed at developing new solutions to get consumers more engaged in their digital experience, while also preserving brand value and promoting creativity, LVMH and several major Internet companies (pure players) have announced that they are working together to protect the Group's intellectual property rights and combat the online advertising and sale of counterfeit products.

Counterfeiting and parallel distribution have an immediate adverse effect on revenue and profit. Activities in these illegitimate channels may damage the brand image of the relevant products over time and may also lower consumer confidence. The Group therefore does all it can to protect its assets and resources, particularly its intellectual property rights. Group companies pursue an anti-counterfeiting strategy based on prevention, cooperation and communication.

Action plans have been specifically drawn up to address the counterfeiting of products, in addition to the systematic protection of brands and main product names discussed above. This involves close cooperation with governmental authorities, customs officials and lawyers specializing in these matters in the countries concerned, as well as with market participants in the digital world, whom LVMH also ensures are made aware of the adverse consequences of counterfeiting. 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, all of which are essential in successfully combating the problem. In addition, LVMH 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.

Beyond the borders of the European Union, LVMH is not subject to any legal constraints that might impede the full exercise of its selective retail distribution policy, or limit its ability to bring proceedings against any third parties distributing Group products without proper approval. In the European Union, competition law guarantees strictly equal treatment of all economic operators, particularly in terms of distribution, potentially posing an obstacle to companies refusing to distribute their products outside a network of authorized distributors. However, Commission Regulation (EC) No. 2790/1999 of December 22, 1999 (known as the 1999 Block Exemption Regulation), by authorizing selective retail distribution systems, established an exemption to this fundamental principle, under which LVMH operates, thus providing greater protection for Group customers. This exemption was confirmed in April 2010, when the Commission renewed the Block Exemption Regulation of 1999, and extended its application to retail sales over the Internet. This legal protection gives the LVMH group more resources in the fight against counterfeit goods and the parallel distribution of its products, a battle waged as much in the digital as in the physical world.

In 2017, anti-counterfeiting measures generated internal and external costs in the amount of approximately 42 million euros.

2.1.3. Contractual constraints

In the context of its business activities, the Group enters into multi-year agreements with its partners and some of its suppliers (especially lease, concession, 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, 2017, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 13.5 billion euros. Detailed descriptions of these commitments may be found in Notes 30.1 and 30.2 to the consolidated financial statements.

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, adjusted depending on the related financial and operational risk factors. Agreements are also reviewed by the Group's in-house legal counsel, together with its insurance brokers.

In addition, the Group has made commitments to its partners in some of its business activities to acquire their stakes in the activities in question should they express an interest in such a sale, according to a contractual pricing formula. As of December 31, 2017, this commitment is valued at 9.2 billion euros and is recognized in the Group's balance sheet under Other non-current liabilities (see Note 20 to the consolidated financial statements).

The Group has also made commitments to some of the shareholders of its subsidiaries to distribute a minimum amount of dividends, provided the subsidiaries in question have access to sufficient cash resources. This relates in particular to the businesses of Moët Hennessy and DFS, for which the minimum dividend amount is contractually agreed to be 50% of the consolidated net profit.

2.1.4. Anticipating expectations of Group customers

Understanding the needs of customers is vital in order to be able to offer suitable products and a personalized customer experience. Therefore, LVMH is committed to supplying its customers with sincere and clear information about the manufacturing method, effects and correct use of its products, and to not making any misleading statements concerning its products and their methods of production. LVMH is aware of the impact on society of its products and their image, and is committed to being as vigilant as possible in its commercial and advertising communications, promoting responsible behavior.

Brands must also identify new trends, changes in consumer behavior, and in consumers' tastes, in order to offer products and experiences that meet their expectations. Failing this, the continued success of their products would be threatened. By cultivating strong ties and continually replenishing their traditional sources of inspiration – ranging from art to sports, cinema and new technologies – the Group's various brands aim at all times to better anticipate and fully respond to their customers' changing needs, in line with each brand's specific identity and its particular affinities in its sphere of activity.

2.1.5. International exposure of the Group

The Group conducts business internationally and as a result is subject to various types of risks and uncertainties. These include changes in customer purchasing power and the value of operating assets located abroad, economic changes that are not necessarily simultaneous from one geographic region 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. Some of the Group's activities were thus penalized in 2014 and 2015 by the "anti-extravagance" measures instated by China in late 2012. This was notably the case of the Cognac business, which, affected by the decline in receptions and banquets, suffered a drop in sales volumes in 2014 and 2015 related to the substantial volumes of inventories held by its distributors at the end of 2013. The fall in volumes of corporate gift-giving also had an adverse impact on the Watches and Jewelry business in 2014.

In order to protect itself from the risks associated with an inadvertent failure to comply with a change in regulations, the Group has established a regulatory monitoring system in each of the regions where it operates.

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. 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.

Furthermore, a significant portion of Group sales is directly linked to fluctuations in the number of tourists. This is especially the case for the travel retail activities within Selective Retailing, but tourists also make up a large percentage of customers frequenting the boutiques operated by companies in the Fashion and Leather Goods business group. Events likely to reduce the number of tourists (geopolitical instability and insecurity, weakening of the economic environment, natural disasters, etc.) could have an adverse impact on Group sales.

Lastly, the Group is an active participant in current global discussions in support of a new generation of free-trade agreements between the European Union and non-EU countries, which involves not only access to external markets, but also the signing of agreements facilitating access by tourists from non-EU countries to the European Union. Thus, despite a tense security situation leading member states to request enhanced border checks, the European Commission has proposed the creation of a "touring visa" (with an extended stay period and permission to travel around the entire Schengen area) that will facilitate luxury tourism shopping in the European Union.

2.1.6. Seasonality

Nearly all of the Group's activities are subject to seasonal variations in demand. A significant proportion of the Group's sales – approximately 30% of the annual total for all businesses – is generated during the peak holiday season in the fourth quarter of the year. Unexpected events in the final months of the year may have a significant effect on the Group's business volume and earnings.

2.1.7. Strategic competencies

LVMH's professions require highly specific skills and expertise, in the areas of leather goods or watchmaking, for example. To avoid any dissipation of this expertise, the Group implements a range of measures to encourage training and to safeguard these professions, which are essential to the quality of its products, notably by promoting the recognition of the luxury trades as professions of excellence, with criteria specific to the luxury sector and geared to meet its demands and requirements.

Skills management is a significant aspect of risk management and internal control. LVMH devotes special care to matching employee profiles and responsibilities, formalizing annual performance reviews, developing skills through continuing training, and promoting internal mobility. More information can be found in the Reference Document, in the "*Management Report of the Board of Directors* – Human resources" (§6. "Employee Professional Development").

Lastly, the Group's success also rests on the development of its retail network and on its ability to obtain the best locations without undermining the future profitability of its points of sale. The Group has built up specific real estate expertise that it shares with companies across the Group, which contributes to the optimal development of its retail network.

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, the Group puts in place a decentralized architecture to avoid any propagation of this risk. Supported by its network of IT security managers, the Group continues to implement a full set of measures to protect its sensitive data as well as business continuity plans at each Group company.

The Group has established a global approach to ensure compliance with the General Data Protection Regulation (GDPR) in Europe and with similar laws in other countries; each Group company is responsible for adapting this approach to its specific situation.

This sensitive data includes personal information, notably that of our customers and employees, which requires very specific protection procedures. The Group has thus developed good governance tools intended for use by all Group companies, including guidelines for online marketing and data protection. LVMH and its Group companies act with full transparency, in accordance with applicable regulations concerning protection of their customers' personal data. Group companies give their customers clear information about the personal data they provide and ensure that confidentiality is maintained. LVMH and its Group companies do not sell their customers' personal data and only send commercial communications to customers with their prior consent.

2.1.9. Industrial, environmental and meteorological risks

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 "LVMH and the environment" section of the " *Management Report of the Board of Directors*".

In Wines and Spirits, production activities depend upon weather conditions before the grape harvest. Champagne growers and merchants have set up a mechanism in order to cope with variable harvests, which involves stockpiling wines in a qualitative reserve. For a description of this mechanism, see the "*Business description*" section of the Reference Document (§1.1.4. "Grape supply sources and subcontracting").

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.

To identify, analyze and provide protection against industrial and environmental risks, the 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 risk management policy are handled by the Finance Department.

The protection of the Group's assets is part of a policy on industrial risk prevention meeting the highest safety standards (FM Global and NFPA fire safety standards). Working with its insurers, LVMH has adopted HPR (Highly Protected Risk) standards, the objective of which is to significantly reduce fire risk and associated operating losses. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates.

This approach is combined with an industrial and environmental risk monitoring program. In 2017, engineering consultants audited about 55 sites.

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

Lastly, financial risks relating to the effects of climate change as well as measures adopted to mitigate those risks are described in the "LVMH and the environment" section of the "*Management Report of the Board of Directors*", which is included in the Reference Document (§4. "Combating and adapting to climate change").

The majority of the nine themes and objectives of the LIFE 2020 environmental strategic program also include a dimension relating to supply chains, such as for example eco-design, traceability and compliance of materials or reducing greenhouse gas emissions, which result in the need to develop multiple collaborations with our partners. Two other issues impact LVMH's activities in particular, namely securing access to strategic raw materials and supply channels, and the environmental and social responsibility of suppliers.

In 2012, the Group reinforced its various decision-making support and training tools to help identify suppliers that might need to be audited. The approach used enables each Group company to identify high-risk suppliers on the basis of a number of criteria including the purchasing category, the strategic importance of the products in question, and the supplier's degree of financial dependency and geographical location.

The Group has launched a new methodological project with the aim of enhancing and updating its scoring of countries in which suppliers are based.

See §2.3.6. below ("Procedures for regular assessment of subcontractor and supplier situations").

2.1.10. Health and safety of persons

In the case of the LVMH group, risks relating to the health and safety of persons concern primarily employees and consumers.

- As regards measures concerning the health and safety of employees, the LVMH group believes that their skills and motivation are what underpin the excellence of the products and services offered by its brands. Their working conditions must enable them to optimally express their talent and feel fulfilled in carrying out their tasks. That is why the Group's commitment to managing well-being at work is closely focused on meeting employees' needs. Actions concerning workplace safety and prevention of workplace accidents take a variety of forms within the framework of a general investment, certification and training program, depending on the diversity of situations encountered within groups of activities. In addition to health and safety issues, Group companies take into consideration of broader concept of well-being in the workplace, which is reflected by a number of initiatives concerning for example preventing work-related stress, services and flexible working hours, allowing for a better work-life balance, or even in relation to the quality of the working environment. More information can be found in the "*Management Report of the Board of Directors* – Human resources" section of the Reference Document (§7. "Health and safety").

- As regards measures concerning the health and safety of consumers, two main issues are taken into account in terms of safety of cosmetic and cosmetovigilance products, as well as responsible consumption of wines, champagnes and spirits. LVMH cares about the health and safety of its customers and applies the precautionary principle in the design, manufacture and distribution of its products. The Group is continuously looking to offer its customers products of the highest quality, through research and innovation and the highest of standards in the selection of materials and the implementation of expertise in its activities. LVMH pays particular attention to production and supply conditions relating to these high quality materials in order to ensure both the durability of these resources and observance of the principles defended by the Group. For further information on this subject, see the "*Management Report of the Board of Directors* – LVMH and the environment" of the Reference Document (§6. "Consumer health and safety").

2.1.11. Human rights and fundamental liberties

The Group encourages ongoing improvement in social and health conditions, which are key factors in the development and protection of the rights of people. In this regard, LVMH identifies two levels of issues that can violate human rights and fundamental liberties.

Internally, LVMH takes account of principles relating to fundamental rights at work: elimination of professional and employment discrimination, elimination of all forms of forced and compulsory labor, effective abolition of child labor, respect for freedom of association and effective recognition of the right to collective bargaining. LVMH promotes diversity in terms of backgrounds and experience. This commitment is enshrined in the Group's Recruitment Code of Conduct and embodied by its signing of the Business Diversity Charter. LVMH ensures that all of its employees are able to exercise their rights with no distinction on the grounds of skin color, gender, religion, political beliefs, national or social origin, age, disability, trade union affiliation and sexual orientation or gender identity. Particular attention is paid to the rights of vulnerable people. See also the "*Management Report of the Board of Directors* – Human resources" of the Reference Document (§5. "Social responsibility") concerning prevention of discrimination.

Externally, LVMH is committed to demonstrating vigilance in identifying the potential negative effects – whether direct or indirect – of its business activities on society in order to prevent these effects and, if applicable, remedy them. The Group asks each Group company to collaborate with suppliers that agree to comply with the demands of the Supplier Code of Conduct and support within their sphere of influence the values, liberties and fundamental rights of the international regulations on which it is based. The exemplary behavior expected of suppliers in terms of social responsibility includes in particular the prohibition of child labor, forced labor, illegal, undeclared and unrecorded labor, harassment, abuse and discrimination, as well as various legal requirements concerning wages and benefits, working hours, freedom of association, health and safety and protection of personal data.

In consultation with Kering and sector professionals, LVMH also decided to draw up a charter on working relationships with models. More information can be found in the "*Management Report of the Board of Directors* – Human resources" section of the Reference Document (§7 "Health and safety").

2.2. Financial risks

2.2.1. Credit risk

Due to the nature of its activities, a significant portion of the Group's sales is not exposed to customer credit risk. Sales are made directly to customers through the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Watches and Jewelry stores. Together, these sales accounted for approximately 75% of total revenue in 2017.

Furthermore, for the remaining revenue, the Group's businesses are not dependent on a limited number of customers whose default would have a significant impact on Group activity levels or earnings. The extent of insurance against customer credit risk is satisfactory, with around 91% of credit coverage requests granted by insurers as of December 31, 2017.

2.2.2. Counterparty risk

Through its financing, investment and market risk hedging operations, the Group is exposed to counterparty risk, mainly banking-related, which must be regularly and actively managed. Diversification of this risk is a key objective. Special attention is given to the exposure of our bank counterparties to financial and sovereign credit risks, in addition to their credit ratings, which must always be in the top-level categories.

2.2.3. Foreign exchange risk

A substantial portion of the Group's sales is denominated in currencies other than the euro, particularly the US dollar (or currencies tied to the US dollar such as the Hong Kong 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 forecast cash flow hedging for 2018 relating to the main invoicing currencies are provided in Note 22.5 to the consolidated financial statements.

Owning substantial assets denominated in currencies other than the euro (primarily the US dollar and Swiss franc) is also a source of foreign exchange risk with respect to the Group's net assets. This currency risk may be hedged either partially or in full through the use of borrowings or financial futures denominated in the same currency as the underlying 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 22.5 to the consolidated financial statements.

2.2.4. Interest rate risk

The Group's exposure to interest rate risk may be assessed based on the amount of its consolidated net financial debt, which totaled 7.2 billion euros as of December 31, 2017. After hedging, 63% of gross financial debt outstanding was subject to a fixed rate of interest and 37% was subject to a floating 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 18.5 and 18.6 to the consolidated financial statements.

The Group's debt is denominated in various currencies, with the portion denominated in currencies other than the euro being most of the time converted to euros via cross-currency swaps; the Group is then mainly exposed to fluctuations in euro interest rates. This interest rate risk is managed using swaps or by purchasing options (protections against an increase in interest rate) designed to limit the adverse impact of unfavorable interest rate fluctuations.

Through its use of forwards and options to hedge foreign exchange risk as described in §2.2.3, the Group is also exposed to the spreads in interest rates between the euro and the hedged currencies.

2.2.5. Equity market risk

The Group's exposure to equity market risk relates in part to its treasury shares, which are held primarily in coverage of stock option plans and bonus share plans. LVMH treasury shares are considered as equity instruments under IFRS, and as such any changes in value have no impact on the consolidated income statement. Moreover, listed securities may be held by certain of the funds in which the Group has invested, or directly in 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, they may be used to cover cash-settled compensation plans or financial instruments index-linked to the change in the LVMH share price. Derivatives may also be used to create a synthetic long position.

2.2.6. Commodity market risk

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases and in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers, or directly by purchasing hedges from top-ranking banks. In the latter case, hedging consists of purchasing gold from banks, or taking out future and/or options contracts with physical delivery upon maturity.

2.2.7. 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, i.e. 4.5 billion euros, almost entirely covered by the balance of 4.4 billion euros in cash and cash equivalents, or through the outstanding amount of its commercial paper program, i.e. 1.9 billion euros. Should any of these instruments 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 private short-term investments), and the quality of its banking relationships, whether evidenced or not by confirmed credit lines.

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 22.7 to the consolidated financial statements.

2.2.8. 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 centralized for the most part, whether at the level of the parent company or the subsidiary responsible for the Group's cash pooling arrangement. 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 segregation of duties between risk measurement, hedging (treasury and 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 a clearly established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

3. ASSESSMENT AND CONTROL PROCEDURES IN PLACE

3.1. Organization

3.1.1. Organization of the risk management and internal control system

LVMH comprises five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. Other activities mainly consist of the media business unit, luxury yacht building and marketing, hotel and real estate activities, and holding companies. These business groups consist of entities of various sizes that own prestigious brands, established on every continent. The autonomy of the brands, decentralization and the responsibilities of senior executives are among the fundamental principles underlying the Group's organization.

The risk management and internal control policies applied across the Group is based on the following organizational principles:

- the holding companies – including the parent company, LVMH SE – are responsible for their own risk management and internal control systems. LVMH SE also acts as leader and coordinator on behalf of all LVMH group companies; it provides them with a single reference framework and methodology as well as an application platform that centralizes all risk and internal control data (see §3.5.1. below);
- the President of each Group company is responsible for risk management and internal control at all subsidiaries that contribute to brand development worldwide; each subsidiary's President is similarly responsible for that subsidiary's own operations.

3.1.2. System stakeholders

Stakeholders are presented according to the three-lines-of-defense model, whereby the control and supervision of systems is provided by governing bodies.

Group governing bodies

The **Performance Audit Committee** ensures in particular that the Group's accounting principles comply with the standards in force, reviews the corporate and consolidated financial statements and monitors effective implementation of the Group's internal control and risk management.

The **Board of Directors** contributes to the general control environment through the expertise and responsibility of its members and the clarity and transparency of its decisions. The Board is kept informed on a regular basis of the maturity of the internal control system, and oversees the effective management of major risks, which are disclosed in its Management Report.

At regular intervals, the Board and its Performance Audit Committee receive information on the results of the operation of these systems, any weaknesses noted and the action plans decided with a view to their resolution.

The **Ethics and Sustainable Development Committee** takes care of observance of the individual and collective values on which the Group's actions are based, with the aim of helping to define rules of conduct to inspire the behavior of managers and employees in terms of ethics, social and environmental responsibility, ensuring observance of these rules, and reviewing the Group's strategy in these areas and the contents of related reports.

The **Executive Committee**, which consists of the Group's operational and functional executives, lays down strategic objectives within the framework of the direction set by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, defines executives' responsibilities and delegated authority, and ensures that the latter are properly applied.

First line of defense

All Group employees help enhance and maintain the internal control system.

Operational management: a key aspect of the internal control system applied to business processes is ownership of internal control within each entity by operational managers, who implement appropriate controls on a day-to-day basis for those processes for which they are responsible and pass on appropriate information to the second line of defense.

The **Management Committees of Group companies and subsidiaries** are responsible for implementing and ensuring the smooth running of internal control systems across all operations within their scope. The Management Committees of the Group companies are also in charge of the system for managing major risks; they review the risk mapping each year, assess the level of control as well as the progress of risk coverage strategies and the associated action plans.

Second line of defense

The **Ethics and Compliance Department** created in 2017 aims to promote, disseminate and ensure the observance of the principles and values set out in the Group's Code of Conduct. A Group Ethics and Compliance Director, reporting to the Group Managing Director, has been appointed, assisted by an Ethics and Compliance Committee made up of representatives from the Group's various departments. The Committee submits a report each year on the implementation of the Code's policies to the Ethics and Sustainable Development Committee set up in 2016 within the Board of Directors. Around this central function, a **network of ethics and compliance officers** was also created in 2017 within the Group and each Group company. These officers ensure consistent and uniform application of the principles and values of the Code of Conduct and contribute to the sharing of best practices across the Group. The Ethics and Compliance Committee also relies on networks of officers and existing committees within the Group, in particular for social responsibility, environment, purchasing and internal control.

The **Group Legal Department** helps with the legal aspects of the Group's activities and development. It conducts negotiations relating to acquisitions, disposals and partnerships. It determines the Group's legal strategy in major disputes in which Group companies become involved. It helps to define and implement multi-disciplinary projects concerning the Group as a whole. Through its Intellectual Property team, it helps protect trademarks and patents, which are among the Group's key assets. It is in charge of matters relating to stock market law and company law. It promotes observance within the Group of laws and regulations applicable to its activities.

The role of the **Corporate Affairs Department** is to protect and promote the business model of the Group and its companies as well as to seize, as far as possible, any opportunities that may arise from discussions of or changes in policies and regulatory frameworks. To this end, the department analyzes relevant policies and legislation, considers the strategic issues at stake, coordinates actions in support of the Group's external positioning, and participates, in conjunction with LVMH's regional divisions, in the decision processes of authorities in Europe, the Americas and Asia, notably in the following fields: intellectual property, the digital economy, competition, corporate governance, culture and creative industries, and access to markets.

The **Environment Department** works to ensure that the Group and all its companies deliver an outstanding environmental performance, in line with the Charter signed by the Group's Chairman, covering the nine strategic priorities of the LVMH Initiatives for the Environment (LIFE) program and the four 2020 LIFE objectives. The department's structure and actions, and how these are reflected within Group companies, can be found in the "*Management Report of the Board of Directors – LVMH and the environment*" in the Reference Document (§1. "General environmental policy").

The **Group Risk Management and Insurance Department**, alongside operational managers responsible for risks inherent in their businesses, is particularly involved at Group level in cataloguing risks, preventing losses and determining the risk coverage and financing strategy.

The **other functional departments**, presented in §3.1.3, help manage risks related specifically to financial and accounting information.

The **Internal Control Department**, which reports to the Group Audit and Internal Control Director, coordinates the implementation of internal control and risk management systems. It monitors and anticipates regulatory changes in order to adapt mechanisms. It coordinates a **network of internal controllers** responsible, within the Group companies and under the responsibility of their Management Committees, for ensuring compliance with the Group's internal control procedures and preparing controls tailored to their businesses. They also spearhead various projects related to the internal control and risk management systems and promote the dissemination and application of guidelines.

The **Protection of Assets and Persons Department** determines and implements anti-counterfeiting and anti-grey market policy for the benefit of 20 Group companies for both offline and online markets. Its worldwide efforts aim to dismantle criminal networks that breach intellectual property rights and damage the reputation of our brands. It is also in charge of coordinating security measures applicable within Group companies and for the benefit of employees travelling on business or expat employees.

The **Employee Safety Committee** meets regularly to analyze the effectiveness of systems designed to ensure the safety of travelers and employees of the Group abroad, and make any decisions required in exceptional situations.

Equivalent departments at brand or business group level: the organizational structure described above at Group level is mirrored in the main business groups and Group companies.

Third line of defense

The **Audit and Internal Control Department**'s purview extends across the entire Group and works to a multi-year audit plan, updated annually. The audit plan is used to monitor and reinforce the understanding and correct application of expected control activities. 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 location, quality of local management, etc.) and on the basis of meetings held with the operational managers concerned; it can be modified during the year in response to changes in the political and economic environment or internal strategy. The audit plan is also prepared with a view to covering all Group companies.

The audit teams conduct internal control assessments covering various operational and financial processes. They also undertake accounting audits as well as audits of cross-functional issues within a given business segment. Follow-ups on recommendations resulting from past audits are backed up by systematic on-site inspections at those subsidiaries with the most significant issues.

Internal Audit reports on its conclusions to management of the entity concerned and to Executive Management of the Group by way of an audit report explaining its assessment, recommendations and setting out managers' commitments to apply them within a reasonable period of time. Internal Audit sends copies of the reports it issues to the Statutory Auditors and meets with them periodically to discuss current internal control issues. The main features of the audit plan, the primary conclusions of the current year and the follow-up of the principal recommendations of previous assignments are presented to the Performance Audit Committee.

External stakeholders

The external auditors and the various certifying bodies (RJC, ISO 14001, etc.) help to reinforce the current system through their work and recommendations.

3.1.3. Organization and parties related to financial and accounting information

Risk management and internal controls of accounting and financial information are the responsibility of the following departments, which are all part of Group Finance: Accounting and Consolidation, Management Control, Information Systems, Corporate Finance and Treasury, Tax, and Financial Communication.

The **Accounting and Consolidation function** is responsible for preparing and producing the individual company accounts of LVMH SE and the holding companies that control the Group's equity holdings, the consolidated financial statements, and interim and annual results publications, in particular the Interim Financial Report and the Reference Document. To this end, the Accounting Standards and Practices team defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any related training programs that may be deemed necessary. The Consolidation Department also coordinates the Group's Statutory Auditors.

Management Control is responsible for coordinating the budget process, the update of budget estimates during the year and the five-year strategic plan, as well as impairment testing of fixed assets. Management Control produces the monthly operating report and all reviews required by Executive Management (see §3.4.3. "Management reporting"); it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators. Due to its responsibilities and the structure of the reports it produces, Management Control plays a key role in internal control and financial risk management.

These two departments report to the **Deputy CFO Department**.

The **Information Systems Department** designs and implements information systems needed by the Group's central functions. 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 between businesses, while respecting brand independence. It develops and maintains a telecommunications system, IT hosting platforms, and transversal applications shared by all entities in the Group. In cooperation with the subsidiaries, it supervises the creation of three-year plans for all information systems across the Group, by business group and by entity. It defines strategic orientations in terms of cybersecurity, devises and publishes internal policies and shared plans of action, and helps brands to implement detection and incident response systems, as well as to devise backup plans.

Corporate Finance and Treasury is responsible for implementing the Group's financial policy, which includes balance sheet optimization, financing strategy, management of finance costs, returns on cash surpluses and investments, improvements to financial structure, and the prudent management of solvency, liquidity, market and counterparty risk.

Within this department, the International Treasury team focuses more specifically on pooling the Group's surplus cash, and meets subsidiaries' short- and medium-term liquidity and financing requirements. It is also responsible for applying a centralized foreign exchange risk management strategy.

The Markets team, which is also part of Corporate Finance and Treasury, is delegated the responsibility of implementing a centralized market risks policy generated by Group companies: foreign exchange, interest rate and counterparty risks incorporated into the assets and liabilities.

Strict procedures and a management policy have been established to measure, manage and consolidate these market risks. Within this team, the separation of front office and back office activities, combined with an independent control team reporting to the Deputy CFO, allow for a greater segregation of duties. This organization relies on an integrated computerized system allowing real-time controls on hedging transactions. The hedging mechanism is presented regularly to the Group Executive Committee as well as the Performance Audit Committee and is the object of detailed documentation.

The **Tax Department** ensures compliance with applicable laws and regulations, advises the various business groups and companies and proposes tax solutions appropriate to the Group's operational requirements. It organizes appropriate training courses in response to major changes in tax legislation and provides uniform reporting of tax data.

The **Financial Communications Department** is responsible for coordinating all information issued to the financial community so as to provide the latter with a clear, transparent and accurate understanding of the Group's performance and outlook. It also provides Executive Management with the perspectives of the financial community on the Group's strategy and its positioning within its competitive environment. It works closely with Executive Management and the business groups to define key messages, and harmonizes and coordinates the dissemination of those messages through various channels (publications such as the annual and interim reports, financial presentations, meetings with shareholders and analysts, the website, etc.).

Each of these departments is responsible for ensuring the quality of internal control in its own area of activity via the **finance departments of business groups, companies and subsidiaries**, which are in turn responsible for similar functions within their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (Controller, Head of Accounting, Consolidation Manager, Treasurer, etc.). The finance 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 control relating to accounting and management data.

3.2. Internal standards and procedures

Via its **Ethics & Compliance Intranet**, the Group disseminates to the holding company and all Group companies a set of codes, charters and principles intended to guide all Group companies and their employees in conducting their activities. These include primarily the LVMH Group Code of Conduct, the LVMH group's internal guiding principles, the Supplier Code of Conduct and various charters (Board of Directors' Charter, Charter on Models' Working Conditions and Well-Being, Competition Law Compliance Charter, Environmental Charter, IT Systems Security Charter, Privacy Charter, etc.).

Through its **Finance Intranet**, the Group provides access to all rules and procedures concerning accounting and financial information, applicable to all subsidiaries: notably procedures applying to accounting policies and standards, consolidation, taxation, investments, reporting (budgets and strategic plans), cash management and financing (cash pooling, foreign exchange and interest rate hedging, etc.); these procedures also specify the format, content and frequency of financial reporting.

The Finance Intranet is also used for the dissemination of **internal control principles and best practices**:

- the LVMH internal control framework, which covers 14 key business processes shared by all our activities: Sales, Retail Sales, Purchases, Licenses, Travel, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems and Accounting Period-End Procedures, Environment, Insurance;
- the minimum basis for internal control, "IC Base", made up of 70 key controls taken from LVMH guidelines, supporting annual self-assessment (see §3.5.1. below);
- business line guidelines developed to reflect the specific characteristics of our activities (Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, Duty-Free Concessions);
- best practice and tools relating to issues that the Group considers important: fraud, conflicts of interest, delegations of authority, business continuity planning, IT disaster recovery planning, IT security policies and guidelines, segregation of duties, control of media spend, and in-store best practices.

The **"Major Risks" section of the Finance Intranet** brings together procedures and tools for assessing, preventing and protecting against such risks. Best practices for the operational risk families selected are also available on the site. These materials may be accessed by all personnel involved in the application of the Group's risk management.

Lastly, the **Group Legal Department** prepares tools for Group companies that aim to allow them to comply with (i) various regulations, in particular those relating to combating money laundering, limits on cash payments in force in the main markets in which the Group operates, embargos and economic sanctions imposed by certain countries, and (ii) the new European general regulations concerning data protection.

3.3. Information and communication systems

Strategic plans for developing the Group's information and communication systems are coordinated by the Information Systems Department, which ensures that all solutions implemented are harmonized and that business continuity plans are in place. Aspects of internal control (segregation of duties, access rights, etc.) are integrated when implementing new information systems and then regularly reviewed.

Information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are covered by special procedures: a business continuity planning methodology toolkit has been disseminated within the Group to define, for each significant entity, the broad outline of a business continuity plan as well as a disaster recovery plan. A Business Continuity Plan and a Disaster Recovery Plan have been developed and tested at the level of the French holding companies.

All significant entities have appointed a Chief Information & Security Officer (CISO). The activities of CISOs are coordinated by the Group CISO; together they constitute a vigilance network to monitor the development of risks affecting information systems, and implement adequate defenses depending on the likelihood of a given type of risk and its potential impact.

Audit programs, intrusion testing and vulnerability audits are performed by entities and by the Group Information Systems Department.

In April 2015, LVMH set up an operations center to monitor and assess information systems security on behalf of all Group companies.

3.4. Accounting control procedures (internal and external)

3.4.1. Accounting and management policies

Subsidiaries adopt the accounting and management policies communicated by the Group for the purposes of the published consolidated financial statements and internal reporting; they all use the same framework (the LVMH chart of accounts and manual of accounting policies) and the accounting and management reporting system administered by the Group, thus ensuring consistency between internal and published data.

3.4.2. Consolidation process

The account consolidation process is covered by regular detailed instructions; a specially adapted data submission system facilitates consistent, comprehensive and reliable data processing within the appropriate 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.

Sub-consolidations are carried out at Group company and business group level, which act as primary control filters and help ensure consistency.

At Group level, the teams in charge of consolidation are organized 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.

The quality of financial information, and its compliance with standards, are also guaranteed through ongoing exchanges with the Statutory Auditors whenever circumstances are complex and open to interpretation.

3.4.3. Management reporting

Each year, all of the Group's consolidated entities produce a strategic 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 prior year data, 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 controls.

Specific meetings to close out the half-yearly and annual financial statements are attended by the Finance Department teams concerned; during those meetings 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.

3.5. Formalization and management of risk management and internal control systems

3.5.1. The Enterprise Risk and Internal Control Assessment (ERICA) approach

In line with European directives and the ordinance of December 2008, the Group introduced its Enterprise Risk and Internal Control Assessment (ERICA) approach, a comprehensive process for improving and integrating systems for managing major risks and internal control related to its ordinary activities.

Since 2015, this approach has been rolled out across all of the Group's brands. It comprises in particular annual mapping of the major risks for each brand and self-assessment of 69 key controls taken from the internal control guidelines by all Group entities at least every three years. During this three-year period, the Group actions self-assessment across a limited number of entities that is revised each year. Group companies have full autonomy to extend the process across the scope that they deem appropriate.

Recently acquired entities are allowed two years to implement this approach once the integration process has been completed.

The Group's companies and business groups acknowledge their responsibility in relation to this process each year by signing two letters of representation:

- an ERICA letter of representation concerning risk management and internal control systems, signed on June 30. By signing the letter, the Chairman, Chief Financial Officer and/or members of the Management Committee confirm their responsibility for these systems, and give their assessment of them, identifying major weaknesses and the corresponding remediation plans. These letters are analyzed, followed up on and "consolidated" at each higher level of the Group's organizational structure (region, Group company and business group); they are forwarded to the Finance Department and the Group Audit and Internal Control Department. They are also made available to the Statutory Auditors;
- the annual letter of representation on financial reporting, which includes a paragraph devoted to internal control, mentioned above in §3.4.2.

Since 2013, depending on the circumstances, Presidents of Group companies have been required to present the Performance Audit Committee with an update on achievements, action plans in progress and the outlook for their area of responsibility, in terms of internal control and risk management.

3.5.2. Management of major risks and of the internal control system

Major risks relating to the Group's brands and businesses are managed at business group and Group company level. As part of the budget cycle and in connection with the preparation of the three-year plan, major risks affecting strategic, operational and financial objectives are identified and evaluated, and formalized in specific chapters.

Once an acceptable risk level has been determined and validated, risks are handled via preventive and protective measures; the latter include business continuity plans (BCP) and crisis management plans in order to organize the best response to risks once they have arisen. Finally, depending on the types of risk to which a particular brand or entity is exposed and the amount of residual risk, the entity may decide, in collaboration with the Group, to use the insurance market to transfer part or all of the residual risk and/or assume this risk.

Ongoing monitoring of the internal control system and periodic reviews of its functioning are carried out on a number of levels:

- managers and operational staff at Group companies are given the responsibility, with the support of internal control personnel, of assessing the level of internal control on the basis of key controls, identifying weaknesses and taking corrective action. Exception reports allow for the enhancement of detective controls in addition to preventive measures;
- a formal annual self-assessment process, based on a list of key controls taken from the internal control framework, integrated into the ERICA system (see §3.5.1 above);
- the Statutory Auditors are kept informed of this approach, as is the Performance Audit Committee, by means of regular briefings;
- reviews are carried out by Group Internal Audit and the Statutory Auditors, the findings and recommendations of which are passed on to entities' management and Group Executive Management;
- a review of the ERICA system and the quality of self-assessment is an integral part of the work of the Internal Audit team at all audited entities.

3.6. Procedures for regular assessment of subcontractor and supplier situations

The Group implements verification audits and due diligence measures among its stakeholders in order to help to identify, assess and anticipate the risks and opportunities for improvement, and thereby ensure more in-depth knowledge of its partners. These procedures allow the Group to verify that the performance of its partners is in line with its own requirements and respects the best practices set out in the Code of Conduct, in particular as regards ethics, social issues, environment and respecting human rights. By means of the controls performed, the Group can also help its partners to implement and comply with best practices in order to resolve minor cases of non-compliance. These measures and their implementation are included in agreements between the Group and its partners.

LVMH group companies structure their approach to suppliers in three stages: identifying the most at-risk suppliers, selecting key product categories within each business group and developing an ongoing social and environmental audit program.

3.6.1. Identification of at-risk suppliers

The approach for identifying at-risk suppliers takes account of various fields of analysis. In 2012, the Group reinforced its various decision-making support and training tools to help identify suppliers that might need to be audited. The approach used enables each Group company to identify high-risk suppliers on the basis of a number of criteria including the purchasing category, the strategic importance of the products in question, and the supplier's degree of financial dependency and geographical location.

Strategic supply sources

The attractiveness of the Group's products depends, from a quantitative and qualitative standpoint, on being able to ensure adequate supplies of certain raw materials. In addition, from a qualitative perspective, these products must meet the Group's exacting quality standards. This mainly involves the supply of grapes and *eaux-de-vie* in connection with the activities of the Wines and Spirits business group; leathers, canvases, wools and furs in connection with the activities of the Fashion and Leather Goods business group; and watchmaking components, gemstones and precious metals in connection with the activities of the Watches and Jewelry 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 also able to meet its requirements. By way of illustration, an assessment of the risk that a vendor may fail has been carried out and good practices have been exchanged, leading notably to implementing the policy of splitting supplies for strategic Perfumes and Cosmetics products.

In addition, for some rarer materials, or those whose preparation requires very specific expertise, such as certain precious leathers or high-end watchmaking components, the Group pursues a vertical integration strategy on an ad hoc basis.

As regards supply sources, see also the "*Management Report of the Board of Directors* – LVMH and the environment" of the Reference Document (§3.2. "Consumption of raw materials").

Geographical exposure

In late 2017, identification of at-risk suppliers was enhanced by means of a new methodological project to specify the different levels of geographical exposure for the activities of LVMH and Group companies on the basis of three issues: corruption, human rights and environment.

Each mapping allows for levels of risk to be viewed for each country with regard to Group companies' administrative, production and distribution activities.

This methodological project has been carried out with the help of an external consulting firm using an external database containing ten years' worth of information about countries and products, as well as economic, environmental, political and human rights-related issues.

This data has been cross-referenced with qualitative and quantitative information provided internally by Group companies, such as the level of activity, amount of procurement by category, number of stores and number of employees in each country. This methodological project will be updated regularly.

3.6.2. Targets relating to specific challenges for groups of activities

The Group's **Fashion and Leather Goods** companies have developed a number of initiatives relating to materials and supplies that are considered key. The target for 2020 is to consolidate the social audit of more than 90% of suppliers. In addition, four priority product categories have been identified as concerning all Group companies:

- **leather:** the target for 2020 is to obtain at least 70% of total supplies from tanneries that meet the requirements of the Leather Working Group (LWG). For example, in 2017, supplies obtained by Loewe from LWG-certified tanneries accounted for 71% of total supplies. As regards Heng Long – the exotic leather tannery in Singapore – 100% of its farms supplying crocodile skin will be audited and certified in 2020 by NSF (National Sanitation Foundation) on the basis of LVMH's guiding principles. In 2017, Louis Vuitton decided to extend the scope of environmental audits to include leather suppliers for shoes and accessories. The leather goods business has continued with its efforts by auditing Tier 2 suppliers. In 2018, Louis Vuitton intends to focus obtaining LWG accreditation for three main tanneries, as well as the environmental audit of two tanneries among new Tier 2 suppliers. In order to reinforce the environmental commitment of its tanneries, Louis Vuitton has introduced key environmental indicators within the framework of a half-yearly activity review. Group companies systematically share the Business for Social Responsibility (BSR) network's Animal Sourcing Principles with their suppliers. LVMH is also a member of several working parties involved in the adoption of best practices within networks like BSR for fur, the Responsible Ecosystems Sourcing Platform (RESP) for snakeskin and the Leather Working Group (LWG) for cattle hides;

- **fabric:** LVMH and its Group companies continue to strive to obtain sustainable cotton supplies. The target for 2020 is to obtain at least 70% of total cotton supplies from producers that adhere to the BCI (Better Cotton Initiative). As regards sheep's wool, LVMH has decided to encourage two approaches within its supply chain: the best practices defined by the IWTO (International Wool Textile Organisation) and the RWS (Responsible Wool Standard). For example, Thomas Pink made major changes to its cotton purchasing. In 2016, 60% of cotton used by the company came from BCI (Better Cotton Initiative) suppliers. For 2018 and beyond, Thomas Pink's aim is to increase its procurement of supplies that meet this standard;
- **chemical products** (particularly in metal parts): LVMH has put in place an in-house standard, the LVMH RSL (Restricted Substances List), which prohibits the use of hazardous substances in items brought to market, as well as their use by suppliers. This standard, rolled out to all Fashion and Leather Goods companies, includes the most stringent regulatory requirements and anticipates future regulations. It also allows suppliers to better understand their obligations and to take a continuous improvement approach;
- **finished and semi-finished products:** following the partnership with MADE-BY in 2016, Loewe worked on clarifying its ready-to-wear supply chain by adding certain suppliers to the internal supplier risk assessment tool.

The **Wines and Spirits** business group has identified a number of priority areas to ensure sustainable development in its activities. This plan of action is centered on meeting environmental, social and societal targets in the areas of:

- **transportation:** the aim is to reduce the environmental footprint of Group companies by increasing the ratio of transportation by sea and rail, as well as stepping up the use of compressed natural gas (CNG) vehicles for the transportation of finished products;
- **packaging:** in 2017, 100% of new packaging developed for the champagne and cognac brands was tested to calculate its Environmental Performance Index (EPI);
- **advertising materials:** 100% of at-risk suppliers have been audited in Europe and Asia. The aim is to extend this policy to all countries where relevant.

Each year, the **Perfumes and Cosmetics** business group defines CSR actions and objectives for these packaging, raw materials and promotional articles/advertising materials suppliers. In 2016, social audits covered 100% of Tier 1 suppliers in at-risk regions for glass, cardboard and metal/plastic. In addition, in 2016, environmental audits covered 100% of Tier 1 glass suppliers. At the end of 2017, environmental audits were extended to all cardboard packaging suppliers. As regards other key supplies, it should be noted that in 2017:

- 100% of alcohol and vegetable glycerin suppliers were audited (social and environmental audits);
- social audits are mandatory to confirm approval of all of our suppliers of promotional items.

Furthermore, the Group's Perfumes and Cosmetics companies use palm oil derivatives and have set themselves a target of using at least 50% RSPO (Roundtable on Sustainable Palm Oil) certified palm oil derivatives by the end of 2018. In 2017, the Perfumes and Cosmetics business group signed up to the Responsible Mica Initiative while also stepping up its efforts by carrying out audits within this business line.

Lastly, a Responsible Purchasing Charter was adopted in 2014 by six of the Group's Perfumes and Cosmetics companies. The aim is to formally set out the conditions for a responsible relationship with all suppliers. In order to support us in this approach, a partnership was formed with EcoVadis in 2017. This partnership should enable us to assess the CSR commitments of 350 suppliers in 2018.

All of the Group's **Watches and Jewelry** companies have been certified by the Responsible Jewellery Council (RJC). Bvlgari has also had its gold product lines certified under the Responsible Jewellery Council's traceability audit program. The Watches and Jewelry business group has identified three main categories of key raw materials:

- **diamonds and precious metals:** the RJC has developed a certification system designed, in particular, to ensure that diamonds used in manufacturing do not come from conflict zones. The Kimberly Process is applied to diamonds. In 2016, exhaustive mapping was carried out of supplies obtained directly and indirectly from subcontractors;

- **colored gemstones:** in March 2016, the RJC announced that it had added colored gemstones to its certification scope within the framework of a new standard to be launched in 2018-2019. Bvlgari is a member of the working party on defining a standard to be included in RJC certification in partnership with NGO The Dragonfly Initiative, an organization bringing together European and American players in fine jewelry working on the development of best practices for the extraction of colored gemstones.

Within the **Selective Retailing** business group, Sephora has identified two major procurement categories: indirect procurement and procurement on behalf of its private label, S+. In 2017, Sephora identified suppliers deemed to be at risk in terms of social and environmental factors for both of these procurement categories. In Europe, social audits covered 100% of at-risk factories, while at the same time Sephora increased the number of environmental audits of at-risk suppliers, with the aim of auditing 100% of them in 2020. By 2020, all high-risk suppliers worldwide will have undergone social and environmental audits for both of these procurement categories.

3.6.3. Supplier audit and assessment processes

At Group level, 1,497 social and/or environmental audits were carried out in 2017 – more than 80% of them by specialized external service providers – at 1,015 of the Group's suppliers. Of these audits, 58% related to both social and environmental criteria. 55% of audits carried out were in line with the Group's requirements, 30% found minor instances of non-compliance, 12% highlighted a need for significant improvement by suppliers and 3% found major instances of non-compliance. Non-compliance issues identified related primarily to Health & Safety. In all, 570 corrective action plans were put in place following these audits.

The use of preliminary audits also enabled better advance identification of supplier practices, resulting in decisions to refrain from working with certain potential suppliers.

The number of follow-up audits increased in 2017, showing that Group companies regularly monitor their suppliers and support them in their efforts to improve.

In some cases, LVMH and/or some Group companies had to terminate existing relationships with suppliers whose social audit findings revealed major instances of non-compliance with LVMH's Code of Conduct. There were 26 such cases in 2017.

In the interest of continued improvement in this area, in 2018 Group companies will continue to audit suppliers and follow up on action plans as well as developing synergies arising from the Group's membership of Sedex. In 2017, the LVMH group, as well as the Perfumes and Cosmetics business group and Louis Vuitton, also joined forces with EcoVadis in order to develop an even more exhaustive approach to controlling their supply chains. The Group will also aim to strengthen the working groups for each of its businesses to best reflect their specific characteristics and requirements.

	Europe	Asia	North America	Other [b]
Breakdown of suppliers *(as %)*	71	17	9	3
Breakdown of audits [a] *(as %)*	71	24	1	4

(a) Of which 57% initial audits and 43% follow-up audits.
(b) Including Africa.
Scope: Wines and Spirits, Perfumes and Cosmetics, Louis Vuitton, Christian Dior Couture, Loro Piana, Berluti, Fendi, Givenchy Couture, Loewe, Marc Jacobs, Céline, Rossimoda, Bvlgari, Fred, Hublot, TAG Heuer, Zenith, DFS, Sephora and Le Bon Marché.

4. LINES OF DEFENSE

4.1. Appropriate actions to mitigate risk or prevent serious attacks

4.1.1. Insurance Policy

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

- systematic identification and documentation of risks;
- risk prevention and mitigation procedures for both human risk 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;
- optimization and coordination of global "master" insurance programs.

The Group's overall approach is primarily based on transferring its risks to the insurance markets at reasonable financial terms, and under 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 the Group's financial capacity, its level of self-insurance is not 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 borne by Group companies are around 0.15% 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 the Group are designed to cover property damage and business interruption, transportation, terrorism, construction, credit, third-party liability and product recall.

Property and business interruption insurance

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and resulting business interruption.

Property damage insurance limits are 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 2 billion euros per claim, an amount determined based on an analysis of the Group's maximum possible losses.

Coverage for "natural events" provided under the Group's international property insurance program totals 75 million euros per claim and per year. As a result of a Japanese earthquake risk modeling study performed in 2014, as well as an update of the major risk areas in 2016, specific coverage in the amount of 18 billion yen was taken out for this risk. These limits are in line with the Group companies' risk exposures.

Transportation insurance

The Group's operating entities are covered by an international cargo and transportation insurance contract. The coverage limit of this program (60 million euros) corresponds to the maximum possible transport loss arising as a result of transportation in progress at a given moment.

Third-party liability

The LVMH group has established a third-party liability and product recall insurance program for all its subsidiaries throughout the world. This program is designed to provide the most comprehensive coverage for the Group's risks, given the insurance capacity and coverage available internationally. Coverage levels are in line with those of companies with comparable business operations. As regards product recalls, the cover purchased is considerably more than the average available on the worldwide market.

Both environmental losses arising from gradual as well as sudden and 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 or social security regimes, such as the United States. Coverage levels are in line with the various legal requirements imposed by the different states. Subject to certain conditions and limitations, the Group covers its senior executives and employees either directly or via an insurance policy for any individually or jointly incurred personal liability to third parties in the event of professional misconduct committed in the course of their duties.

Coverage for special risks

Insurance coverage for political risks, company officers' liability, fraud and malicious intent, trade credit risk, acts of terrorism, loss or corruption of computer data, construction project risks and environmental risks is obtained through specific worldwide or local policies.

4.1.2. Fraud prevention and detection

Over the past few years, fraud risk has dramatically transformed, with an upsurge in fraud through identity theft and an increase in attacks using social engineering to gain access and steal data. The Group and its companies have stepped up their vigilance, adapting internal procedures, awareness campaigns and training programs to the changing scenarios encountered or that might reasonably be predicted.

Given the large number of controls intended to prevent and detect this risk, the internal control framework is the backbone of the Group's fraud prevention mechanism.

Another essential component of this system is the obligation for each entity to report any instances of actual or attempted fraud to the Audit and Internal Control Director: as well as supervising actions and decisions in response to each reported case, the Director endeavors to draw lessons from incidents so as to relay them, once anonymized, to the chief financial officers of all Group companies.

The Audit and Internal Control Department has therefore introduced a program to raise awareness of the risk of fraud through periodic communiqués identifying scenarios of actual and attempted fraud within the Group. For each scenario a prevention plan is presented. Group companies and subsidiaries must check that appropriate measures are in place to prevent such scenarios. These communiqués are disseminated widely within the Group to ensure ongoing awareness among those staff most exposed to this risk.

Lastly, a specific fraud module has been added that forms part of the "the Fundamentals" training program at the LVMH Internal Control Academy (see §4.2. below).

4.1.3. External and internal actions to support suppliers

Supplier support actions

LVMH maintains regular dialogue with its suppliers and is highly involved in their operations, which has led the Group to help them implement and comply with environmental, workforce-related and societal best practices, while raising awareness and providing training on the corporate social responsibility issues specific to their business. For a number of years, Group companies have provided their suppliers with tools to help them for example better understand their regulatory obligations relating to REACH – the EU chemicals regulation – and to make progress in this regard. For example, in 2017 Sephora was particularly active in its two major supply categories – indirectly and on behalf of its own brand (S+) – providing CSR coaching and training for its main suppliers in order to help them to improve their performance in annual reassessments. Every year since 2014, a Supplier Forum has been organized to bring together representatives of the Group's companies and their suppliers. This event provides an opportunity to present the responsible purchasing standards of LVMH and its companies, to hear feedback from suppliers who have made improvements in synergy with Group companies, and lastly to share best practice.

Following Italy in 2014 and China in 2015, the 2016 Supplier Forum was held in Hong Kong. The 2016 event did not relate to just one specific region, as had been the case for previous forums, but to specific purchasing categories shared by the majority of Group companies – including packaging, which represents a major environmental performance issue for the Group. The 2017 event was held in Shenzhen and Hong Kong, with over 100 Tier 1 or above suppliers attending four one-day training sessions. These training sessions focused on control of environmental risk at the production plants of our suppliers and subcontractors.

Sharing best practices internally

It is also vitally important to raise awareness among in-house staff who are directly or indirectly involved in relations with suppliers (buyers, production teams, etc.).

Since 1992, the LVMH Environmental Committee has gathered together environment officers from the various Group companies to talk about internal and external best practices, including those relating to suppliers. The Environment Department also works with the Purchasing Department to devise a shared responsible purchasing policy. The two departments have held a joint a Supplier Sustainability Day every year since 2005, bringing together the Purchasing, Environment, Legal and Internal Control Departments of the various Group companies in order to raise awareness and train purchasing staff and suppliers in responsible purchasing. All of the Group's business activities are represented at these meetings, which provides a forum for Group companies to present their plans, actions and progress on sustainable and responsible purchasing, and to exchange with the Group on the LIFE 2020 objectives. At the 2015 meeting, the decision was made to set up working groups specific to each business group to ensure that actions plans better reflect their specific issues and characteristics. The aim is to identify the most sensitive procurement categories for each activity and increase their level of maturity in terms of responsible purchasing.

4.1.4. Actions relating to environmental issues

The "*Management Report of the Board of Directors* – LVMH and the environment" of the Reference Document sets out targets and initiatives allowing for an understanding of the nature of environmental risks and opportunities, particularly with regard to supply issues, as well as the environmental impact of the activities of Group companies and issues relating to health and safety of persons. See also, in the same "LVMH and the environment" section, §1.3. "Prevention of environmental risk and pollution" and §1.4. "Provisions and guarantees given for environmental risks".

As regards in particular issues relating to obtaining supplies and supplier integration, the Group's approach is structured around different procedures and initiatives.

As part of its LIFE 2020 strategic program, LVMH has set itself the target of implementing best practices in 70% of its supply chains, reaching 100% in 2025. This target, which relates to the production of raw materials, farming, breeding and extraction, also concerns the production plants of Group suppliers. LVMH's environmental performance is closely linked to its ability to involve suppliers and subcontractors in its approach and make them part of its sustainable procurement policy.

In addition to verification audits and due diligence measures conducted among suppliers and subcontractors (see §3.6. above, "Procedures for regular assessment of subcontractor and supplier situations"), a number of initiatives have been implemented by Group companies spanning all issues covered by the LIFE 2020 strategic program, concerning for example

ISO 14001 certification for supply chains or collaboration in obtaining supplies, sustainable design and transportation. LVMH is involved in various technical and academic collaborations that allow it to analyze the environmental performance of its core business lines. For example, in 2016 LVMH was involved in drafting the new version of the BSR (Business for Social Responsibility) Animal Sourcing Principles, a document setting out general principles to ensure animal well-being in supply chains. LVMH is also involved in the work of the Leather Working Group and Textile Exchange, which aim to define best practices for cattle and sheep breeding. The Group's fashion companies have made a commitment not to use fur from endangered species. LVMH works hand in hand with its European and North American suppliers and gives absolute priority to certified skins from farms that are audited regularly in accordance with recognized standards and verified by independent third parties. Lastly, in the Wines and Spirits sector, the Belvedere distillery has created a program dedicated to raw alcohol with suppliers and scientists in Poland. The aim is to safeguard and improve the quality of its supplies by guaranteeing the local provenance of alcohol and environmentally-friendly farming practices.

As regards in particular the traceability and compliance of all materials and substances used in the manufacturing of products sold, the Group focuses its vigilance on compliance with regulatory requirements, while monitoring the opinions of scientific committees and the recommendations of industry associations in Europe and throughout the world, as well as making an ongoing effort to raise awareness among and train employees. LVMH is also governed by stringent internal rules on the development of new products, which it makes its suppliers apply. Regulatory pressure has increased over recent years and all new suppliers receive the REACH compliance letter, created following the adoption in 2006 of the European regulations that rationalized and improved the European Union's former regulatory framework on chemical substances. By signing the document, these suppliers commit to complying with the requirements of the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulations or similar regulations. For Fashion and Leather Goods as well as Watches and Jewelry companies, the risks management policy is reflected by a comprehensive program based on a new internal standard, the LVMH RSL (Restricted Substances List), which prohibits or restricts the use of certain substances in items brought to the market, as well as their use by suppliers. In 2016, the Group began training its staff in using the RSL, which will help Group companies to enter a process of ongoing improvement. Another internal tool, the LVMH Testing Program enhances the control system of the Group's Fashion and Leather Goods companies, allowing them to test the highest-risk substances depending on the materials at five partner laboratories. LVMH's Environment Department has also drawn up and disseminated specific technical guidelines to help suppliers to eliminate certain substances and use alternatives. In parallel with these initiatives, the Group is continuing to talk to other operators in the luxury goods industry and industry federations to develop best practices.

Since 2016, an Environment Academy has been charged with developing the competency of LVMH employees. The training provided for LVMH employees via the Academy responds to the main aspects of the LIFE program. A complete training course has been devised on the basis of a core lesson plan comprising nine "à la carte" business modules and one "soft skills" module. Business training is also available. For example, Group buyers are invited to take part in a one-day session entitled "Constructing environmental performance with suppliers". Here they learn to identify the environmental risks relating to supplier practices and to better assess these risks with the help of a grid of 10 questions developed by LVMH. In-store employees and staff in charge of purchasing can also follow the training offered by the Environment Academy on the CITES convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora) in order to better understand how this applies to their day-to-day activities. Overall in 2016, more than 18,841 hours of training were provided by the Group and Group companies on environmental issues, including around 2,735 hours directly managed by the Academy. Some Group companies have also stepped up their Supplier Environmental Diagnostics training efforts.

4.1.5. Actions relating to social issues

The "*Management Report of the Board of Directors* – Human resources" of the Reference Document describes the various programs and initiatives in place within the area of social responsibility. Three categories of information can be highlighted with regard to issues relating to human rights, employee health and safety and relations with suppliers.

Respecting and promoting human rights and fundamental liberties

LVHM respects and defends the principles of the Global Compact, in particular those relating to fundamental rights at work: elimination of professional and employment discrimination, elimination of all forms of forced and compulsory labor, effective abolition of child labor, respect for freedom of association and effective recognition of the right to collective bargaining. LVMH promotes diversity in terms of backgrounds and experience. This commitment is enshrined in the Group's Recruitment Code of Conduct and embodied by its signing of the Business Diversity Charter. LVMH ensures that all of its employees are able to exercise their rights with no distinction on the grounds of skin color, gender, religion, political beliefs, national or social origin, age, disability, trade union affiliation and sexual orientation or gender identity. Particular attention is paid to the rights of vulnerable people. For example, the human resources management policy takes account of non-discrimination and diversity in the workplace.

LVMH respects its employees' right to freedom of expression and opinion, which is formulated within the framework of constructive dialogue. LVMH respects its employees' right to incorporate freely and voluntarily and to join groups to promote and defend their professional interests. LVMH encourages quality dialogue and consultation with employee representatives as well as the respect and consideration for employee representatives in each of the countries where it has a presence. See the "*Management Report of the Board of Directors* – Human resources" (§8. "Employee relations").

Encouraging taking account of quality of life at work

LVMH cares about the health and safety of its employees, makes sure that all its activities respect current health and safety legislation and regulations in all the countries in which it operates and pays particular attention to implement best practice with regard to safety in the workplace. LVMH protects its employees in the context of their professional duties from any exposure to hazardous materials or situations and signals any potential risks. Rules of procedure in force within LVMH specify rules relating to health and safety at work. Employees are made aware of these rules. LVMH promotes for its employees the respect of a good balance between personal and professional life. More information can be found in the Reference Document, under §7. "Health and safety" of the "*Management Report of the Board of Directors* – Human resources".

At Group level, as part of a project looking at the possibility of standardizing healthcare benefits, the "Cœur Social" program provides for the introduction of common core benefits.

Implementing and promoting a responsible approach with partners

LVMH asks its suppliers to comply with the ethics principles set out in the Supplier Code of Conduct. This Code specifies requirements relating to labor (prohibition of forced labor, child labor, harassment, discrimination, provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct (in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence peddling that must be respected by suppliers and any subcontractors in managing their business.

As regards relations with its suppliers, LVMH also encourages Group companies to develop their relations with companies that employ people with permanent or temporary severe disabilities, and provides them with special facilities and support (sometimes known as "sheltered" employment). See the "*Management Report of the Board of Directors* – Human resources" (§5.3. "Employment of people with disabilities").

4.2. Training and oversight system

Training

The Group has adopted appropriate training tools. These training programs are defined in terms of their content and the choice of employees concerned on the basis of risk mapping (in terms of regions, activities, business line and job profile), particularly for training for managers and Group employees who are most exposed to the risk of corruption.

Within the Ethics and Compliance Intranet, an online training tool was made available to all employees in 2017 covering the principles of the LVMH Code of Conduct in order to encourage understanding and assimilation by everyone of the rules, practices and values that form a common ethical framework for the Group and Group companies worldwide.

In 2017, the Group's Internal Control Department launched the LVMH Internal Control Academy, the main aim of which is to provide structured management for the entire network of controllers, internal auditors and officers in these areas. As such, this three or four-day training course called "The Fundamentals" was implemented in France and abroad; this training course was entirely created and run by senior internal controllers within LVMH group companies.

The Group's training efforts also include a number of programs and modules dedicated to the environment, such as safety and preventing risks at work. For further information on this subject, see the "*Management Report of the Board of Directors* – LVMH and the environment" (§1.2. "Training") and "Human resources" (§7. "Health and safety").

As regards social responsibility, training on preventing discrimination is provided for recruiters, directors and managers. Ongoing checks of recruitment practices are in place, with discrimination tests performed by an independent firm. Because social responsibility is a vital part of any manager's job, all newly hired managers systematically receive training in CSR, its implementation and the role it plays, through their induction seminar and online induction session. More information can be found in the "*Management Report of the Board of Directors* – Human resources" (§2.2. "Recruitment policy").

Disclosures and oversight

Within the Ethics and Compliance Intranet, employees have access to internal documents on combating corruption and influence peddling. This includes in particular the new LVMH Code of Conduct, as well as the "Internal guiding principles" serving as a reference guide concerning certain specific issues relating to business ethics.

Via its Finance Intranet, the Group makes available to all employees all rules and procedures relating to accounting and financial information applicable to each subsidiary. The Finance Intranet is also used for the dissemination of internal control principles and best practices. A specific "Major Risks" section of the Finance Intranet brings together procedures and tools for assessing, preventing and protecting against such risks. Best practices for the operational risk families selected are also available on the site. This information is available to all parties involved in risk management.

In addition, on the LVMH Intranet, the Group's Legal Department provides an overview of legislation in place within the Group's principal markets, relating to the prevention of money laundering and to limitations applicable to cash payments, as well as US, European and Swiss regulations on embargoes and economic sanctions.

As regards the environment, the Environment Department is in charge of helping Group companies to pursue their own environmental policy by making useful expertise and information available to them, as well as practical tools, à la carte training and bespoke support. For example, in order to progress in the matter of materials and product compliance, LVMH has developed a forward-looking approach that aims to anticipate changes in international regulations. Its experts regularly take part in working parties of national and European authorities and keep an eye on all new regulations, as well as changes in scientific knowledge. LVMH can ban the use of certain substances in advance and work at a very early stage on reformulating certain products.

In addition, at the instigation of the Human Resources Department, Group companies are careful to implement a global approach to professional equality and combating discrimination. For example, the Mission Handicap initiative, established in 2007, aims to support access to employment for people with disabilities. It is supported by a network of 35 employee correspondents with disabilities and steers the Group's actions in this area by raising employee awareness and providing support for training people with disabilities.

4.3. Warning mechanism, sanctions and monitoring

Internal warning system

All employees unsure of what position to take or how to interpret the principles set out in the Code of Conduct, or who directly or indirectly come across failures to comply with the Code, are invited to first of all report to their line manager, their ethics and compliance officer, their human resources manager, the Group's Ethics and Compliance Director or any other authorized person.

In addition to these usual existing communication and warning channels within the Group and Group companies, LVMH has developed a centralized internal warning system to collect and process reports from all employees concerning infringements or serious risks of infringement of laws and regulations, as well as the provisions of the LVMH Code of Conduct or other principles, guidelines and internal policies. In accordance with applicable regulations, this system ensures confidentiality insofar as possible and within the limits established in law, in particular as regards its implementation in France, under the terms set out by unique authorization n° AU-004 of the French National Commission for Data Protection (CNIL). No acts of repression are tolerated against anyone who has made use of this system in good faith, even if the suspicions giving rise to the alert prove to be incorrect.

Alerts handled within the framework of dedicated processes could help to enhance procedures for risk identification, which form part of a system of ongoing improvement.

Disciplinary sanctions

Failure by employees to comply with the rules of the Code of Conduct, as well as specific codes, charters and internal policies, the guiding principles and more generally the Internal Rules of Procedure (or any equivalent documents) of the company that employs them can be considered to be a failing.

If applicable, the Group can take appropriate and opportune measures to put an end to the shortcoming observed, including any suitable disciplinary sanctions proportionate to the seriousness of the infringement observed, in accordance with the provisions of the Internal Rules of Procedure (or any equivalent document) or applicable laws and regulations.

Monitoring

A report shall be submitted each year to the Ethics and Sustainable Development Committee of the Board of Directors on implementation of the principles of the LVMH Code of Conduct.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Parent company: LVMH Moët Hennessy-Louis Vuitton

1. KEY EVENTS DURING THE FISCAL YEAR

On January 23, 2017, pursuant to the provisions of the purchase agreement dated September 30, 2016, LVMH Germany GmbH, a wholly owned subsidiary of LVMH Moët Hennessy - Louis Vuitton SE, acquired a partnership interest representing 80% of the share capital and voting rights of Rimowa GmbH & Co. Distribution KG and 63% (80% after taking into account the Rimowa GmbH shares held by Rimowa GmbH & Co. Distribution KG) of the share capital and voting rights of Rimowa GmbH, the two German parent companies of the Rimowa group, the luggage and leather goods maker founded in Cologne in 1898 and known for its innovative, high-quality luggage. This acquisition, for a total price of 640 million euros, was financed by LVMH by contributing to a reserve account opened at LVMH Germany GmbH entitled "freie Kapitalrücklage". The 20% of the share capital that has not been acquired is covered by a put option granted by LVMH, exercisable in 2020.

On July 3, 2017, as part of the project aimed at simplifying the structures of the Christian Dior – LVMH group and in accordance with the terms of the memorandum of understanding signed with Christian Dior SE[1] on April 24, 2017, LVMH acquired 100% of the share capital and the voting rights of Grandville SA and its subsidiary Christian Dior Couture SA on a fully diluted basis from Christian Dior. This acquisition, which totaled 6 billion euros, was financed by LVMH by way of several bond issues for 5 billion euros and an intra-Group loan for the remainder.

2. COMMENTS ON THE FINANCIAL STATEMENTS

The balance sheet, income statement and notes to the financial statements of LVMH Moët Hennessy - Louis Vuitton SE (hereinafter "LVMH" or "the Company") for the year ended December 31, 2017 have been prepared in accordance with current French legal requirements.

2.1. Comments on the balance sheet

2.1.1. Change in the equity investment portfolio

The gross value of the equity investment portfolio was 26.7 billion euros, 6.8 billion euros higher than in 2016. This change was essentially due to LVMH's acquisition of 100% of the share capital and voting rights of Grandville SA and its subsidiary Christian Dior Couture SA for 6 billion euros. LVMH also contributed 0.6 billion euros to the reserve account of its subsidiary LVMH Germany GmbH for the purpose of acquiring 80% of the two German parent companies of the Rimowa group.

2.1.2. Financial structure

In May 2017, LVMH carried out a bond issue divided into four tranches totaling 4.5 billion euros, comprised of 3.25 billion euros in fixed-rate bonds and 1.25 billion euros in floating-rate bonds. In addition, in June 2017, LVMH issued 400 million pounds sterling in fixed-rate bonds maturing in June 2022. At the time these bonds were issued, swaps were entered into that converted them into euro-denominated borrowings. These transactions occurred in connection with the acquisition of Christian Dior Couture, completed in July 2017.

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

2.1.3. Hedging transactions

LVMH SE 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, financial instruments designed to hedge net assets denominated in foreign currency may be used in the consolidated financial statements but not matched in the parent company financial statements; as such, they constitute isolated open positions.

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

2.1.4. Share capital

As of December 31, 2017, the share capital comprised 507,042,596 fully paid-up shares totaling 152.1 million euros.

During the fiscal year, 708,485 shares were issued as a result of the exercise of share subscription options and 791,977 shares were retired.

(1) Christian Dior SE directly and indirectly holds 41.0% of the share capital and 56.8% of the voting rights of LVMH.

2.1.5. Information on payment terms for suppliers and customers

Pursuant to Articles L.441-6-1 and D.441-4 of the French Commercial Code, we hereby inform you that as of December 31, 2017:

- trade accounts payable were not yet due;
- trade accounts receivable due at the fiscal year-end date, based on the legal deadline for payment, amounted to 2.8 million euros, corresponding to 1% of services provided and income for the 2017 fiscal year, and mainly concerned foreign subsidiaries.

2.2. Parent company results and outlook

The Company reported net financial income of 2,656.7 million euros, compared with 2,969.2 million euros in 2016.

Management income from subsidiaries and other investments totaled 2,570.5 million euros in 2017, compared with 3,060.9 million euros in 2016. This change was mainly the result of a decrease in financial income from subsidiaries and other investments (2,645.5 million euros in 2017, compared with 3,187.7 million euros in 2016).

Financial income from subsidiaries and other investments consists of dividends and similar income.

Net financial income in 2017 also included the cost of net financial debt and related interest rate derivatives totaling 49.9 million euros, as well as gains on foreign exchange transactions and derivatives totaling 136 million euros.

Net operating profit reflects operating expenses not recharged to subsidiaries and other investments, which equated to a net expense of 182.9 million euros in 2017, compared with 168.4 million euros in 2016.

Taking into account the 379.4 million euro positive impact of corporate income tax, including the effect of tax consolidation, net profit came to 2,853.2 million euros, up from 2,645.3 million euros in 2016.

Given the results achieved in 2017 by subsidiaries and other investments held by LVMH SE, the Company anticipates a satisfactory level of dividend payouts in 2018.

Finally, with regard to the preparation of the Company's income tax return, no expenses were considered as having to be re-integrated into taxable profit or non-deductible within the meaning of Articles 39-4, 39-5, 54 quater and 223 quinquies of the French General Tax Code.

3. APPROPRIATION OF NET PROFIT

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

(EUR)	
Net profit for the fiscal year ended December 31, 2017	2,853,127,239.16
Available portion of the legal reserve [(a)]	2,504.76
Retained earnings	10,424,562,995.12
Amount available for distribution	**13,277,692,739.04**
Proposed appropriation:	
Total dividend distributed for the fiscal year ended December 31, 2017	2,535,212,980.00
- of which dividend payable under the Bylaws of 5% or EUR 0.015 per share	*7,605,638.94*
- of which additional dividend of EUR 4.985 per share	*2,527,607,341.06*
Retained earnings	10,742,479,759.04
	13,277,692,739.04

(a) Portion of the legal reserve over 10% of share capital as of December 31, 2017.

As of December 31, 2017, the Company held 4,281,097 of its own shares, corresponding to an amount not available for distribution of 530.5 million euros, equivalent to the acquisition cost of the shares.

Should this appropriation be approved, the total dividend for the fiscal year ended December 31, 2017 would be 5.00 euros per share. As an interim dividend of 1.60 euros per share was paid on December 7, 2017, the final dividend per share would be 3.40 euros. The ex-dividend date will be April 17, 2018 and the final dividend will be paid as of April 19, 2018.

Based on the tax legislation applicable to the interim dividend and final dividend as it stands at January 1, 2018, this securities income carries an entitlement for French tax residents subject to personal income tax at a progressive rate (by right in 2017 and by electing to do so in 2018) to a tax deduction of 40%.

The dividend is paid as a priority from distributable income from dividends received from subsidiaries eligible for the parent company plan within the meaning of Directive 2011/96/EU ("Eligible Subsidiaries") in the following order of priority: (i) firstly from dividends received from Eligible Subsidiaries whose registered office is in an EU member state other than France; (ii) then from dividends received from Eligible Subsidiaries whose registered office is in France; and (iii) lastly from dividends received from Eligible Subsidiaries whose registered office is in a non-EU country.

Lastly, should the Company hold, at the time of payment of this final dividend, any treasury shares under authorizations granted, the corresponding amount of unpaid dividends will be allocated to retained earnings.

As required by law, we remind you that the gross dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year *(EUR)*	Type	Payment date	Gross dividend	Tax deduction [a]
2016	Interim	December 1, 2016	1.40	0.56
	Final	April 21, 2017	2.60	1.04
	Total		**4.00**	**1.60**
2015	Interim	December 3, 2015	1.35	0.54
	Final	April 21, 2016	2.20	0.88
	Total		**3.55**	**1.42**
2014 [b]	Interim	December 4, 2014	1.25	0.50
	Final	April 23, 2015	1.95	0.78
	Total		**3.20**	**1.28**

(a) For individuals with tax residence in France.
(b) Excluding the exceptional dividend in kind in the form of Hermès International shares based on a ratio of 2 Hermès International shares for every 41 LVMH shares, approved at the Combined Shareholders' Meeting of November 25, 2014, corresponding to 13.66 euros per LVMH share, of which 12.08 euros qualifies as distributed income for tax purposes and 1.58 euros qualifies as a repayment of capital for tax purposes.

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

4.1. Principal shareholders

As of December 31, 2017, the Arnault Family Group directly and indirectly controlled 46.84% of the share capital and held 63.13% of the voting rights exercisable at Shareholders' Meetings, compared with 46.74% and 63.07%, respectively, as of December 31, 2016. See also §3. "Analysis of share capital and voting rights" in the *Other information* section.

4.2. Shares held by members of the management and supervisory bodies

As of December 31, 2017, the members of the Board of Directors and Executive Committee directly held, in their personal capacity and in registered form, less than 0.3% of the share capital.

4.3. Employee share ownership

As of December 31, 2017, employees of the Company and of affiliated companies, as defined in Article L.225-180 of the French Commercial Code, held LVMH shares in employee savings plans equivalent to less than 0.1% of the Company's share capital.

4.4. Share purchase and subscription option plans

Option plan recipients are selected in accordance with the following criteria: performance, development potential and contribution to a key position.

Two share subscription option plans with outstanding options remaining, set up by LVMH in 2008 and 2009, were in force as of December 31, 2017. The exercise price of options as of the plans' commencement date was equal to the reference price, calculated in accordance with applicable laws. Each plan has a term of ten years. Provided the conditions set by the plan are met, options may be exercised after the end of a period of four years from the plan's commencement date. For all plans, the share ratio is one share for one option granted.

Apart from conditions relating to attendance within the Group, the exercise of options granted in 2009 was contingent on performance conditions, based on the following three indicators: profit from recurring operations, net cash from operating activities and operating investments, and the Group's current operating margin.

Options granted to senior executive officers could only be exercised if, in three of the four fiscal years from 2009 to 2012, at least one of those three indicators showed a positive change compared to 2008. The performance condition was met with respect to the 2009, 2010, 2011 and 2012 fiscal years.

Options granted to other recipients could only be exercised if, for fiscal years 2009 and 2010, at least one of these indicators showed a positive change compared to fiscal year 2008. The performance condition was met with respect to the 2009 and 2010 fiscal years.

Company officers, whether senior executives or employees, must also comply with a number of other restrictions relating to the exercise period for their options.

For plans set up since 2007, if the Chairman and Chief Executive Officer and the Group Managing Director decide to exercise their options, they must retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares representing a sliding percentage of between 50% and 30% (based on the remaining term of the plan) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date.

4.4.1. Share purchase option plans

No share purchase option plans were in effect as of December 31, 2017.

4.4.2. Share subscription option plans

Date of Shareholders' Meeting	05/11/2006	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	**05/10/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options granted at plan inception [f]	**1,679,988**	**1,698,320**	**1,301,770**	**4,680,078**
of which Company officers [a]	*805,875*	*766,000*	*541,000*	***2,112,875***
Bernard Arnault [b]	427,500	400,000	200,000	**1,027,500**
Antoine Arnault [b]	9,500	9,500	9,500	**28,500**
Delphine Arnault [b]	9,500	9,500	9,500	**28,500**
Nicolas Bazire [b]	142,500	142,500	100,000	**385,000**
Antonio Belloni [b]	142,500	142,500	100,000	**385,000**
of which Top ten employee recipients [c]	*311,544*	*346,138*	*327,013*	***984,695***
Number of recipients	524	545	653	
Earliest option exercise date	05/10/2011	05/15/2012	05/14/2013	
Expiry date	05/09/2017	05/14/2018	05/13/2019	
Subscription price *(EUR)* [d][e]	77.526	65.265	50.861	
Number of options exercised in 2017 [d]	583,973	73,385	51,127	**708,485**
Number of options expired in 2017 [d]	11,749	1,111	973	**13,833**
Total number of options exercised as of December 31, 2017 [d]	1,656,024	981,041	850,736	**3,487,801**
Total number of options expired as of December 31, 2017 [d]	108,179	93,080	51,665	**252,924**
Options outstanding as of December 31 [d]	**-**	**712,890**	**467,802**	**1,180,692**

(a) Options granted to active company officers as of the plan's commencement date.
(b) Company officers serving as of December 31, 2017.
(c) Options granted to active employees other than company officers as of the plan's commencement date.
(d) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.
(e) Subscription price for Italian residents: 65.445 euros for the May 15, 2008 plan and 50.879 euros for the May 14, 2009 plan.
(f) Before adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

As of December 31, 2017, the potential dilutive effect of allocating these options equated to 0.23% of the share capital. However, since LVMH retires a number of shares equivalent to the number of shares issued in connection with the exercise of options, there is no dilutive effect for shareholders when the subscription options are exercised.

4.4.3. Options granted to and exercised by the Group's top ten employee recipients, other than company officers, during the fiscal year

Information on company officers can be found in §2.2.4 of the *Board of Directors' report on corporate governance*.

Options granted to the Group's top ten employee recipients, other than company officers

No new option plans were put in place in 2017.

Options exercised by the Group's top ten employee recipients, other than company officers, having exercised the largest number of options [a]

Company granting the options	Date of the plan	Number of options	Subscription price *(EUR)*
LVMH Moët Hennessy - Louis Vuitton	05/10/2007	19,473	77.526
"	05/15/2008	53,339	65.265
"	05/14/2009	6,944	50.861

(a) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

4.5. Allocation of bonus shares and bonus performance shares

Bonus share recipients are selected among the employees and senior executives of the Group's companies on the basis of their level of responsibility and their individual performance.

For plans set up between 2013 and 2015, shares vest if performance conditions, where applicable, are met, after a period of three years for French residents for tax purposes and four years for recipients who are not French residents for tax purposes. French residents for tax purposes must keep their shares for a two-year holding period as of the vesting date, following which they become freely transferable.

For plans set up in 2016 and 2017 – other than the exception mentioned below – shares vest if performance conditions, where applicable, are met, after a period of three years with no mandatory holding period, regardless of the recipient's tax residence.

The plans set up on July 25, 2013; October 23, 2014; April 16, 2015; October 22, 2015; and April 13, 2017 provide solely for the allocation of bonus shares subject to a condition related to the performance of the LVMH group.

The plan set up on July 24, 2014 provides solely for the allocation of bonus shares with no performance conditions.

The plan set up on October 20, 2016 primarily allocates bonus shares subject to a condition related to the performance of the LVMH group, but also allocates a certain number of shares not subject to any performance conditions.

The plan set up on July 26, 2017 includes conditions specifically related to the performance of a subsidiary.

The plan set up on October 25, 2017 primarily allocates bonus shares subject to a condition related to the performance of the LVMH group, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary, as well as a certain number of shares not subject to any performance conditions.

For the plan set up in 2013, bonus shares subject to a condition related to the Group's performance only vest if LVMH's consolidated financial statements both for the fiscal year in which the plan is set up (fiscal year "Y") and for fiscal year Y+1 show a positive change compared to fiscal year Y-1 in relation to one or more of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, or current operating margin (hereinafter referred to as the "Indicators"). This condition was satisfied in 2013 and 2014. Shares allocated to recipients who were French residents for tax purposes were fully vested as of July 25, 2016, while those allocated to recipients who were not French residents for tax purposes were fully vested as of July 25, 2017.

For the plans set up on October 23, 2014 and April 16, 2015, bonus shares subject to a condition related to the Group's performance only vest if LVMH's consolidated financial statements for fiscal year 2015 show a positive change compared to fiscal year 2014 in relation to one or more of the Indicators. This condition was satisfied, so shares allocated under the October 23, 2014 plan to recipients who were French residents for tax purposes were fully vested as of October 23, 2017.

For the plans set up on October 22, 2015 and October 20, 2016, bonus shares subject to a condition related to the Group's performance only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change compared to the fiscal year in which the plan was set up (fiscal year Y) in relation to one or more of the Indicators. For the plan set up on October 22, 2015, the condition was met in 2016 and 2017. For the plan set up on October 20, 2016, the condition was met in 2017.

For the plan set up on April 13, 2017, bonus shares subject to a condition related to the Group's performance only vest if LVMH's consolidated financial statements for the fiscal year in which the plan was set up (fiscal year Y) show a positive change in one or more of the aforementioned Indicators compared to fiscal year Y-1. This condition was satisfied. Shares will vest on April 13, 2018 and will be subject to a two-year holding period.

For the plan set up on July 26, 2017, half of the bonus shares will vest on June 30, 2020 and the other half on June 30, 2021, each time provided the performance condition regarding revenue and profit from recurring operations for the subsidiary concerned has been met.

For bonus shares awarded under the plan set up on October 25, 2017 and subject to a condition relating to the performance of the LVMH group, shares only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the Indicators relative to the fiscal year in which the plan was set up (fiscal year Y).

Bonus shares awarded under this plan – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2024 provided that (i) quantitative targets regarding its revenue and profit from recurring operations in respect of fiscal year 2023, and (ii) qualitative targets have been met, with vesting advanced to June 30, 2023 if said targets are met in respect of fiscal year 2022.

If their shares vest, the Chairman and Chief Executive Officer and the Group Managing Director must retain possession, in registered form and until the conclusion of their respective terms in office, of a number of shares corresponding to one-half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the opening share price on the vesting date for plans set up before 2013, and on the basis of the closing share price on the day before the vesting date for plans set up since 2013.

Vesting of such shares does not lead to any dilution for shareholders, since they are allocations of existing shares.

4.5.1. Bonus share and performance share allocation plans

Date of Shareholders' Meeting	04/18/2013	04/18/2013	04/18/2013	04/16/2015	04/16/2015
Date of Board of Directors' meeting	**07/25/2013**	**07/24/2014**	**10/23/2014**	**04/16/2015**	**10/22/2015**
	Performance shares	Bonus shares	Performance shares	Performance shares	Performance shares
Total number of shares provisionally allocated at plan inception [g]	**397,406**	**61,000**	**307,548**	**73,262**	**315,532**
of which Company officers [a]	*78,572*	-	*19,235*	*41,808*	*46,990*
Bernard Arnault [b]	17,968	-	4,606	10,012	14,626
Antoine Arnault [b]	1,644	-	659	1,432	2,093
Delphine Arnault [b]	1,644	-	659	1,432	2,093
Nicolas Bazire [b]	17,308	-	4,437	9,644	14,089
Antonio Belloni [b]	17,308	-	4,437	9,644	14,089
of which Top ten employee recipients [c]	*69,606*	*61,000*	*36,280*	*31,454*	*61,858*
Number of recipients	748	2	772	14	740
Vesting date	07/25/2016 [d]	07/24/2017 [d]	10/23/2017 [d]	04/16/2018 [d]	10/22/2018 [d]
Date as of which the shares may be sold	07/25/2018 [d]	07/24/2019 [d]	10/23/2019 [d]	04/16/2020 [d]	10/22/2020 [d]
Unit value as of the initial grant date *(EUR)* [g]	117.51 [h]	126.61 [h]	114.62 [h]	157.41 [h]	144.11 [h]
Performance condition	**Satisfied**	**-**	**Satisfied**	**Satisfied**	**Satisfied**
Number of share allocations vested in 2017 [j]	181,168	6,666	147,598	-	70
Number of share allocations expired in 2017 [j]	6,938	-	14,085	-	10,008
Total number of share allocations vested as of 12/31/2017 [j]	395,432	6,666	147,598	-	70
Total number of share allocations expired as of 12/31/2017 [j]	44,604	-	42,732	-	15,635
Remaining allocations as of fiscal year-end [j]	**-**	**61,098**	**151,348**	**73,262**	**299,827**

(a) Performance shares allocated to company officers serving as of the provisional allocation date.
(b) Company officers serving as of December 31, 2017.
(c) Bonus shares and performance shares allocated to employees – other than LVMH company officers – serving as of the provisional allocation date.
(d) Shares vest and become available on July 25, 2017; July 24, 2018; October 23, 2018; April 16, 2019 and October 22, 2019 for recipients who are not French residents for tax purposes.

04/14/2016	04/14/2016	04/14/2016	04/14/2016	04/14/2016	04/14/2016	
10/20/2016	10/20/2016	04/13/2017	07/26/2017	10/25/2017	10/25/2017	
Bonus shares	Performance shares	Performance shares	Performance shares	Bonus shares	Performance shares	Total
50,010	310,509	46,860	43,400	18,502	346,490	**1,970,519**
-	*43,462*	-	-	-	*43,549*	***273,616***
-	13,528	-	-	-	19,745	**80,485**
-	1,936	-	-	-	1,323	**9,087**
-	1,936	-	-	-	4,673	**12,437**
-	13,031	-	-	-	8,904	**67,413**
-	13,031	-	-	-	8,904	**67,413**
50,010	*57,734*	*46,860*	*43,400*	*18,502*	*120,378*	***597,082***
2	740	1	1	2	851	
10/20/2019	10/20/2019	04/13/2018	06/30/2020 [e]	10/25/2020	10/25/2020 [f]	
10/20/2019	10/20/2019	04/13/2020	06/30/2020 [e]	10/25/2020	10/25/2020 [f]	
155.10	155.10	195.66	205.06 [i]	227.01	227.01 [i]	
-	Satisfied in 2017	Satisfied in 2017	Not applicable in 2017	-	Not applicable in 2017	
-	65	-	-	-	-	**335,567**
-	5,890	-	-	-	-	**36,921**
-	65	-	-	-	-	**549,831**
-	5,890	-	-	-	-	**108,861**
50,010	304,554	46,860	43,400	18,502	346,490	1,395,351

(e) Shares vest and become available in two tranches of 21,700 shares, with shares from the second tranche vesting on June 30, 2021.
(f) Shares vest and become available on June 30, 2024 or, where applicable, June 30, 2023 for shares subject to a condition specifically related to the performance of a subsidiary.
(g) For pre-2015 plans, before adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.
(h) Respective unit values: 115.78, 125.21, 113.14, 156.62 and 142.91 euros for shares vesting on July 25, 2017; July 24, 2018; October 23, 2018; April 16, 2019 and October 22, 2019.
(i) Respective unit values: 199.83 and 210.29 euros for shares vesting on June 30, 2021 and June 30, 2024.
(j) For pre-2015 plans, after adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

4.5.2. Bonus shares and performance shares allocated during the year to the Group's top ten employee recipients [a], other than company officers, having received the largest number of shares [b]

Shares provisionally allocated during the fiscal year to the Group's top ten employee recipients, other than company officers

See §4.5.1. above.

Shares vested during the fiscal year to the Group's top ten employee recipients, other than company officers

Company granting the shares	Date of the plan	Number of bonus shares	Number of performance shares
LVMH Moët Hennessy - Louis Vuitton	07/25/2013	-	44,419
"	07/24/2014	6,666	-
"	10/23/2014	-	15,819

(a) Active employees as of the vesting date.
(b) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

Information on company officers can be found in §2.2.5 of the *Board of Directors' report on corporate governance*.

5. SUMMARY OF TRANSACTIONS IN LVMH SECURITIES DURING THE 2017 FISCAL YEAR BY SENIOR EXECUTIVES AND CLOSELY RELATED PERSONS

A summary of transactions by senior executives and closely related persons in LVMH securities during the 2017 fiscal year is provided in §3 of the *Board of Directors' report on corporate governance*.

6. SHARE REPURCHASE PROGRAMS

6.1. Information on share repurchase programs

The purpose of this subsection is to inform the shareholders of purchases of treasury shares made by the Company between January 1, 2017 and December 31, 2017 as part of the share repurchase programs authorized at the Combined Shareholders' Meetings held on April 14, 2016 and April 13, 2017.

Under the liquidity contract entered into by the Company with Oddo & Cie Entreprise d'Investissement and Oddo Corporate Finance on September 23, 2005, the Company acquired 626,947 LVMH shares at an average price per share of 217.53 euros and sold 623,947 LVMH shares at an average price per share of 217.39 euros.

These transactions generated expenses of 0.3 million euros.

The table below provides a summary by purpose of transactions carried out, by value date, during the period from January 1, 2017 to December 31, 2017:

(number of shares unless otherwise stated)	Liquidity contract	Coverage of plans	Coverage of securities giving access to Company shares	Exchange or payment in connection with acquisitions	Share pending retirement	Total
Balance as of December 31, 2016	**89,000**	**3,118,310**	**-**	**-**	**1,889,812**	**5,097,122**
Purchases	180,026	-	-	-	63,148	243,174
Average price *(EUR)*	189.24	-	-	-	180.02	186.84
Sales	(193,832)	-	-	-	-	(193,832)
Average price *(EUR)*	191.25	-	-	-	-	191.25
Bonus share awards	-	-	-	-	-	-
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	(145,789)	-	-	-	(145,789)
Balance as of April 13, 2017	**75,194**	**2,972,521**	**-**	**-**	**1,952,960**	**5,000,675**
Purchases	446,921	245,371	-	-	-	692,292
Average price *(EUR)*	228.92	225.05	-	-	-	227.55
Sales	(430,115)	-	-	-	-	(430,115)
Average price *(EUR)*	229.17	-	-	-	-	229.17
Bonus share awards	-	(335,567)	-	-	-	(335,567)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	(646,188)	-	-	-	(646,188)
Balance as of December 31, 2017	**92,000**	**2,236,137**	**-**	**-**	**1,952,960**	**4,281,097**

Between January 1 and December 31, 2017, the Company retired 791,977 shares that had been purchased for cancellation or to cover share subscription option plans.

6.2. Description of the main characteristics of the share repurchase program presented for approval at the Combined Shareholders' Meeting of April 12, 2018

- Securities concerned: shares issued by LVMH Moët Hennessy - Louis Vuitton SE.
- Maximum proportion of 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 the share capital as of December 31, 2017: 50,698,029; however, taking into account the 4,281,097 shares held in treasury, only 46,416,932 treasury shares are available to be acquired.
- Maximum price per share: 400 euros.
- Objectives:

  Shares may be acquired to meet any objective compatible with provisions in force at the time, and in particular to:

  - provide market liquidity or share liquidity services (purchases/sales) under a liquidity contract set up by the Company in compliance with the AMF-approved AMAFI ethics charter;
  - cover stock option plans, awards of bonus shares or of any other shares, or share-based payment plans for employees or company officers of the Company or of any related undertaking under the conditions provided by the French Commercial Code, in particular its Articles L.225-180 and L.225-197-2;
  - cover debt securities that may be exchanged for Company shares, and more generally securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange;
  - be retired subject to the approval of the fourteenth resolution;
  - be held and later presented for consideration as an exchange or payment in connection with external growth operations, up to a maximum of 5% of the share capital;
  - more generally, carry out any permitted transactions or any transaction that would be authorized in future under regulations in force at that time, or that would involve an already accepted market practice or one that would come to be accepted by the AMF.
- Program duration: 18 months as of the Ordinary Shareholders' Meeting of April 12, 2018.

6.3. Summary table disclosing transactions undertaken by the issuer in its own shares from January 1 to December 31, 2017

The table below, prepared in accordance with the provisions of AMF Instruction 2005-06 of February 22, 2005, issued pursuant to Article 241-2 of the AMF's General Regulation, summarizes transactions undertaken by the Company in its own shares from January 1 to December 31, 2017:

As of December 31,2017	
Percentage of own share capital held directly or indirectly	0.84%
Number of shares retired in the last 24 months	1,712,928
Number of shares held in the portfolio	4,281,097
Book value of the portfolio	530,498,048
Market value of the portfolio	1,050,581,204

	Cumulative gross transactions		Open positions at December 31, 2017			
	Purchases	Sales/ Transfers	Open "buy" positions		Open "sell" positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	935,466	1,751,491	-	-	-	-
Of which:						
- liquidity contract	*626,947*	*623,947*	-	-	-	-
- purchases to cover plans	*245,371*	-	-	-	-	-
- bonus share allocations	-	*335,567*	-	-	-	-
- purchases of shares to be retired	*63,148*	-	-	-	-	-
- share retirements	-	*791,977*	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average trading price *(EUR)*	216.97	217.39 [a]	-	-	-	-
Amount *(EUR)*	202,966,759	135,639,597 [a]	-	-	-	-

(a) Excluding bonus share allocations and share retirements.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Human resources

1. NOTE ON METHODOLOGY

Since 2010, all staff members involved in Group reporting on employee-related issues have had access to a training kit. The aim is to familiarize users with the objectives of reporting on employee-related issues, and deepen understanding of key indicators and the calculation methodology used. Control procedures have also been reinforced within each organizational entity. To ensure the quality of the data reported, Group companies' Directors of Human Resources appoint a reporter for each company under their responsibility, who is in charge of collecting and declaring all employee-related data, as well as a reviewer who is responsible for checking the data declared by the reporter and certifying that it is accurate by providing an electronic signature during the validation phase of the questionnaire completed online. Following these two preliminary validation stages, the Group company's Director of Human Resources – the supervisor – provides his or her final validation by signing a letter of representation.

The mapping between organizational and legal entities ensures consistency between reporting on employee-related issues and financial reporting. Accordingly, the scope of reporting on employee-related issues covers all staff employed by fully consolidated Group companies, but does not include equity-accounted associates.

A descriptive sheet is available for each employee-related 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. Furthermore, computer checks are implemented throughout the reporting cycle to confirm the reliability and consistency of the data entered.

Workforce information set out below includes all consolidated companies as of December 31, 2017, including Christian Dior Couture and LVMH's share in joint ventures, with the exception of certain companies that have been part of the Group for less than a year. Other employee-related indicators were calculated for a scope of 705 organizational entities covering more than 99% of the global workforce and encompass all staff employed during the fiscal year, including those employed by joint ventures.

Since fiscal year 2007, selected employee-related disclosures for the Group have been verified each year by one of the Statutory Auditors. For fiscal year 2017, company data was verified by Ernst & Young, in accordance with Article R.225-105-2 of the French Commercial Code. Their findings are expressed in a report following the "LVMH and the environment" section of the Reference Document.

Group companies provide an overview of their corporate social responsibility initiatives in a yearly Corporate Social Responsibility (CSR) reporting survey, which supplements the Group's reporting on employee-related issues. This survey, which is carried out across all Group companies, covers the most common social responsibility issues: human rights, diversity and the prevention of discrimination, skills development, working conditions, listening to and dialoguing with employees, and local community engagement. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

LVMH's employees in China are included in the number of staff working under permanent contracts (11,962 as of December 31, 2017). Although Chinese law limits the duration of employment contracts, which become permanent only after several years, the LVMH group considers employees working under such contracts as permanent, given the nature of Chinese labor law.

2. BREAKDOWN OF AND CHANGES IN THE WORKFORCE

2.1. Breakdown of the workforce

Total headcount as of December 31, 2017 stood at 145,247 employees, an increase of 8% compared with 2016. Of this total, 129,366 employees were working under permanent contracts and 15,880 under fixed-term contracts. Part-time employees represented 19% of the total workforce, or 27,875 individuals. Staff outside France represented 80% of the worldwide workforce.

The Group's average total Full Time Equivalent (FTE) workforce in 2017 comprised 128,637 employees, up 10% compared with 2016.

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 [a]	2017	%	2016	%	2015	%
Wines and Spirits	7,157	5	6,938	5	7,050	6
Fashion and Leather Goods	41,212 [b]	28	32,887	24	33,377	27
Perfumes and Cosmetics	26,699	18	24,170	18	23,131	18
Watches and Jewelry	8,100	6	7,937	6	7,800	6
Selective Retailing	57,360	40	57,428	43	51,920	41
Other activities	4,719	3	5,116	4	2,068	2
Total	**145,247**	**100**	**134,476**	**100**	**125,346**	**100**

(a) Total permanent and fixed-term headcount.
(b) The increased headcount in the Fashion and Leather Goods business group is explained by the integration of Christian Dior Couture.

Breakdown by geographic region

Total headcount as of December 31 [a]	2017	%	2016	%	2015	%
France	29,578	20	26,970	20	23,150	18
Europe (excluding France)	34,159	24	30,803	23	29,282	23
United States	32,717	23	32,265	24	30,596	24
Japan	6,397	4	5,991	4	5,859	5
Asia (excluding Japan)	31,102	21	27,835	21	27,056	22
Other markets	11,294	8	10,612	8	9,403	8
Total	**145,247**	**100**	**134,476**	**100**	**125,346**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown of personnel by professional category

Total headcount as of December 31 [a]	2017	%	2016	%	2015	%
Executives and managers	26,631	18	23,279	17	21,510	17
Technicians and supervisors	14,009	10	12,823	10	12,077	10
Administrative and sales staff	86,742	60	81,632	61	77,153	61
Production workers	17,865	12	16,742	12	14,606	12
Total	**145,247**	**100**	**134,476**	**100**	**125,346**	**100**

(a) Total permanent and fixed-term headcount.

Average age and breakdown by age

The average age of the worldwide workforce employed under permanent contracts is 36 years and the median age is 33 years. The youngest age ranges are found among sales staff, mainly in Asia, the United States and Other markets.

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Age: under 25	12.3	6.1	7.5	20.3	3.6	13.2	24.3
25-29	20.4	15.7	16.0	23.0	11.7	27.7	23.6
30-34	19.3	15.4	18.4	17.0	19.7	25.5	19.8
35-39	14.9	14.2	16.6	11.5	23.0	15.7	13.8
40-44	11.0	13.0	14.5	7.7	21.0	7.4	8.1
45-49	8.6	12.1	11.7	6.6	11.9	4.5	4.8
50-54	6.5	11.0	8.0	5.4	5.9	3.1	3.0
55-59	4.5	8.7	5.0	4.2	3.1	1.8	1.6
60 and up	2.5	3.8	2.3	4.3	0.1	1.1	1.0
	100	100	100	100	100	100	100
Average age	**36**	**40**	**38**	**35**	**38**	**33**	**33**

Average length of service and breakdown by length of service

The average length of service within the Group is 10 years in France and ranges from 4 to 8 years in other geographical regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a higher rate of turnover. It is also the result of recent expansion by Group companies into high-growth markets, where employment is more fluid.

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Length of service: less than 5 years	58.3	40.1	48.6	71.9	44.1	68.8	77.6
5-9 years	19.6	20.8	23.3	16.2	20.6	19.8	13.8
10-14 years	9.7	12.2	13.7	6.9	19.1	5.9	4.5
15-19 years	6.0	11.6	8.0	2.9	10.2	2.1	2.2
20-24 years	2.6	4.9	3.3	1.0	3.3	1.7	0.9
25-29	2.0	5.1	1.7	0.6	2.1	1.0	0.4
30 years and up	1.8	5.3	1.4	0.5	0.6	0.7	0.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average length of service	**7**	**10**	**7**	**5**	**8**	**5**	**4**

2.2. Recruitment policy: attracting a diverse array of talent

LVMH and its Group companies aim to attract, recruit and develop the most talented individuals, whatever their level of seniority. Thanks to its diverse ecosystem, the Group is able to offer unique career opportunities to all staff, thus ensuring that it is highly attractive as an employer. Because the Group sees diversity as a strength, it is committed to recruiting without discriminating on the basis of age, gender, opinion or any other personal characteristic.

At the center of the Group's actions is this strong conviction: people make the difference. To support this vision, recruiting the best talent is the key strategic pillar of the Group's HR policy, ensuring that "the future of LVMH's traditions" is secured.

To this end, to boost collaborative working, LVMH has set up an internal network of 800 recruiters coordinated via forums and committees, with the aim of maximizing efficiency and knowledge of the market.

In a highly competitive environment, it is vital to be able to attract passionate, high-performing individuals who are committed to achieving excellence. For this reason, the LVMH group has put in place various initiatives, including in particular the "Inside LVMH" program. The aim of this design program, which brings together schools and universities, students and LVMH, is to give students and interns within the Group a better grasp of how the luxury industry works and how diverse the Group's businesses are. The program consists of a four-month immersion in the Group via a team project and access to video training content delivered by managers from 22 Group companies and professors appointed to LVMH Chairs. This video content covers the Group's five areas of expertise: creation and design, brand management, customer excellence, manufacturing and supply chain, CSR/digital and entrepreneurship. The program's online platform was launched in December 2017 to allow students to enroll, and the program began in January 2018. For this first year, the program is open to over 50 schools in six European countries. By taking part in the "Inside LVMH" program and immersing themselves in the Group, students also have the opportunity to become one of the 7,200 interns and young graduates hired by Group companies every year.

In 2017, the Group also deepened its strong ties with schools and universities through more than 250 face-to-face events at academic institutions to help students understand the Group's ecosystem. These talks support the Group's strong commitment to the student world since 1991, covering its five areas of expertise, notably illustrated by 11 Chair-type partnerships. These partnerships include funding professors' research topics, delivering teaching to students, and paying school fees and the costs of research projects.

In addition to these programs, LVMH has also developed new digital tools to reach a wider audience not limited to students, thereby streamlining the job application experience and encouraging a diverse pool of candidates to apply. Examples of this proactive, innovative approach include the Group's strong partnership with LinkedIn as regards the approach to searching for candidates, digitization of résumés at face-to-face events, and pre-recorded video interviews.

Alongside these Group-wide initiatives, several Group companies – such as Sephora, Parfums Christian Dior, Louis Vuitton and Guerlain – regularly launch their own employer communication campaigns in order to attract the best candidates.

LVMH's determination to give itself and its Group companies the means to reinforce its image as an employer of choice is widely recognized. Thanks to actions undertaken by all Group companies, LVMH was recognized by LinkedIn as France's most attractive employer for the second year running, and ranked eighth in the world in 2017. The Group is also popular with business school students in France, who ranked LVMH first among preferred employers for the twelfth consecutive year in the Universum poll.

The LVMH Recruitment Code of Conduct has been widely disseminated to employees active in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed at LVMH in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity. In some Group companies, the LVMH Recruitment Code of Conduct may be bolstered by a Group company-specific policy. It is backed by the rollout within the Group of the "Recruitment without Discrimination" training program. This training program has been mandatory for all human resource managers involved in recruiting since 2011. Specific training sessions have also been rolled out across the Group's various locations so as to align this commitment with domestic legislation. To verify the effectiveness of this system, since 2008 LVMH has undertaken ongoing monitoring of its hiring practices. To this end, the Group has an independent firm carry out discrimination tests based on its own published job offers. The latest such campaign was worldwide in scope. Campaigns to test for discrimination help monitor compliance with the Group's commitments, encourage vigilance among recruiters and managers, and manage the system for preventing discrimination in recruitment.

2.3. Movements during the year: joiners, leavers and internal mobility

In 2017, 33,191 individuals were hired under permanent contracts, including 4,411 in France. A total of 8,341 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 two main reasons for using fixed-term contracts.

In 2017, a total of 29,640 employees working under permanent contracts left Group companies (for any reason); of these, 49% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate. The leading causes for departure were resignation (72%) and individual dismissal (13%).

The overall turnover rate was higher than in 2016 and showed marked differences between geographical regions: the highest rates were recorded in North America, Asia and Other markets, where labor markets are more fluid.

Turnover by geographic region

(as %)	2017	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets	2016	2015
Total turnover [a]	22.7	12.5	16.5	34.1	11.0	28.0	30.3	20.5	21.8
Of which: voluntary turnover [b]	16.4	5.2	11.7	29.2	10.1	19.1	23.7	15.2	16.0
involuntary turnover [c]	5.8	6.1	4.5	4.6	0.8	8.6	6.4	4.8	5.2

(a) All reasons.
(b) Resignations.
(c) Dismissals/end of trial period.

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

(number)	Joiners			Leavers		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
Wines and Spirits	854	778	691	724	632	720
Fashion and Leather Goods	8,509	5,965	6,241	6,884	5,300	6,171
Perfumes and Cosmetics	6,895	6,314	5,424	5,458	5,239	4,706
Watches and Jewelry	1,356	1,256	1,321	1,187	1,110	1,245
Selective Retailing	14,782	18,113	13,978	14,566	11,705	11,225
Other activities	795	1,051	272	821	799	173
Total	**33,191**	**33,477**	**27,927**	**29,640**	**24,785**	**24,240**
France	4,411	4,000	2,764	3,516	2,953	2,252
Europe (excluding France)	6,403	5,767	4,533	4,996	4,071	3,936
United States	7,922	11,038	9,486	8,837	7,566	7,664
Japan	881	729	604	641	524	542
Asia (excluding Japan)	9,630	7,663	7,360	8,378	6,962	7,382
Other markets	3,944	4,280	3,180	3,272	2,709	2,464
Total	**33,191**	**33,477**	**27,927**	**29,640**	**24,785**	**24,240**

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

LVMH Human Resources prides itself on offering a wealth of career development options and international opportunities. Thanks to its size, the diversity of Group companies and business lines, its international scope, continuous growth and the advent of digital, the Group's ecosystem offers a wide range of rewarding and varied career opportunities for employees at every level of the organization. Mobility between functions and/or geographical regions helps develop the Group's talent, enhance employees' skills and, where applicable, broaden their responsibilities. Lastly, employee transfers between Group companies help spread best practice and expertise and establish professional networks within the organization's various business groups.

While each employee is the main stakeholder in his/her own professional development, LVMH seeks to help all staff fulfil their career aspirations and creates conditions conducive to job mobility. To do so, it relies on the Group's committed, highly organized and collaborative HR community and on tried and tested processes. These include 40 talent reviews at Group level, informed in turn by talent reviews within individual Group companies, as well as the 50 mobility committees that met in 2017, spanning the entire LVMH ecosystem. Annual appraisals, backed by career development interviews undertaken by HR, also fuel the Group's momentum in this area. Lastly, increasingly digital tools and information systems facilitate talent management and give employees greater independence in managing their careers.

The Group's dedicated talent management tool, LVMHtalent, allows the HR function to have an accurate understanding of employees' career paths, aspirations and training wishes. This online platform also enables HR to assess and monitor performance, identify internal candidates and be proactive in suggesting opportunities. Lastly, this system connects employees across the Group, acting as a company-wide digital collaborative tool, and even more so as a useful career management platform.

Through Move, the platform for posting jobs on the Group Intranet (Voices), LVMH posted 4,000 offers of permanent jobs available at Group companies worldwide in 2017, allowing employees to apply and take charge of their career development.

Thanks to this dynamic global approach to job mobility, 56% of vacant management positions in 2017 were filled by internal candidates, representing almost 3,600 job moves across the Group's population of managers.

The annual talent review, conducted within Group companies and an established part of the Group's practices since 2007, once again bore fruit in 2017. Thanks to work to identify key employees, manage a pool of over 1,000 talented individuals of 45 different nationalities, 47% of them women, and activate succession plans, 76% of senior executive positions were filled by promoting talented individuals internally.

3. WORKING TIME

3.1. Organization of working time

Worldwide, 13% of employees benefit from variable or adjusted working hours and 49% work as a team or alternate their working hours.

Global workforce affected by various forms of working time adjustments: breakdown by geographical region

Employees concerned[a] *(as %)*	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Variable/adjusted schedules	13	30	17	1	14	5	5
Part-time	19	14	18	40	4	5	23
Teamwork or alternating hours	49	10	32	78	81	69	61

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

Workforce in France affected by various forms of working time adjustment: breakdown by professional category

Employees concerned[a] *(as %)*	Workforce in France	Executives and managers	Technicians and supervisors	Administrative and sales employees	Production workers
Variable/adjusted schedules	30	17	50	57	2
Part-time	14	2	6	19	27
Teamwork or alternating hours	10	0	9	3	29
Employees benefiting from time off in lieu	10	0	11	20	9

(a) Percentages are calculated in relation to the total number of employees under permanent and fixed-term contracts.

3.2. Overtime

The cost of total overtime hours was 97 million euros, averaging 1.7% of the worldwide payroll.

Overtime by region

(as % of total payroll)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Overtime	1.7	1.7	1.7	1.3	3.8	1.8	1.3

3.3. Absence rate

The Group's worldwide absence rate for employees working under permanent and fixed-term contracts was 5.0%. This absence rate was lower than the previous year (5.1% in 2016), partly as a result of a decline in paid absence (0.3%, compared with 0.4% in 2016). The overall absence rate at entities in France and the rest of Europe was two to three times higher than in other geographic regions.

Absence rate [a] by region and by reason

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Illness	2.4	4.2	3.2	1.3	0.4	1.7	1.5
Work/commuting accidents	0.2	0.5	0.1	0.1	0.0	0.0	0.1
Maternity leave	1.6	1.3	2.9	0.7	1.3	1.4	1.2
Paid absences (family events)	0.3	0.3	0.4	0.2	0.3	0.4	0.6
Unpaid absences	0.5	1.0	0.2	0.3	0.5	0.4	0.2
Overall absence rate	5.0	7.3	6.9	2.6	2.6	3.9	3.6

(a) Number of days' absence divided by theoretical number of days worked.

4. COMPENSATION

Group companies offer compensation packages that are competitively positioned with respect to the market in order to attract and motivate talented staff. Salary surveys that take into account the specific characteristics of business lines and sectors are carried out annually and at international level, to ensure that this strong positioning is maintained.

Variable components of compensation, based on the financial performance of the employing company and achievement of individual targets, ensure that performance is fairly rewarded.

Initiatives and tools specific to each entity are put in place to reduce any salary gaps between women and men within the same professional category.

4.1. Average salary

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

Employees concerned *(as %)*	**2017**	**2016**	**2015**
Less than 1,500 euros	1.6	1.6	1.7
1,501 to 2,250 euros	19.5	22.4	24.9
2,251 to 3,000 euros	21.5	22.6	22.4
Over 3,000 euros	57.4	53.4	51.0
Total	**100.0**	**100.0**	**100.0**

4.2. Personnel costs

Worldwide personnel costs break down as follows:

(EUR millions)	**2017**	**2016**	**2015**
Gross payroll – Fixed-term or permanent contracts	5,746.6	4,886.3	4,611.6
Employers' social security contributions	1,412.6	1,275.7	1,161.4
Temporary staffing costs	287.6	246.4	218.8
Total personnel costs	**7,446.9**	**6,408.4**	**5,991.8**

Outsourcing and temporary staffing costs decreased year over year, accounting for 6.6% of the total worldwide payroll (versus 6.8% in 2016), including employer's social security contributions.

4.3. Profit-sharing, incentive and company savings plans

All companies in France with at least 50 employees have a profit-sharing, incentive or company savings plan. These plans accounted for a total expense of 244.9 million euros in 2017, paid in respect of 2016, an increase compared to the previous year.

(EUR millions)	2017	2016	2015
Profit sharing	118.2	100.4	88.9
Incentive	102.7	94.0	69.5
Employer's contribution to company savings plans	24.0	21.0	17.8
Total	**244.9**	**215.4**	**176.2**

5. SOCIAL RESPONSIBILITY

Since 2003, the LVMH group has shown its support for universal values as a signatory of the United Nations Global Compact. It is committed to anchoring its operations and its strategy in ten principles related to human rights, international working standards, respect for the environment and the fight against corruption. LVMH also supports the Universal Declaration of Human Rights, OECD guidelines, the International Labor Organization's Fundamental Conventions, the United Nations' Women's Empowerment Principles, and the French Diversity Charter.

LVMH has adopted four social responsibility priorities that apply to all its companies worldwide. These priorities have been identified based on discussion and interaction between stakeholders and an analysis of the challenges facing the Group. They are as follows: developing talent and skills, paying constant attention to working conditions, preventing all forms of discrimination as well as respecting each person as a unique individual, and engaging with communities to help local populations. These Group priorities are also shared attributes among all Group companies. They provide those companies and entities with an overall framework for action, leaving them free to identify other priorities specific to their business and environment, and to draw up their own action plans. Group companies implement their social responsibility initiatives independently and in coordination with the Group, in accordance with their business, their own human and societal issues and their local contexts.

Group companies provide an overview of their activities in a yearly CSR report, which supplements the Group's reporting on employee-related issues. This survey, which is run on all Group companies, covers the most common social responsibility issues: respect for human rights, diversity and preventing discrimination, skills development, working conditions, listening to and dialoguing with employees, and engaging with local communities. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

At Group level, strategic priorities are pursued through regular dialogue between the Social Development Department and CSR correspondents at Group companies, who are connected through the CSR network. At Group company level, the Human Resources Department is responsible for managing the CSR approach. The HR Director appoints a CSR correspondent who liaises with LVMH, manages initiatives at the Group company level, ensures consistency with Group policy and handles CSR reporting.

Two or three times a year, the members of the CSR network meet to review the year ended based on the CSR reporting survey, set shared priorities for the current year, look for ways to collaborate with each other, share their best practices and meet with stakeholders. In 2017, the CSR network met in Paris on March 22, July 13 and October 31.

LVMH reports on its social responsibility policy and actions in the Annual Report, the Reference Document and – since 2012 – its Social Responsibility Report.

Employees are made aware and kept informed of CSR issues via the Group's website, the Voices Intranet and social media. Because social responsibility is a vital part of any manager's job, all new managers receive training on arrival in CSR, its implementation and the role it plays, through either their induction seminar or the online induction session.

Lastly, every year since 2013, LVMH has invited its companies to celebrate the Group's commitment to its people and society at the Engaged Maisons Dinner. This event – which is organized by Chantal Gaemperle, the Group's Director of Human Resources and Synergies, and attended by Antonio Belloni, Group Managing Director – brings together stakeholders who play an active role in LVMH's social responsibility, internal champions and external partners of Group companies and the Group as a whole. On December 13, 2017, the dinner was held at the Fondation Louis Vuitton and attended by more than 350 people, including five Executive Committee members and 14 company Presidents, as well as numerous partners, opinion leaders, and heads of NGOs and other non-profit organizations.

5.1. Gender equality

Gender equality is an integral part of LVMH's corporate culture. Women account for around three-quarters (73%) of staff working under permanent contracts. This strong female presence is an essential characteristic of the Group. Women are particularly prominent in Selective Retailing (83% women), Perfumes and Cosmetics (83% women), and Fashion and Leather Goods (68% women). Conversely, men make up the majority of staff in Wines and Spirits, representing 63% of employees. In 2017, 65% of executives and managers were women.

In 2017, to mark the tenth anniversary of the EllesVMH initiative, launched in 2007 by Chantal Gaemperle, the Group reviewed its commitment. Between 2007 and 2017, the proportion of women holding key positions within the Group rose from 23% to 40%. This progress birthed a desire to set a new target: to achieve parity for key positions by 2020, summarized by the slogan "50/50 by 2020". The EllesVMH initiative continues to develop existing projects, such as EllesVMH Coaching and the EllesVMH Connect training, as well as introducing new initiatives to help achieve this target.

To mark International Women's Day on March 8, 2017, the LVMH group organized an exceptional event on the theme "Inspire to Action". A competition aimed at recognizing Group companies' best initiatives to encourage gender diversity was launched under the name EllesVMH Awards. This event consisted of two stages.

First, Chantal Gaemperle invited all Paris-based employees to an exhibition showcasing 24 of the 36 initiatives implemented by Group companies. A total of 600 employees registered to attend the exhibition, which was held at the Group's premises at 22 Avenue Montaigne and included panel discussions.

Secondly, an awards ceremony was held, where guest speaker neurologist Catherine Vidal of the Institut Pasteur dispelled biases about neurological differences between men and women. A panel discussion between three women who are making a difference to their environment highlighted new ways of thinking about the subject: Sarah Ourahmoune, runner-up in boxing at the Rio Olympics; Gimena Diaz, Executive Director of Strategy and Fundraising and board member of the UN Women National Committee in France; and Morin Oluwole, Luxury Vertical Lead for Facebook and Instagram. The speakers shared their vision for women today by looking back at their careers, successes and convictions. Ten selected initiatives were then presented on stage in front of 280 staff and a judging panel made up of Group executives. Two of these initiatives were awarded prizes by Chantal Gaemperle, accompanied by Olympic fencing champion Laura Flessel-Colovic. Loro Piana received the Jury Prize for its "Going Beyond Stereotypes" initiative, and Moët & Chandon received the Audience Prize for its "Opening New Trades to Women" initiative.

The day was also marked by a number of regional events. In the United States, 80 people were invited to a workshop aimed at identifying obstacles to the "50/50 by 2020" target in the region, which ended with a networking event. In Japan, 4,000 staff working in 510 Group stores heard a message about commitment, and sharing and discussion sessions were organized based around local initiatives. In the Asia-Pacific region, 500 people took part in one of four events held in Hong Kong, Shanghai, Singapore and Sydney. The main aim of these events was to raise awareness and open up a dialogue about men's involvement in the issue of gender equality. In all, 1,500 Group employees took part in the day in one form or another.

New initiatives were also kicked off in 2017, such as the creation of a new EllesVMH network in Switzerland. All representatives meet every two months to discuss their projects, and also with a view to organizing more global and inter-company events. Meanwhile, in the United States, three roadshows were held in New York and Las Vegas, involving 110 participants and 15 Group companies. These roadshows brought together staff from different Group companies to foster discussion and generate ideas on how best to achieve the "50/50 by 2020" target. Six other events were organized by smaller groups, allowing around a hundred staff to freely discuss more targeted topics.

These new projects are set to be extended and developed, and all local networks and Group companies have high ambitions for 2018. This is encouraging for the development of the EllesVMH strategy and its 2020 targets. New appointments in 2017 saw more women attain senior positions, with nine Group companies now led by women: Acqua di Parma, Céline, Fresh, Kenzo, Krug, Loewe, Make Up For Ever, Nicholas Kirkwood and Starboard Cruise Services.

Proportion of female employees among joiners and in the Group's active workforce [a]

(% women)	Joiners			Group workforce		
	2017	2016	2015	2017	2016	2015
Breakdown by business group						
Wines and Spirits	43	46	44	37	37	36
Fashion and Leather Goods	65	66	68	68	70	71
Perfumes and Cosmetics	85	86	85	83	83	83
Watches and Jewelry	60	59	62	59	59	59
Selective Retailing	83	84	85	83	84	83
Other activities	34	32	47	35	33	44
Breakdown by professional category						
Executives and managers	65	64	63	65	64	63
Technicians and supervisors	71	70	73	68	68	69
Administrative and sales staff	81	83	83	81	82	82
Production workers	47	44	53	55	56	60
Breakdown by geographic region						
France	62	64	70	64	64	68
Europe (excluding France)	75	79	78	73	74	74
United States	78	82	82	79	80	79
Japan	71	77	77	75	76	75
Asia (excluding Japan)	77	75	77	76	76	76
Other markets	81	84	80	73	74	71
LVMH group	**75**	**78**	**78**	**73**	**74**	**74**

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

5.2. Actions in favor of older employees

The Group's various trades rely on precious expertise that is acquired and transmitted from one generation to the next. Preserving and passing on that expertise is thus a core priority for human resource management at Group companies. The people with this expertise tend to be older employees with an extensive background in their craft. Worldwide, 13.5% of the Group's workforce is over the age of 50. In France, this population accounts for 23.6% of the workforce.

At the instigation of the Group's Human Resources Department, Group companies are careful to implement a global approach to the management and professional development of older staff. They have been able to develop their policies according to their specific characteristics as pinpointed through diagnostic testing. In France, 26 Group companies have made commitments to support older employees' career management via agreements or action plans to foster the recruitment, employment and career development of staff over the age of 50. All Group companies in France, regardless of size, have reaffirmed this commitment through the *contrat de génération* (cross-generation contract) plan to promote the sustainable employment of young people, encourage the hiring of older employees, and facilitate knowledge transfer across generations.

At the more global level, the Group's anti-discrimination policy encourages companies to hire seniors, with some companies (e.g. Berluti) even putting in place specific action plans. Companies also pay special attention to retaining older employees. Improvement efforts have also focused on workstation ergonomics, the reduction of physical strain, and working conditions more generally for employees over the age of 50, especially for the positions most exposed to physical or mental stress in workshops and at production facilities.

As employees approach retirement, some Group companies offer end-of-career interviews (Christian Dior Couture and Hublot), some offer specific training (Guerlain), others offer pre-retirement working arrangements (Givenchy and Le Bon Marché) or even specific medical monitoring (Fred), and still others offer pre-retirement training or retirement reviews (Céline, Hennessy and Louis Vuitton).

5.3. Employment of people with disabilities

Supporting access to employment for people with disabilities is at the heart of LVMH's corporate social responsibility policy. It is a top priority and an apt reflection of the Group's values: respect for each person as an individual and the same attitude expected of everyone working for the Group.

LVMH's Mission Handicap initiative, established in 2007, is tasked with making this ambition a reality, for which it relies on a network of 35 disability correspondents at Group companies. It steers the Group's actions in this area by raising employee awareness and providing support for training people with disabilities. It also promotes hiring and lasting employment through partnerships with organizations and institutions that support the social inclusion and employment of people with disabilities.

As regards hiring new employees, LVMH uses mandatory anti-discrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with and without disabilities. During testing for discriminatory practices, one of the criteria potentially tested for is disability. Recruitment takes place at all levels, including in the retail segment, and in all countries.

To encourage recruitment of people with disabilities, in 2014 LVMH launched the "EXCELLhanCE" initiative in partnership with AGEFIPH. "EXCELLhanCE" enables people with disabilities to simultaneously obtain a degree, significant experience at the LVMH group's companies and expertise specific to the luxury industry. It is based on intensive work-linked training programs, lasting 12 to 24 months, in three professional fields: sales, logistics and human resource management. Candidates are selected using the "Handi-Talents" process, based on work-related simulation exercises. These innovative recruitment sessions make the hiring process more objective and serve to identify abilities and skills that can be transferred to the professional sphere. The first intake of sales advisors and inventory managers in 2014 resulted in 64% of participants obtaining a vocational qualification in logistics or a BTS technical qualification in Management of Commercial Units in 2016. 74% of participants then continued to work for the group on a fixed-term or permanent contract or continued with their studies. The second intake of participants started in fall 2016 and continued the program in 2017. Covering ten Group companies, this has allowed thirteen people with disabilities to enter employment on professional training contracts, most of them retraining in a new profession, still in the roles of sales advisor, inventory manager and human resources assistant. In 2017, the first two graduates in the field of human resources graduated from this second intake. Meanwhile, in the United States, through a similar scheme that combines training and induction, Sephora partnered with Ability Works to hire more candidates with disabilities at its Mississippi distribution centers. Two new cohorts entered training in 2017, with a target of hiring 30% of those on the scheme in 2018.

In Italy, LVMH group companies joined forces in partnering with non-profits AIPD (Associazione Italiana Persone Down) and AGPD (Associazione Genitori e Persone con Sindrome di Down). This partnership involves coordinating the Group's 13 companies established or active in Italy to support social and professional inclusion for people with Down syndrome. It includes two distinct components: a donation to the non-profits enabling them to launch vocational internships and training for mentors and young people with disabilities, and an employability awareness campaign for affected people, named "Assumiamoli" ("Let's employ them") for all Group employees in Italy. It is combined with a call for volunteers issued to the same population of employees to host and support candidates. To optimize this campaign, the "TueNoi" ("You and us") Intranet site was set up. Almost 200 employees have registered to date.

When it comes to keeping people employed, Group companies offer solutions to enable employees with a declared disability to continue working, for example by adjusting their working conditions or helping them transfer to a different job. Job preservation situations are usually handled on a case-by-case basis. Job preservation situations are usually handled on a case-by-case basis. For example, Louis Vuitton is very attentive to ensure that workstations and working hours are adapted to enable people with disabilities to keep working at its workshops. In March 2011, Moët & Chandon founded MHEA, a company that offers facilities adapted to employees with disabilities. A fully autonomous entity, MHEA maintains a disabled employment rate of 100% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation. Since it was founded, MHEA has enabled a total of 45 people to work under fixed-term or permanent contracts and around ten of them to join one of the Group's champagne houses under permanent contracts.

LVMH works with organizations that support young people with disabilities in training programs, and with organizations that foster employment and social inclusion. The Group is a co-founder of ARPEJEH, a non-profit organization that brings together some sixty French companies to offer advice and guidance to junior and senior high school students with disabilities. Employees are involved in this initiative and more than 50 young people benefited from LVMH's involvement in 2017.

LVMH also encourages its Group companies to develop their relations with companies that employ people with permanent or temporary severe disabilities, and provide them with special facilities and support (sometimes known as "sheltered" employment). Services entrusted to sheltered-sector and disability-friendly employers equated to 7.1 million euros in 2017, up 8% relative to 2016. This purchasing volume represents 368 full-time equivalent jobs.

With almost 3,000 visitors, the second Disability, Employment and Responsible Purchasing trade fair built on the success of the first. The fair was held at the Palais des Congrès in Paris on March 27, 2017 and was organized by LVMH and the events unit of newspaper *Les Echos*. The Disability & Responsible Purchasing day is an opportunity for human resources staff to meet professionals working with disability issues, and focus together on direct recruitment and purchasing practices that facilitate employment for people living with disabilities. Over 100 sheltered workshops (*Établissements et Services d'Aide pour* *le Travail*) and disability-friendly employers (*Entreprises Adaptées*) were represented, organized into groups covering all sectors. A program of over 65 talks and training workshops was on offer to raise awareness and train attendees. Around a hundred Group employees took part.

The commitment of Group companies in this area was further demonstrated by Sephora signing an agreement with AGEFIPH. Hennessy, Christian Dior Couture and Parfums Christian Dior are each covered by an agreement.

This commitment helped raise the Group's employment of people with disabilities in France to 4.7% (sum of direct and indirect employment rates) as of end-2017, based on official standards for the definition of disabilities. Worldwide, people with disabilities make up 1% of the LVMH group's workforce.

6. EMPLOYEE PROFESSIONAL DEVELOPMENT

Within LVMH, leaders and managers know that they are responsible for developing and training talented people to help them improve their performance and find fulfilment in their work. Managers are fully aware of the impact of such actions in a world where innovation and creativity, excellence and entrepreneurship are essential.

To go even further in appropriating these values upon which the LVMH group's success is founded, the "Being LVMH" initiative has enabled the LVMH group's 26,631 managers, on a company by company basis, to take part in collaborative workshops to identify the best and most practical ways to develop such values on the ground.

From this work on the corporate culture, there naturally emerged a conviction that is now shared by all leaders within the LVMH ecosystem: "People make the difference".

And the reason "People make the difference" is that each Group company and regional organization, as well as staff at LVMH group level, work every day to ensure that employees, managers and executives are always learning, within their fields of expertise, management and leadership, skills that will enable them to achieve higher levels of impact and commitment.

While fully aware that every professional situation is an opportunity to learn, the various organizations making up the LVMH group offer targeted training and development activities within which awareness, contextualization and implementation are all controlled and monitored to ensure that effective learning takes place.

Group companies offer a range of innovative activities to help each and every employee fully understand the products and services available to customers. This field of "brand education" is innovative and fast-changing. A community of those responsible for this activity at each Group company has therefore been formed to share best practice, thereby enhancing each individual activity carried out.

Beyond this community, an increasing number of opportunities to share experience and best practice are available to leaders and managers. These types of sessions are run by talent development professionals. Their aim, rather than simply raising awareness, is to examine issues from the perspective of each participant, ensuring that participants are fully equipped to put new ideas into practice. Examples of cross-fertilization include training for store managers from ten different Group companies to ensure the successful opening of the Ginza 6 shopping mall in Tokyo, and sharing of best practice and co-development between store managers in Macao, Taiwan, Hong Kong and Paris.

Focused actions are also in place to boost Group managers' leadership and management skills. In addition to proprietary programs offered by individual Group companies, LVMH's Regional Executive Development teams and LVMH House (dedicated to senior executives and high-fliers) continue to add more sessions and cater for increasing numbers of participants. Within such programs, there is an increasingly systematic focus on activities conducive to workplace well-being (yoga, tai chi, mindfulness, etc.) to ensure that employees are aware of the importance of working to maintain work/life balance.

LVMH is constantly innovating in the area of executive development; the DARE initiative is a good example of the benefits afforded by new ways of working. DARE invites LVMH group executives to dare to put forward ideas to shape the future of the luxury goods industry, and gives them an opportunity to work collaboratively on those ideas using methods inspired by the new economy that will help them be more agile and innovative. They will thus be equipped to champion entrepreneurial spirit throughout the LVMH ecosystem.

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

	2017	2016	2015
Training investment *(EUR millions)*	121.5	125.6	110.6
Proportion of total payroll *(as %)*	2.1	2.6	2.4
Number of days of training per employee	2	2.2	2.2
Average cost of training per employee *(EUR)*	832	925	878
Employees trained during the year *(as %)*	56.6	61.4	61.4

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 fiscal 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 that year.

In 2017, training expenses incurred by Group companies throughout the world represented a total of 121.5 million euros, or 2.1% of total payroll. The average training investment per full-time equivalent employee was approximately 832 euros. In 2017, the total number of training days was 290,448, equivalent to around 1,263 people receiving full-time training for the entire year. In 2017, 56.6% of employees received training and the average number of days of training was 2 days per employee.

The training investment is spread across all professional categories and geographic regions as presented in the table below:

	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Training investment *(EUR millions)*	36.2	20.4	28.4	4.6	24.9	6.9
Proportion of total payroll *(as %)*	2.7	1.7	1.9	1.6	2.3	2.3
Employees trained during the year *(as %)*	54.8	52.9	54.9	54.9	64.9	53.2
Of which: Executives and managers	59.3	72.3	49.3	67.1	72.4	49.6
Technicians and supervisors	71.4	61.3	48.0	58.3	61.9	67.7
Administrative and sales staff	50.5	54.6	57.9	51.4	64.7	52.8
Production workers	40.9	29.6	47.1	8.3	32.8	52.9

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 fiscal 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 that year.

Each Group company also holds face-to-face induction and awareness seminars for new hires focusing on its culture, its values, its key management principles and knowledge of its brands. In 2017, 34,983 employees under permanent or fixed-term contracts attended these types of seminars.

7. HEALTH AND SAFETY

In 2017, there were 1,232 work accidents resulting in leave of absence (fewer than in 2016), which resulted in 39,247 lost working days. Both the frequency rate and the severity rate were lower than in 2016.

Work accidents resulting in leave of absence by business group and geographic region broke down as follows:

		Number of accidents	Frequency rate [a]	Severity rate [b]
Breakdown by business group				
Wines and Spirits		103	8.10	0.22
Fashion and Leather Goods		325	4.57	0.11
Perfumes and Cosmetics		136	3.02	0.07
Watches and Jewelry		36	2.53	0.04
Selective Retailing		527	5.92	0.19
Other activities		105	16.58	1.34
Breakdown by geographic region				
France		614	13.94	0.47
Europe (excluding France)		248	4.43	0.08
United States		164	3.58	0.24
Japan		13	1.19	0.00
Asia (excluding Japan)		128	2.06	0.03
Other markets		65	3.29	0.05
LVMH group	**2017**	**1,232**	**5.16**	**0.16**
	2016	1,257	5.58	0.18
	2015	1,077	5.22	0.16

(a) 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 [c].
(b) The severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked [c].
(c) The calculation of hours worked is based on actual data for France; for other countries, it is based on the number of full-time equivalent employees present within the Group as at December 31, 2017 and a ratio of hours worked per full-time equivalent employee per country taken from OECD knowledge bases.

In 2017, LVMH invested over 34.2 million euros in health and safety. This includes expenses for occupational medical services and 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 and noise reduction.

The total amount spent on and invested in improving working conditions came to more than 52 million euros, or 0.9% of the Group's gross payroll worldwide. A total of 37,538 Group company employees received safety training worldwide.

The skills and motivation of the Group's employees are what underpin the excellence of the products and services offered by its brands. Their working conditions must enable them to express those skills and motivation as best they can, and to feel fulfilled in carrying out their tasks. LVMH strongly emphasizes the importance of protecting employees' health and safety to its companies via their human resources departments. These issues come to the fore at employees' workstations and in their day-to-day working environment, which is why it is the responsibility of Group companies to implement health and safety policies.

Health, safety and ergonomics assessments, giving rise to structured action plans, are carried out at production sites, workshops and vineyards as well as stores and headquarters. Awareness-raising and training in workplace safety and risk prevention is expanding. Processes to improve workstation ergonomics are implemented, and workstations are redesigned so that employees can keep their jobs for as long as possible.

Work-life balance is another essential part of quality of life at work, and a focus area for Group companies. Workplace concierge services and childcare are becoming more widespread within the Group.

Lastly, this concern for working conditions and respect for individuals also led to the publication and immediate implementation in 2017 of the charter on working relationships and well-being for models. In consultation with Kering and sector professionals, LVMH decided to draw up a charter on working relationships with models, applicable to all Group companies. The charter, which applies worldwide, promotes high standards of integrity, responsibility and respect towards the people involved.

8. EMPLOYEE RELATIONS

8.1. Employee representation

At the Group company level

In France, Group companies have one or more of the following, depending on their workforce: a works council, a combined staff representative body ("Délégation Unique du Personnel"), employee representatives, and health and safety committees.

In 2017, employee representatives attended 1,952 meetings:

Type of meeting	Number
Works council	686
Employee representatives	594
Health and Safety Committee	414
Other	258
Total	**1,952**

As a result of these meetings, 126 company-wide agreements were signed. In France, in 2016, nearly all Group companies with stores in international tourist areas signed an agreement or unilateral commitment allowing them to open on Sundays on a continuous basis, in accordance with the Macron Act.

At Group level

The Group Works Council was formed in 1985. This body, which covers the whole of France and currently has 29 members, has one full meeting every year. Delegates meet with the Presidents of all the Group's business groups to receive and exchange information on the Group's strategic direction, economic and financial issues, and employment-related topics.

At European level

Over the past few years, the LVMH group has taken on a strong European dimension, and the conversion of its legal structure into that of an SE (Societas Europaea) was the natural extension of the economic reality of LVMH's business. As part of this conversion, the Group formed an SE Works Council made up of 28 members from the 21 EU countries (along with Switzerland) where the Group has a presence. The rules for this representative body were laid down in an agreement that was signed unanimously on July 7, 2014 by the elected employee representatives from these 22 countries and by the Group's Executive Management. In 2017, the SE Works Council held a plenary session on April 7. The next meeting will be held on April 25, 2018.

The SE Works Council handles transnational issues at the European level. Alongside the Group Works Council, this body supplements the employee representation system made up of the individual companies' works councils which, in keeping with the Group's culture of decentralization, handle most employee-related issues.

8.2. Social and cultural activities

In 2017, Group companies allocated a budget of over 23.6 million euros (1.7% of total payroll) to social and cultural activities in France via contributions to works councils.

The total catering budget for all Group employees was 23.8 million euros.

9. IMPACTS ON SOCIETY AND REGIONS

The LVMH group has been a signatory of the United Nations Global Compact since 2003. The Global Compact and the Universal Declaration of Human Rights are the inspiration behind the Code of Conduct adopted by the Group in 2009. The Code of Conduct outlines the guiding principles for the Group's conduct of its business and provides a set of rules for all to follow in their roles and responsibilities, with a special emphasis on the high level of integrity demanded of everyone. In 2017, LVMH completed work to overhaul the Code of Conduct, put in place a new organizational structure in the area of ethics and compliance, and developed a number of tools to support implementation of the Group's ethics and compliance approach on the ground. The revised Code was distributed to all staff, supported by an internal communication and awareness campaign and a dedicated e-learning module.

The Competition Law Compliance Charter, the Environmental Charter and the Supplier Code of Conduct cover more specific areas.

9.1. 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 jobs are created in all countries where the Group is present, particularly as a result of the expansion of the brands' own retail networks.

Non-disciplinary layoffs – including those due to economic conditions – accounted for just 6.1% of all terminations.

A number of Group 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 Orléans), Guerlain in Chartres, Veuve Clicquot and Moët & Chandon in the Champagne region, Hennessy in the Cognac region and Louis Vuitton in the Drôme region. They have developed long-standing relationships with local government, 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.

As major employers in several labor markets, Group companies are attentive to the social particularities of their regions and have forged partnerships, as described below, with associations and non-governmental organizations to promote the social inclusion and employment of underprivileged populations.

9.2. Engaging with local communities

LVMH encourages its Group companies to support the causes it feels are most important, which include ensuring access to education for young people, promoting the social inclusion and employment of jobseekers, and helping the most vulnerable communities. LVMH thus puts its values to work in society, to ensure the successful integration of its Group companies and their activities at the local and national levels.

Helping young people get an education

The same focus on excellence that has enabled the Group's companies to succeed drives our efforts to provide educational opportunities for young people. Following the Group's lead, the Group's companies have developed numerous partnerships with schools located near their sites or further away. Sephora, for instance, supports "Toutes à l'école", an NGO that promotes education for young girls in Cambodia. Thanks to the involvement of staff and customers, 440,000 euros were raised.

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, 2017, more than 1,256 young people were working under apprenticeship or vocational training contracts (including Institut de Métiers d'Excellence) at all of the Group's French companies.

In 2014, LVMH launched the Institut des Métiers d'Excellence (IME). IME is a vocational training program that helps the Group ensure that its expertise in craftsmanship, design and sales is successfully passed on to the younger generation, thus increasing participants' employability. It is designed to meet the standards of our Group companies' and help fulfill their current and future needs.

The work-linked training program is designed in partnership with prestigious educational institutions selected for the quality of their teaching and wide recognition of their qualifications. For each program, participants follow a course that combines technical and theoretical teaching at partner institutions with experience at LVMH group companies through paid work-and-training contracts. Participants also receive foreign language training and have opportunities to meet craftspeople, experts and designers and visit workshops and stores.

In 2017, after France and Switzerland, the LVMH Institut des Métiers d'Excellence launched out in Italy. The IME's Italian headquarters is in Florence, inside the Palazzo Pucci, the historical headquarters of Emilio Pucci.

The IME now offers 18 courses in France, Switzerland and Italy. More than 325 young people have trained at the IME since it was founded. In 2017, it achieved a 96% success rate and a placement rate of almost 90%, with two-thirds of graduates placed at the Group's companies and its external partners.

To promote equal opportunity access to word-class higher education, LVMH supports the priority education program run by the Institut d'Études Politiques (Institute for political studies, or Sciences Po Paris), by offering grants to students and giving young Sciences Po graduates the chance to be mentored by Group managers. In 2017, LVMH renewed its commitment – under which it will provide financial support and mentoring by Group managers for around ten students – for four years.

Lastly, LVMH has developed a partnership with Clichy-sous-Bois and Montfermeil, two adjacent suburbs of Paris with young, diverse populations. Driven by a shared commitment to excellence, this partnership helps facilitate employment for young people from underprivileged neighborhoods and social cohesion. Young people benefit from a wide range of initiatives, including "business discovery" internships for nearly 60 middle school students in 2017, visits to Group companies, internships for vocational school students and career orientation. A work-linked training fair was held in Clichy-sous-Bois-Montfermeil, showcasing the positions on offer at the Institut des Métiers d'Excellence. LVMH invests in the future by offering masterclasses for young people and holding meetings with the Group's designers and craftspeople (including, in 2017, special visits to the "Christian Dior: Designer of Dreams" exhibition at the Musée des Arts Décoratifs in Paris and to Louis Vuitton workshops). The Group also sponsors the "Cultures et création" fashion show that showcases the region's creative talent. At the fashion show, the Group awards a "Jeune Talent" (Young Talent) trophy to one young but underprivileged fashion enthusiast, helping winners gain wider recognition within the profession. The 2017 winner, Laurie Procès, got to exhibit her designs at Greenshowroom, a trade fair dedicated to environmentally responsible fashion that was held in Berlin from July 4 to 6. Since the program was launched, a number of young people have had the opportunity to join Group companies under a long-term work-linked training program at Paris's couture union school. In 2016, the 2013 winner was hired at Christian Dior's Haute Couture workshop.

Facilitating access to employment and social inclusion for jobseekers

LVMH actively supports access to employment. In France, the Group has forged a lasting partnership with "Nos Quartiers ont des Talents", an organization of which it is a Board member. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by an executive or manager working at the Group. In 2017, 105 experienced managers participated as mentors, 49 of whom were still participating at the end of 2017. Since 2007, 533 young people have found jobs after being mentored by a Group employee. LVMH also took part in the "Talents Hub" event, run by the association on November 15, which gave over 2,500 young people an opportunity to receive advice and guidance on finding work.

To speed up access to employment, LVMH has put in place "Jobstyle" sessions. These job coaching sessions are led by Group company recruiters and beauty consultants from Make Up For Ever and Sephora. The goal is to give job candidates all the resources they need to fully prepare for a job interview and develop their self-confidence. The program is aimed at groups that are underrepresented in the labor market, supported by the Group's partners who are active in the fields of education, disability and integration. In 2017, ten sessions were held with over 300 participants backed by LVMH's partners (including Force Femmes and Nos Quartiers ont des Talents).

Helping those in need

The efforts of LVMH and its Group companies to assist disadvantaged local communities go beyond corporate philanthropy and may include, for example, employee volunteering, product donations or financial aid. Major new initiatives are thus coming into being.

In January 2016, Louis Vuitton launched an international partnership with the United Nations International Children's Emergency Fund (UNICEF). By the end of 2017, a total of 4.5 million euros had been raised since the partnership was launched, to support children in emergency situations, notably in Syrian refugee camps in Lebanon. Employees are involved through internal fundraising campaigns. Six employees also visited refugee camps in Lebanon to see how the funds were being used. In-store sales staff played their part, particularly on "Make a Promise Day", designed to raise awareness among customers. Two products have been developed to involve customers in the approach: *Silver Lockit* and *Silver Lockit Color*. All profits from sales of these two products are paid in full to UNICEF.

In 2015, Benefit launched "Bold is Beautiful", a beauty fundraising campaign to support projects spearheaded by women. During the month of May, all the proceeds generated by the brand's Brow Bars were donated to charities that empower women and girls around the world. As at the end of 2017, Benefit had collected and donated over 11 million dollars to charities all over the world since the Bold is Beautiful campaign first began, through 379,000 brow waxes. Seventeen countries took part in 2017, donating funds to 34 partner charities in the United States, the United Kingdom, France, Australia, Canada, Ireland, Spain, Singapore, the United Arab Emirates, Brazil, New Zealand, Turkey, Portugal, Italy, Mexico, South Korea and the Philippines.

Sephora continued with its "Sephora Stands" initiative in the Americas (United States, Canada, Mexico and Brazil). Sephora launched this initiative in support of social and environmental impact programs. In 2017, Sephora Americas hosted and ran the first Sephora Stands Global Summit, attended by executives from other Sephora regions and countries interested in Sephora Stands. Sephora Stands extends beyond the Americas, with launches in Europe and the Middle East. The program now covers three main fields:

- self-confidence classes: free 90-minute beauty classes for disadvantaged women and women facing cancer. A new class was added in 2017: "Brave Beauty in the Face of Cancer" was offered over 525 times to almost 4,000 women, in partnership with 225 non-profits (compared with 202 classes, 1,750 women and 125 partnerships in 2016). A total of 258 US stores took part, as well as five pilot stores in Canada.
- accelerating: supporting female entrepreneurs in the early stages of their careers through practical advice, mentoring and funding. The 2017 cohort consisted of ten female entrepreneurs representing four countries: the United States, Canada, Mexico and Brazil (compared with eight entrepreneurs and three countries in 2016). All the entrepreneurs who have taken part have found the program useful, and two are launching out with Sephora in 2018. The group has received over 600 hours of mentoring.
- giving: Sephora Stands Together, an emergency support fund for employees, was extended to include staff in Canada and Mexico as well as the United States. Sephora thus supported over 150 employees in 2017, many of whom were affected by natural catastrophes, thanks to 250,000 dollars in non-taxable financial aid. A leave donation program was also tested. Employees donated 400 days' leave to support colleagues affected by natural catastrophes.

In 2009, Bvlgari decided to get involved with Save the Children. It has since donated more than 70 million dollars, benefiting 1.2 million children. A total of 700,000 customers have bought the company's "Save the Children" jewelry. More than 100 projects have been launched in 33 countries around the world. The partnership is supported by 275 celebrities. Bvlgari also involves its employees, with more than 250 having visited Save the Children projects on the ground.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maisons Dinner. This occasion also raises funds for the Robert Debré Hospital in Paris, the leading center for sickle cell anemia, to which LVMH has donated 650,000 euros since 2011 to improve patient care and fund research. LVMH also provides financial support to causes that are close to its heart:

- Kelina, which works to provide care for mothers and children in Benin. The funds raised have gone toward building a maternity hospital in northwestern Benin, in a region with limited medical facilities. A total of 80,000 euros has been donated since 2015.
- K d'Urgences, which provides human, social and financial support for single-parent families in France. A total of 80,000 euros has been donated since 2014. On Wednesday, May 24, 2017, the Jardin d'Acclimatation welcomed 3,000 single parents with the support of LVMH staff, in partnership with other institutions and businesses. The day provided an opportunity for them to directly access all the employment, legal and social services often needed by single-parent families.

9.3. Sponsorship

For over 25 years, LVMH has pursued a comprehensive communications policy thanks to its innovative and original sponsorship initiatives. This is only natural, since they are the cultural, artistic and social expression of the shared values that underlie the success of its Group companies while allowing each to express its own personality and image. It is also practical, because LVMH intends its initiatives – on behalf of culture and artistic creation, education and young people, and major humanitarian causes – to illustrate what it means to be a socially responsible business.

First, the LVMH group continued to support creative activities by contemporary artists in 2017. Having faithfully sponsored Nuit Blanche for over ten years, LVMH once again made a commitment to the City of Paris to support the French and international art scene and help as broad an audience as possible experience the work of contemporary artists in the heart of Paris.

LVMH also undertook a number of initiatives promoting awareness and development of France's cultural and artistic heritage: through a 5 million euro donation in October 2017, LVMH became the lead donor in the nationwide "Become a Patron!" sponsorship campaign kicked off by the Musée du Louvre to allow it to buy François I's Book of Hours. In so doing, the Group made a decisive contribution towards acquiring and returning to France this national treasure that is a unique witness to the reign of one of the greatest figures of French history. The acquisition is due to be completed sometime in 2018. In addition, in autumn 2017 the Group enabled the Musée Nationale Picasso to stage the "Picasso 1932" exhibition, offering an unprecedented and intimate look at the art of Pablo Picasso and reconstructing his daily creative journal all through 1932 – one of his most important and prolific years. As regards the Fondation Louis Vuitton (see note below), 2017 saw the "Icons of Modern Art: The Shchukin Collection" exhibition break the national visitor record when it closed in March 2017 after welcoming 1.2 million visitors. Then, in the spring, the "Art/Afrique, Le Nouvel Atelier" exhibition gave a broad audience the opportunity to discover the wealth and vitality of the African art scene. Lastly, from October onwards, the "Being Modern: MoMA in Paris" exhibition hosted, for the first time in France, an exceptional selection of 200 works brought to Paris from New York to recount the history of the Museum of Modern Art and its vocation as a collector.

LVMH's initiatives to support education and young people include designing and initiating educational programs that bring the best of artistic culture to elementary, junior high school and art school students. In 2017, LVMH notably renewed its support for the association "Orchestre à l'école", enabling almost 200 children all over France to make music as part of a dedicated curriculum. LVMH also once again loaned out the Stradivarius violins in its collection.

Finally, the Group has supported many institutions recognized for their initiatives in support of children, the elderly and people with disabilities and for the prevention of major causes of suffering and exclusion. In 2017, LVMH also pledged support for several scientific foundations and teams involved in cutting-edge research on public health issues.

Fondation Louis Vuitton

The Fondation Louis Vuitton is a *fondation d'entreprise* (corporate foundation) established by prefectoral order published in the *Journal Officiel* (official gazette) on November 18, 2006, and governed by French Law No. 87-571 of July 23, 1987 on the development of corporate sponsorship. The Fondation is a non-profit organization that pursues a diverse range of initiatives aimed at promoting artistic and cultural activities in France and abroad, as well as expanding access to works of art; these initiatives include exhibitions, educational activities for schools and universities, seminars and conferences.

The members of the Fondation are the Group's main French companies. The Fondation is overseen by a Board of Directors, one-third of whose members are non-Group individuals chosen for their expertise in its fields of activity, and the other two-thirds of which are company officers and employees of Group companies. It is funded in part by contributions from Fondation members as part of multi-year programs, as required by law, as well as external financing guaranteed by LVMH.

It is subject to verification by a Statutory Auditor, which carries out its assignment under the same conditions as those that apply to commercial companies, and to the general supervisory authority of the Prefect of Paris and the Paris region.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

LVMH and the environment

Pursuant to:

- France's Decree No. 2002-221 of February 20, 2002, known as the NRE decree ("*Nouvelles Régulations Économiques*");
- decree No. 2012-557 of April 24, 2012 regarding companies' transparency obligations with respect to social and environmental issues;
- decree No. 2016-1138 of August 19, 2016 amending Article L.225-102-1 of the French Commercial Code pursuant to Law No. 2015-992 of August 17, 2015 on energy transition for green growth, and Law No. 2016-138 of February 11, 2016 on combating food waste;
- decree No. 2017-1265 of August 9, 2017 on the publication of non-financial disclosures by certain large companies and certain groups of companies;

the following sections provide information on the type and significance of relevant and significant impacts only, with regard to business operations.

The environmental information contained in this report has been verified by an independent verifier in accordance with Article 225 of the "Grenelle II" Law of July 12, 2010. The Environment Department conducted an assessment to identify disclosures and significant indicators relative to the Group's business to be covered, at LVMH's request, by an audit by that same independent verifier with the aim of obtaining a higher level of assurance than that required by law ("reasonable assurance"). This independent verifier's findings are presented after the "LVMH and the environment" section of the Reference Document.

A copy of the LVMH Environment Reporting Protocol can be requested from environnement@lvmh.fr. More information and explanations may be found in the 2017 LVMH Environmental Report.

The environmental indicator reporting process covered the following scope in 2017:

Production facilities, warehouses and administrative sites *(number)*	2017
Sites covered [a]	252
Sites not covered [b]	135
Total number of sites	**387**

(a) Integration of Christian Dior Couture.
(b) Main components: certain regional administrative sites of Louis Vuitton and Moët Hennessy as well as administrative sites with few employees.

94% of production sites are covered. The manufacturing, logistics and administrative sites that are not covered by environmental reporting are essentially excluded for operational reasons and are not material. A plan to gradually include them is underway.

The sales floor space used to calculate energy consumption, greenhouse gas emissions and water consumption is as follows, expressed as a percentage of the Group's total sales floor space:

	% of Group sales floor space taken into account in calculating energy consumption and greenhouse gas emissions [a]		% of Group sales floor space taken into account in calculating water consumption [a]	
	2017	2016	2017	2016
Group total	69 [b]	71	19	21

(a) The reporting scope does not cover the stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.
(b) Change related to the exceptional exclusion of certain zones.

The sales floor space used to calculate energy consumption, greenhouse gas emissions and water consumption at major Group companies is as follows, expressed as a percentage of the total sales floor space of each company:

	% of Group company sales floor space taken into account in calculating energy consumption and greenhouse gas emissions		% of Group company sales floor space taken into account in calculating water consumption	
	2017	2016	2017	2016
DFS	87	83	54	63
Louis Vuitton	66	70	-	-
Sephora North America and Latin America	71	70	18	16
Sephora Europe and Asia	74	84	8	16

Calculations of energy consumption and greenhouse gas emissions also include all French stores operated by Berluti, Givenchy, Guerlain, Kenzo, Le Bon Marché, and Make Up For Ever, and certain stores operated by Acqua di Parma, Benefit, Bvlgari, Céline, Chaumet, Christian Dior Couture, Fendi, Fred, Hublot, Loewe, Loro Piana, Marc Jacobs, Parfums Christian Dior, Pucci, TAG Heuer and Thomas Pink.

Calculations of water consumption also include certain stores operated by Berluti, Bvlgari, Chaumet, Christian Dior Couture, Fendi, Guerlain, Kenzo, Le Bon Marché and Loewe.

For waste production, only stores operated by DFS, Le Bon Marché and certain Acqua di Parma, Berluti, Bvlgari, Chaumet, Christian Dior Couture, Fendi, Givenchy, Make Up For Ever and Sephora Europe stores are included in the scope. The Group has almost 4,000 stores, and certain environmental data is difficult for small stores to obtain. However, the Group has set itself the target to gradually include those stores.

1. GENERAL ENVIRONMENTAL POLICY

1.1. Evaluation and certification programs and organization

The Group has had an Environment Department since 1992. In 2001, LVMH established an Environmental Charter signed by the Chairman of the Group, under which each Group company must undertake to put in place an effective environmental management system, create think tanks to assess the environmental impacts of the Group's products, manage risks and adopt environmental best practices. The Charter is presented in greater detail in the LVMH Environmental Report. In 2003, Bernard Arnault joined the United Nations' Global Compact program. In 2017, the Group was included in the main indices based on responsible investment criteria: FTSE4Good Global 100, Euronext Vigeo Eurozone 120 and ESI (Ethibel Sustainability Indices) Europe.

As such, the Group undertakes to:

- adopt a precautionary approach to all issues impacting the environment;
- undertake initiatives designed to promote greater environmental responsibility;
- favor the development and dissemination of environmentally friendly technologies.

The Group's Environment Department has the following objectives:

- roll out the LIFE (LVMH Initiatives For the Environment) program;
- guide Group companies' environmental policies, in compliance with the LVMH Charter;
- conduct internal audits to assess Group companies' environmental performance;
- monitor regulatory and technical developments;
- create management tools that address issues such as packaging design, supplier relations and regulatory monitoring;
- help Group companies safeguard against risks;
- train employees and raise environmental awareness at every level of the organization;
- define and consolidate environmental indicators;
- work with the various stakeholders involved (non-profits, rating agencies, public authorities, etc.).

It is supported by the Environment Committee, which meets several times a year, bringing together a network of almost 80 environmental representatives from Group companies.

The LIFE program is designed to reinforce the incorporation of environmental concerns into management processes, facilitate the development of new coordination tools, and take into account developments and improvements arising from innovative practices at Group companies. Group companies have incorporated the LIFE program into their strategic plans since 2014. The LIFE program was implemented by a Steering Committee at each Group company and is based on nine key aspects of environmental performance:

- environmental design;
- securing access to strategic raw materials and supply channels;
- traceability and compliance of materials;
- suppliers' environmental and social responsibility;
- preserving critical expertise;
- reducing greenhouse gas emissions;
- environmental excellence in manufacturing processes;
- product life span and reparability;
- customer and key stakeholder information.

To further improve consistency and efficiency, in 2016 the Group gave its companies – regardless of business sector – four shared targets to be achieved by 2020 (the baseline year being 2013):

- sustainable product design: by 2020, Group companies must make all their products more environmentally friendly. LVMH's Perfumes and Cosmetics companies and Wines and Spirits companies undertake to improve their Environmental Performance Index (EPI) score by 10% (see §3.2, "Raw material consumption"). Fashion and Leather Goods companies and Watches and Jewelry companies establish sustainable design guidelines to be applied during product development;

- suppliers and raw materials: Group companies must ensure that optimum standards are rolled out in their procurement of raw materials supplies and among their suppliers across 70% of the supply chain by 2020 and 100% by 2025;
- cutting energy-related CO_2 emissions by 25%;
- make all production sites and stores more environmentally friendly: Group companies undertake to reduce at least one of the following indicators – water consumption, energy consumption or waste production – by 10% at each of their sites, and to have an effective environmental management system focused on ongoing improvement. Stores must be made 15% more energy efficient and new stores will have to achieve a minimum performance of 50% according to the LVMH Store Guidelines score chart.

With regard to certification, all of the Cognac, Champagne and Vodka companies and all of Guerlain's activities in France have now obtained ISO 14001 certification. Parfums Christian Dior, Make Up For Ever and LVMH Fragrance Brands have also had all of their manufacturing and logistics facilities certified.

At Louis Vuitton, the supply chain has been ISO 14001 certified for Leather Goods and Accessories. This is a world first, and the result of cooperation between the Logistics Division and its transportation and logistics partners. 70% of Louis Vuitton workshops are also certified. At the end of 2017, 53% of the Group's manufacturing, logistics and administrative sites were ISO 14001 certified (63% of manufacturing sites).

LVMH's Watches and Jewelry business group is a member of the Responsible Jewellery Council (RJC), an organization that brings together over 550 member companies committed to promoting ethical behavior, human rights and social and environmental practices throughout the industry, from mine to point of sale. The RJC has developed a certification system designed, in particular, to ensure that diamonds used in manufacturing do not come from conflict zones. The Kimberly Process is applied to diamonds. Kimberly certification requires input from independent accredited auditors. All Watches and Jewelry companies have been certified according to the Code of Practices (2013 version).

1.2. Training

In 2017, almost all Group companies continued with their employee environmental training and awareness programs. These programs totaled 18,841 hours, 8% lower than in 2016 (20,511 hours).

1.3. Preventing environmental risks and pollution

Group companies are regularly audited by third parties, insurers or internal auditors, enabling them to keep their compliance monitoring plans up to date. In 2017, certain manufacturing, logistics and administrative sites, as well as certain large stores, were audited, for a total of 87 external audits and 147 internal audits, with some sites being audited several times during the year. Such audits correspond to an inspection of one or more sites belonging to the same company, covering all relevant environmental issues – waste, water, energy, and environmental management – and are documented in a written report including recommendations. The figure does not include the numerous compliance controls that may be performed on a specific environmental regulation issue – for example, a waste sorting inspection – performed periodically by Group companies at their sites. Additional information is available in the "Management of extra-financial and financial risks" section of the "*Management Report of the Board of Directors*", under §2, "Risk identification".

1.4. Provisions and guarantees given for environmental risks

Environmental expenses are recognized in accordance with the recommendations of the French Accounting Standards Authority (ANC). Operating expenses and capital expenditure are recognized against each of the following items:

- air and climate protection;
- waste water management;
- waste management;
- protection and purification of soil, groundwater and surface water;
- noise and vibration reduction;
- biodiversity and landscape protection;
- radiation protection;
- research and development;
- other environmental protection measures.

Environmental protection expenses in 2017 broke down as follows:

- operating expenses: 14.5 million euros;
- capital expenditure: 20.5 million euros.

Provisions for environmental risks amounted to 13 million euros as of December 31, 2017. This amount corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

2. POLLUTION AND WASTE MANAGEMENT

2.1. Preventing and reducing air, water and soil discharges

The discharges of substances causing eutrophication by Wines and Spirits, Fashion and Leather Goods, and Perfumes and Cosmetics operations are considered the only significant and relevant emissions into water. The Group's other business groups have a very limited impact on water quality. Eutrophication is the excessive buildup 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 agreements. The following operations are considered treatment: city and county waste water collection and treatment, independent collection and treatment (aeration basin) and land application.

COD after treatment *(metric tons/year)*	**2017**	**2016**	**2017 pro forma** [(1)]	**Change** [(1)] *(as %)*
Wines and Spirits	1,611	3,195	1,611	(50) [(a)]
Fashion and Leather Goods	39	152	39	(74) [(a)]
Perfumes and Cosmetics	9	7	7	23
Total	**1,659**	**3,354**	**1,659**	**(51)**

(a) Change related to improvement of waste water treatments.

In 2017, the installation of an innovative wastewater treatment system enabled Glenmorangie to very significantly reduce its COD after treatment.

Measurement frequencies at the highest-contributing Group companies are compliant with local regulations but remain limited with regard to the changes observed in quantities discharged.

Volatile Organic Compound (VOC) emissions are addressed through specific action plans, notably for Perfumes and Cosmetics operations and the tanneries. The subject of soil discharges is addressed in §3.4, "Soil use".

2.2. Preventing, recycling and eliminating waste

In 2017, 91% of waste was recovered (86% in 2016). Recovered waste is waste for which the final use corresponds to one of the following channels, listed in descending order of interest in accordance with European and French laws:

- re-use, i.e. the waste is used for the same purpose for which the product was initially designed;
- recycling, i.e. 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. recovery of energy in the form of electricity or heat by burning the waste.

(1) Value and change at constant scope.

Waste produced

(in metric tons)	Waste produced in 2017	*Of which: hazardous waste produced in 2017*[(a)]	Waste produced in 2016	Waste produced in 2017 pro forma[(1)]	Change in waste produced[(1)] *(as %)*
Wines and Spirits	48,410	*287*	52,899	48,410	(8)
Fashion and Leather Goods	12,505	*1,072*	11,194	11,636	4
Perfumes and Cosmetics	8,741	*1,609*	7,674	8,743	14[(b)]
Watches and Jewelry	904	*197*	1,151	1,033	(10)
Selective Retailing	5,994	*121*	6,589	5,958	(10)
Other activities	1,995	*71*	1,280	2,025	58[(c)]
Total	**78,549**	***3,357***	**80,787**	**77,805**	**(4)**

(a) Waste that must be sorted and processed separately from non-hazardous waste (such as cardboard, plastic or paper).
(b) Change related to business activity.
(c) Change related to improvement of reporting process.

Waste recovery in 2017

(as % of waste produced)	Re-used	Recovery of materials	Waste-to-energy recovery	Total recovery
Wines and Spirits	18	72	6	96
Fashion and Leather Goods	2	41	30	73
Perfumes and Cosmetics	3	74	20	97
Watches and Jewelry	12	40	25	78
Selective Retailing	9	44	27	81
Other activities	-	30	63	93
Total	**12**	**64**	**15**	**91**

The Perfumes and Cosmetics companies, as well as Sephora since 2010 and Louis Vuitton since 2011, have used the CEDRE recovery and recycling facility (*Centre Environnemental de Déconditionnement, Recyclage Écologique*) to handle all the waste generated by the manufacturing, packaging, distribution, and sale of cosmetic products. CEDRE accepts several types of articles: obsolete packaging, alcohol-based products, advertising materials, store testers, and empty packaging returned to stores by customers. In 2014, the service was expanded to accept textiles. In 2017, around 2,143 metric tons of waste were processed. The various materials (glass, cardboard, wood, metal, plastics, alcohol, cellophane and textiles) are resold to a network of specialized recyclers. As regards food waste, La Grande Épicerie de Paris, which has a number of fresh food production facilities, has developed an accurate system for predicting sales in order to adapt production to production volumes on a daily basis. It has formed a partnership with the Red Cross, which collects any unsold produce each day.

2.3. Addressing noise pollution and other forms of pollution

The Group's business activities do not have a significant impact in terms of noise pollution and other forms of air pollution. Nevertheless, the Group's companies remain vigilant, particularly with the help of the environmental management systems that have been put in place, and are attentive to their surroundings and civil society.

(1) Value and change at constant scope.

3. SUSTAINABLE USE OF RESOURCES

3.1. Water consumption and supply according to local constraints

Water consumption is analyzed based on the following requirements:

- 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 vineyard irrigation outside France, as irrigation is not used for the Group's vineyards 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 the measurement by the sites of water consumption for agricultural purposes is less precise than the measurement of process water consumption.

(in m³)	2017	2016	2017 pro forma [1]	Change [1] *(as %)*
Process requirements	3,876,536	3,727,289	3,863,705	4
Agricultural requirements (vineyard irrigation)	4,721,037	4,507,022	4,721,037	5

Water consumption for process requirements can be broken down as follows by business group:

(process requirements in m³)	2017	2016	2017 pro forma [1]	Change [1] *(as %)*
Wines and Spirits	1,151,814	1,171,530	1,151,814	(2)
Fashion and Leather Goods	1,714,661	1,509,969	1,635,424	8 [a]
Perfumes and Cosmetics	178,646	172,064	179,027	4
Watches and Jewelry	91,416	62,129	70,317	13 [a]
Selective Retailing	483,950	535,728	566,030	6
Other activities	256,049	275,869	261,093	(5)
Total	**3,876,536**	**3,727,289**	**3,863,705**	**4**

(a) Change related to business activity.

An in-depth analysis of sensitivity to local constraints was carried out at each Group company using Pfister's 2009 water scarcity index and the 2012 Aquastat database. This analysis was based on measurements of each geographic area's sensitivity, obtained by comparing water consumption to available resources at the local level. Four Group companies whose water consumption is significant relative to the Group as a whole are located in areas where water stress is close to 100%, meaning that water requirements in these areas are close to the level of available resources:

- the Cheval des Andes and Terrazas de Los Andes vineyards, which represent 76% of the Group's agricultural water requirements;
- the Domaine Chandon California and Newton vineyards, which represent 5% of the Group's agricultural water requirements.

Vineyard irrigation is an authorized and supervised practice in California and Argentina due to the climate. It is essential for the preservation of vineyards. The Group has also taken the following measures to limit water consumption: harvesting rainwater; drafting agreements on measures and specifications with respect to water requirements; standardizing drip irrigation practices in California; using weather forecasts to optimize irrigation; and adopting the "regulated deficit irrigation" technique, which reduces water consumption and actually improves grape quality and grapevine size, yielding an enhanced concentration of aroma and color.

(1) Value and change at constant scope.

3.2. Raw material consumption

The main raw materials consumed by the Group are as follows:

- grapes (see §3.4, "Soil use");
- leathers, raw lamb and calf skins, and exotic leathers (see §5, "Protecting biodiversity");
- plant species (see §5, "Protecting biodiversity");
- gemstones and precious metals (see §1.1, "Evaluation and certification programs and organization");
- regulated chemicals. All Group companies have incorporated the requirements of the REACH Commission Regulation into their contractual documents so as to engage all suppliers in this undertaking.

Additional information is available in the "Management of extra-financial and financial risks" section of the "*Management Report of the Board of Directors*".

The only significant, relevant criterion used by all Group companies for the analysis of raw material consumption is the quantity of packaging that reaches customers, measured in metric tons:

- 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, pouches, cases, etc.

Packaging used for transportation is not included in this analysis.

Packaging that reaches customers

(in metric tons)	2017	2016	2017 pro forma [1]	Change [1] *(as %)*
Wines and Spirits	161,890	161,331	161,890	-
Fashion and Leather Goods	9,522	6,855	8,684	27 [a]
Perfumes and Cosmetics	28,340	27,591	28,340	3
Watches and Jewelry	4,880	4,090	4,880	19 [a]
Selective Retailing	5,177	6,204	5,177	(16) [b]
Total	**209,809**	**206,071**	**208,971**	**1**

(a) Change related to business activity and optimization of reporting process.
(b) Change related to optimization of reporting process.

Breakdown of the total weight of packaging that reaches customers, by type of material, in 2017

(in metric tons)	Glass	Paper-cardboard	Plastic	Metal	Fabric	Other packaging material
Wines and Spirits	141,926	15,245	1,592	1,540	64	1,523
Fashion and Leather Goods	-	8,156	62	-	1,291	13
Perfumes and Cosmetics	14,405	4,351	6,924	2,215	122	323
Watches and Jewelry	1,983	1,040	1,402	247	137	71
Selective Retailing	98	3,007	1,991	71	2	8
Total	**158,412**	**31,799**	**11,971**	**4,073**	**1,616**	**1,938**

Group companies have adapted different tools and training to ensure that there is optimum consideration of the environment in product design. The Edibox application has been rolled out at Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton, Bvlgari and Sephora so as to ensure that environmental concerns are incorporated into the early stages of packaging design. This application calculates the Environmental Performance Index (EPI) and the greenhouse gas emissions generated by packaging materials. The criteria it uses are weight, volume, separability of materials and the number of packaging layers. As an example, the new *Dior Hydra Life* skincare line launched in 2017 stands out, not only because an average 83% of its ingredients are of natural origin: its packaging is also the result of a sustainable design process. By eliminating unnecessary cardboard, leaflets and cellophane, packaging volume was reduced by 30% to 40% depending on the product. The single-material embossed plastic cap is also 65% lighter than the one used for the previous product line. The Group company has set ambitious sustainable design targets and will build on this approach.

(1) Value and change at constant scope.

3.3. Energy consumption, measures taken to improve energy efficiency and renewable energy use

Energy consumption corresponds to primary energy sources (such as fuel oil, butane, propane and natural gas) added to secondary energy sources (such as electricity, steam and ice water) mainly used for the implementation of manufacturing processes in addition to buildings and stores' air conditioning and heating systems.

Energy consumption by business group *(in MWh)*	**2017**	**2016**	**2017 pro forma** [1]	**Change** [1] *(as %)*
Wines and Spirits	188,292	192,500	188,292	(2)
Fashion and Leather Goods	371,105	328,523	332,862	1
Perfumes and Cosmetics	90,160	83,664	86,862	4
Watches and Jewelry	35,924	30,568	31,674	4
Selective Retailing	296,537	320,500	308,233	(4)
Other activities	17,091	18,351	18,995	4
Total	**999,109**	**974,106**	**966,918**	**(1)**

Consumption by energy source in 2017

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane Propane	Steam	Ice water	Renewable energies
Wines and Spirits	22,695	56,694	22,367	23,190	4,079	-	-	59,267
Fashion and Leather Goods	154,298	109,152	-	9,584	6,445	2,268	2,159	87,199
Perfumes and Cosmetics	7,679	31,794	-	70	-	897	407	49,313
Watches and Jewelry	15,241	5,825	-	2,001	215	-	-	12,642
Selective Retailing	198,728	9,236	-	1,271	6	3,403	4,074	79,819
Other activities	5,488	4,268	-	141	33	417	2,469	4,275
Total	**404,129**	**216,969**	**22,367**	**36,257**	**10,778**	**6,985**	**9,109**	**292,515**

Bilan Carbone® assessments and energy audits provide insights that Group companies can use to develop suitable strategies for reducing energy consumption. Group companies have implemented a range of solutions with regard to store lighting and air conditioning, transportation, energy efficiency, and the promotion of renewable energy sources.

3.4. Soil use

Soil pollution arising from old manufacturing facilities (cognac, wine and champagne production, trunk production) is not considered significant at the Group level. The more recent production facilities are generally located on farmland with no history of pollution. The Group's manufacturing operations require very little soil use, except for wine production.

The Group's Wines and Spirits houses are doubly committed to sustainable winegrowing, for reasons both historic and strategic. They are pursuing a variety of initiatives in sustainable and organic farming that drastically reduce their environmental impact. Hennessy, leading the way in sustainable development, became the world's first ISO 14001-certified wines and spirits company in 1998. The Group company's vineyards have earned France's "high environmental value" (HVE) certification and have been rated "benchmark farms" under the Ecophyto Plan to reduce pesticides since 2011. Hennessy has now committed to training 100% of its 1,600 winegrowing partners – representing 30,000 hectares – through the Charente sustainable winegrowing program by 2021. Since 2015, the champagne houses have achieved dual certification in sustainable winegrowing and "high environmental value".

(1) Value and change at constant scope.

4. COMBATING AND ADAPTING TO CLIMATE CHANGE

4.1. Reducing greenhouse gas emissions

For over 15 years, LVMH has carried out Bilan Carbone® assessments of the main Group companies and each year consolidates greenhouse gas emissions generated by the energy consumption of the Group's production plants and transportation of products. A specific study has been carried out assessing the environmental impact of the Group's raw material production and supply chain. Across the entire value chain quantified, 50% of emissions are generated by the production of raw materials and 30% by inbound and outbound transport. Next come emissions generated by production plants, logistics centers, offices and stores (20%), whether direct (Scope 1) or indirect (Scope 2). Downstream emissions generated by using products (washing of fashion products, rinsing of certain cosmetics products) or when products come to the end of their useful life will be refined at a later stage.

Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions

Given the nature of the Group's operations, the only air emissions that have a significant impact on the environment are greenhouse gases. Estimated greenhouse gas emissions in metric tons of carbon dioxide equivalent (tCO_2e) correspond to site energy consumption emissions, as defined in §3.3.

Given the increasing importance of renewable energy issues within the Group, the CO_2 emissions calculation methodology was reviewed in 2016. The main Scope 1 and 2 greenhouse gas emission reduction initiatives involve reducing the amount of energy used for lighting and air conditioning in stores, and optimizing energy consumed by manufacturing processes.

Breakdown of emissions by business group in 2017

(in metric tons of CO_2 equivalent)	CO_2 emissions in 2017	*Of which:* Direct CO_2 emissions *(as %)*	Indirect CO_2 emissions *(as %)*	CO_2 emissions in 2016	CO_2 emissions in 2017 pro forma [1]	Change [1] *(as %)*
Wines and Spirits	36,442	*69*	*31*	39,787	36,442	(8)
Fashion and Leather Goods	104,990	*25*	*75*	104,070	87,575	(16) [a]
Perfumes and Cosmetics	11,892	*55*	*45*	9,106	9,613	6
Watches and Jewelry	5,633	*32*	*68*	4,001	3,784	(5)
Selective Retailing	116,375	*2*	*98*	138,873	125,932	(9)
Other activities	2,800	*33*	*67*	2,529	2,966	17 [b]
Total	**278,132**	***23***	***77***	**298,366**	**266,312**	**(11)**

(a) Change related to the switch to renewable energy at manufacturing sites.
(b) Change related to business activity.

LVMH has long stressed the importance of addressing climate change in its business activities, having carried out its first Bilan Carbone® assessments at the following Group companies in 2002: Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy, Make Up For Ever, DFS, Sephora and Le Bon Marché. Greenhouse gas emissions are retested using this assessment protocol every four years.

Group companies are working on ways to reduce energy consumption and greenhouse gas emissions at their own sites and stores (see §3.3). They are also taking action to reduce the emissions generated by their logistics chains. In order to ensure that supplies to its stores generate as little pollution as possible, Sephora has for many years used electric vehicles for deliveries to its city center stores. This positive practice, which is both environmentally friendly and economical, was introduced in France in 2009 and has since been rolled out to other countries. After China in 2015 and Italy in 2016, the practice was launched in Spain, with electric trucks now making deliveries in the urban areas of Madrid and Barcelona. Delivery trucks switch to 100% electric mode as soon as they enter Rome and Milan, two of the Italian peninsula's largest urban areas.

2017 was the second year of the internal carbon fund launched in 2015. This unprecedented initiative reaffirms the Group's commitment to helping to combat climate change. On the basis of 2016 greenhouse gas emissions, the fund totaled 5.7 million euros. 60 projects were selected in 2017. These projects – aimed at reducing energy consumption, shifting toward

(1) Value and change at constant scope.

renewable energies and improving the way energy consumption is tracked – could help avoid 1,800 metric tons of greenhouse gas emissions per year. LVMH decided to raise the bar even higher by doubling the amount contributed to the carbon fund in 2018, making further progress toward the LIFE program's goal of cutting energy-related emissions by 25% by 2020.

Scope 3 greenhouse gas emissions

The study carried out in 2016 into the environmental impact of producing the raw materials required to manufacture the Group's products showed that over 80% of emissions come from leather, grapes and glass. With the help of its partners, the Group is continuing with its efforts to quantify these emissions, particularly by fine-tuning how it assesses the impact of raw materials like leather, gold and cotton:

- production of raw materials: the main sources of greenhouse gas emissions are leather production (330,000 tCO_2e), winegrowing (180,000 tCO_2e, which includes vineyards belonging to Group companies as well as grape suppliers) and glass for packaging production (150,000 tCO_2e);
- inbound transport: movement of raw materials and product components to production sites. Only the main materials and components are taken into account;
- outbound transport: movement of finished products from production sites to distribution platforms.

Distribution of greenhouse gas emissions generated by inbound transport in 2017

(in metric tons of CO_2 equivalent)	Road	Air	Ship	Total
Wines and Spirits	9,811	849	1,022	11,682
Fashion and Leather Goods	486	7,679	6	8,171
Perfumes and Cosmetics	10,106	27,086	443	37,635
Watches and Jewelry	3	1,834	4	1,841
Selective Retailing	-	-	-	-
Total	**20,406**	**37,448**	**1,475**	**59,329**

Distribution of greenhouse gas emissions generated by outbound transport in 2017

(in metric tons of CO_2 equivalent)	Road	Rail	Air	Ship	Inland barge	Electric vehicle	Total
Wines and Spirits	22,590	762	45,998	18,678	180	5	88,213
Fashion and Leather Goods	2,205	11	162,387	119	1	-	164,723
Perfumes and Cosmetics	2,590	-	206,640	1,646	-	-	210,876
Watches and Jewelry	338	-	31,552	82	-	-	31,972
Selective Retailing	3,190	-	20,879	251	-	88	24,408
Total	**30,913**	**773**	**467,456**	**20,766**	**181**	**93**	**520,192**

Château Cheval Blanc, Château d'Yquem, Chaumet, DFS, Fred, Rossimoda and Les Echos did not report their data for this indicator.

4.2. Adapting to climate change

The Group has also reviewed the various issues involved in adapting to climate change. In the medium term, changing winegrowing practices is the main component of the Group's adaptation strategy. Several solutions are available for European vineyards depending on the extent of climate change, from altering harvest dates to developing different methods of vineyard management (wider rows, increasing the size of grapevine stocks, employing irrigation in certain countries, etc.) and testing new grape varieties. For vineyards in Argentina and California, the main issue is the availability of water (see §3.1, "Water consumption and supply according to local constraints"). Finally, according to current scientific knowledge, vineyards in New Zealand and western Australia are the least susceptible to climate change. Additional information is available in the "Management of extra-financial and financial risks" section of the "*Management Report of the Board of Directors*", under §2.1.9, "Industrial, environmental and meteorological risks".

5. PROTECTING BIODIVERSITY

The LVMH group has a strategy in place for sourcing and preserving raw materials, governed by the LIFE 2020 targets, which commit Group companies, between now and 2020, to buying and producing at least 70% of their core raw materials in accordance with optimum environmental standards for raw material sourcing and production sites. Choosing components for product manufacturing is an essential part of preserving the environment, especially rare resources that are vital for product manufacturing. A number of projects are underway to develop new, responsible supply channels for the Perfumes and Cosmetics, Fashion and Leather Goods, and Watches and Jewelry business groups.

LVMH was the first private-sector entity to join the eight public research bodies on the Board of Directors of the French Foundation for Research on Biodiversity (FRB). LVMH is now an official member of the FRB, with which it has been working for more than seven years. Sylvie Bénard, LVMH's Environment Director, has also served as Vice President of the Foundation's Strategic Orientation Committee for four years. As part of this committee, which brings together more than 160 stakeholders to jointly design research programs that favor biodiversity, the Group has mainly focused on accessing genetic resources and sharing the benefits resulting from their use.

The Fashion and Leather Goods and Watches and Jewelry business groups have implemented procedures to ensure that all of their products comply with CITES, a convention on international trade in endangered species. Through a system of import-export permits, this convention was set up to prevent overexploitation of certain species of endangered fauna and flora. Leather sourcing is a strategic priority, and Group companies mainly use European cowhide leather. Group companies participate in working groups such as the Leather Working Group (LWG) and Business for Social Responsibility (BSR). They work with their suppliers to improve traceability, animal well-being and the preservation of certain species. Animal well-being is one of the Group's key concerns, since it is connected to a number of raw materials including leathers, wools and furs. LVMH shares a common goal with civil society of improving animal well-being, and has been the driver of significant progress in this area. The Group has drafted formal rules that its Group companies and their suppliers must follow. The goal is to improve the quality of products used by Group companies as well as our suppliers' production methods. These rules are being gradually rolled out to all relevant suppliers. The Group has joined the Better Cotton Initiative (BCI), which has developed a standard to encourage measurable improvements in the main environmental impacts of growing cotton on a worldwide scale.

In the Perfumes and Cosmetics business group, the Research & Development Department and Group companies have been working together on ethnobotany for a number of years. They seek to identify plant species with a particular interest as components of cosmetics products while contributing to the preservation of these species and to local economic development. This partnership can take a variety of forms such as financial support, technical or scientific assistance, or skills sponsorship, sharing the expertise of the Group's staff with its partners. As part of this initiative, Parfums Christian Dior's Dior Gardens are plots dedicated to cultivating flowering plants chosen for their exceptional properties. Guerlain has also launched a number of partnerships focused on orchids in China, vetiver in India, honey in Ouessant in France, sandalwood in Asia and lavender from the south of France.

The Wines and Spirits business group is active in sustainable winegrowing, notably for the purposes of reducing pesticide use (see §3.4, "Soil use").

6. CONSUMER HEALTH AND SAFETY

The LVMH group's policy concerning the sensitive issue of animal testing to evaluate the safety of finished products has always been clear: its aim is to guarantee the safety of consumers who use our products while taking into account respect for animal life. For that reason, since 1989, none of the Perfumes and Cosmetics companies have conducted tests on animals for the products they put on the market, thus well in advance of the official ban on animal testing imposed by European Union legislation in 2004. Since then, the development of alternatives to animal testing has remained a genuine scientific challenge and the LVMH group will continue to be very active in its efforts to rise to this challenge.

The Group remains particularly vigilant to ensure continuing compliance with regulatory requirements, while monitoring the opinions of scientific committees, and the recommendations of industry associations in Europe and throughout the world. Moreover, new products must abide by a set of strict internal guidelines imposed by the Group as criteria for their development. The Group also requires that its suppliers adhere to these same guidelines.

Honoring its commitments in this area for the last several years, the LVMH group has accompanied this policy with an approach that aims to anticipate developments in international regulations.

This anticipation is made possible thanks to the efforts of the Group's experts, who regularly take part in the working groups set up by national and European authorities, and are very active in professional organizations. Ongoing monitoring of changes in regulatory frameworks and the development of scientific knowledge by the Group's experts has regularly led LVMH to prohibit the use of some substances and make efforts to reformulate some of its products.

These high standards allow LVMH to guarantee the safety of its cosmetic products when they are released onto the market. In order to monitor the quality of their products after they are released, the LVMH group's brands have customer relations departments which receive any complaints from consumers for analysis, including complaints about adverse effects. This process – known as cosmetovigilance – is managed by a team of specialists who provide the Group's brands with access to a European network of healthcare professionals able to quickly respond to help consumers experiencing side effects. A similar approach is under development in China. Such post-market surveillance makes it possible to explore new areas of research and continually improve the quality and safety of our products.

For many years, Moët Hennessy has emphasized the responsible enjoyment of its champagnes, wines and spirits. This commitment takes shape through a diverse range of initiatives aimed at its employees and customers, as well as guests and visitors to its companies.

Not only does Moët Hennessy scrupulously adhere to local regulations, it also self-regulates across the entire spectrum of its communications and marketing practices, as well as following strict digital media guidelines, for example by using filters to keep underage viewers from visiting its companies' websites. Every year, Moët Hennessy's teams teach hundreds of consumers the rituals for tasting its exceptional products, thereby promoting the responsible enjoyment of wines and spirits.

In addition, on the labels of all its wine and champagne bottles in the European Union (except in France for legal reasons), Moët Hennessy provides links to websites that give consumers information on responsible drinking, such as www.wineinmoderation.com for wines, www.responsibledrinking.eu for spirits and www.drinkaware.co.uk in the United Kingdom. Links to these websites are also available on the Group companies' websites.

Moët Hennessy continued to provide new employees with training on the importance of responsible drinking, and rolled out an internal communications campaign reminding employees that they are "all ambassadors for responsible drinking".

Moët Hennessy is a member of the European Alcohol and Health Forum, formed under the aegis of the European Commission.

Lastly, Moët Hennessy continued to actively support responsible drinking programs around the world run by the industry associations it belongs to. In particular, Moët Hennessy is one of three "Ambassador Companies" for Wine in Moderation, an international social responsibility movement for the wine sector.

INDEPENDENT VERIFIER'S REPORT ON CONSOLIDATED SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION IN THE MANAGEMENT REPORT

To the Shareholders,

In our capacity as an Independent Verifier accredited by COFRAC[(1)] (Accreditation No. 3-1050) and belonging to one of LVMH Moët Hennessy - Louis Vuitton's Statutory Auditor's network, we present our report on consolidated social, environmental and societal information for the fiscal year ended December 31, 2017, as presented in the Management Report, hereafter referred to as the "CSR Information," pursuant to the provisions of Article L.225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

It is the responsibility of the Board of Directors to establish a Management Report including the CSR Information referred to in Article R.225-105-1 of the French Commercial Code, drawn up in accordance with the guidelines used by the Company (hereafter referred to as the "Guidelines"), which are summarized in the Management Report and available on request from the Group's Environment and Human resources Departments, respectively.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession and the provisions of Article L.822-11-3 of the French Commercial Code. In addition, we have implemented a quality control system, including documented policies and procedures designed to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the Independent Verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the Management Report or, in the case of its omission, that an explanation has been provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Attestation of presence of CSR Information);
- to express a limited assurance conclusion that, taken as a whole, the CSR Information is fairly presented, in all material aspects, in accordance with the Guidelines (Limited assurance on CSR Information);
- to express, at the request of the Company, a reasonable assurance conclusion that the information selected by the Group[(2)] (hereafter referred to as the "Selected Environmental Information"), has been established, in all material aspects, in accordance with the Guidelines.

It is not our role, however, to issue an opinion on compliance with other applicable legal requirements, particularly those provided for in Article L.225-102-4 of the French Commercial Code (vigilance plan) and in Law No. 2016-1691 of December 9, 2016, known as the Sapin II Law (combating corruption).

Our work was undertaken by a team of six people between October 2017 and the date on which the report was signed, for a period of approximately 12 weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of May 13, 2013 determining the conditions under which an Independent Verifier should conduct its mission, and, with regard to the limited assurance, in accordance with the ISAE 3000 international standard[(3)].

1. Attestation of presence of CSR Information

Nature and scope of work

On the basis of interviews conducted with the management of the departments concerned, we obtained an understanding of the presentation of the Company's sustainable development strategy, which is based on the social and environmental consequences linked to the Company's activities and its societal commitments, as well as, where applicable, any resulting actions or programs.

We compared the CSR Information presented in the Management Report with the list specified in Article R.225-105-1 of the French Commercial Code.

In the absence of certain consolidated information, we verified that the explanations were provided in accordance with the provisions of Article R.225-105, Paragraph 3 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, namely the Company and its subsidiaries as construed under Article L.233-1 of the French Commercial Code and the companies that it controls as construed under Article L.233-3 of the same code, subject to the limits specified in the introduction to the "LVMH and the environment" and "Human resources" sections of the Management Report.

Conclusion

Based on this work, and taking into consideration the limitations mentioned above, we confirm the presence of the required CSR Information in the Management Report.

2. Limited assurance on CSR Information

Nature and scope of work

We undertook approximately ten interviews with the people responsible for preparing the CSR Information at the departments in charge of the data collection process and, if applicable, the people responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, where applicable, any industry best practices;
- verify the implementation of the process for collecting, compiling, processing and verifying the CSR Information for completeness and consistency and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and verifications based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its activities' social and environmental issues, its strategy with regard to sustainable development and industry best practices.

For the CSR Information which we considered to be the most important[(4)]:

- at the level of the consolidating entity, we consulted documentary sources and conducted interviews to corroborate qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the consolidation of the information, and verified the coherence and consistency thereof with the other information presented in the Management Report;
- at the level of the representative sample of entities that we selected[(5)] based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and carried out detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected represented an average of 14% of the workforce and between 49% and 76% of the quantitative environmental information presented.

For the other consolidated CSR information, we assessed its consistency in relation to our knowledge of the Company.

Finally, we assessed the relevance of the explanations provided, where applicable, in response to the partial or complete absence of certain information, taking into account, where applicable, official professional best practices set out in the sector-specific Guidelines.

We consider that the sampling methods and sample sizes that we applied using our professional judgment allow us to formulate a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the application of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a material misstatement in the CSR Information cannot be entirely eliminated.

Conclusion

Based on our work, we did not identify any material misstatement that may have caused us to believe that the CSR Information, taken as a whole, has not been fairly presented in compliance with the Guidelines.

3. Reasonable assurance report on a selection of CSR Information

Nature and scope of work

Regarding the Selected Environmental Information, we undertook work of the same nature as that described in Paragraph 2 above for the CSR Information considered to be the most important, but in a more in-depth manner, particularly in relation to the number of tests.

The sample selected represents on average 55% of the Selected Environmental Information.

We consider that this work allows us to express a reasonable assurance conclusion on the Selected Environmental Information.

Conclusion

In our opinion, the Selected Environmental Information provided by the Company has been established, in all material aspects, in compliance with the Guidelines.

Paris-La Défense, February 8, 2018

The Independent Verifier

ERNST & YOUNG et Associés

Éric Duvaud
Sustainable Development Partner

Bruno Perrin
Partner

(1) Scope of accreditation available at www.cofrac.fr.
(2) **Information verified with reasonable assurance:** percentage of sites certified ISO 14001 (%); total water consumption for process needs (m³); total waste produced (metric tons); total hazardous waste produced (metric tons); percentage waste recovery (%); total energy consumption (MWh); total greenhouse gas emissions (metric tons of CO_2 equivalent); total packaging that reaches customers (metric tons); Chemical Oxygen Demand after treatment (metric tons/year).
(3) ISAE 3000 – Assurance Engagements Other than Audits or Reviews of Historical Information.
(4) **Environmental and societal information:** general environmental policy, preventive, reduction and compensatory measures for discharges into the air, water and soil having a serious environmental impact; waste prevention, recycling and elimination measures, water consumption and water supply considering local constraints, raw material consumption and measures undertaken to enhance resource efficiency, energy consumption, measures undertaken to improve energy efficiency and to promote the use of renewable energy, release of greenhouse gases, measures undertaken to develop biodiversity; consumer health and safety.
Social information: total headcount as of December 31 and breakdown per professional category and geographic region; voluntary and involuntary staff turnover; hiring; lost time accidents; frequency rate; severity rate; percentage of employees trained during the year; number of days of training per employee; absence rate by reason for absence.
(5) **Environmental information:** Wine and Spirits: Glenmorangie Tain (Scotland), MHCS (France), Domaine Chandon Argentina (Argentina), Belvedere (Poland); Fashion and Leather Goods: Loro Piana Quarona (Italy), Louis Vuitton Malletier Barbera (Spain), Louis Vuitton Malletier (stores, France), Fendi (Italy), Cypress Creek Farms (United States), Heng Long tanneries (China), Christian Dior Couture (Blois and Paris sites, France); Perfumes and Cosmetics: Parfums Christian Dior (Saint-Jean-de-Braye, France), Parfums Christian Dior (Pudong, China) LVMH Fragrance Brands (Group company, France), Guerlain – La Ruche (France); Watches and Jewelry: Hublot Nyon (Switzerland), Bvlgari (stores and Group company, Italy); Selective Retailing: Sephora Europe/Middle East/Asia (France), DFS (stores, Hong Kong); Other activities: Le Jardin d'Acclimatation (France).
Social information: Wine and Spirits: Hennessy (France); Fashion and Leather Goods: Louis Vuitton USA (United States), Louis Vuitton SCTA (Spain), Marc Jacobs International LLC (United States), Christian Dior Commercial Shanghai Co. Ltd (China); Perfumes and Cosmetics: Parfums Christian Dior (France), Benefit Cosmetics USA (United States); Watches and Jewelry: Bvlgari Shanghai Ltd (China); Selective Retailing: Sephora Canada (Canada), Sephora China (China), DFS Venture Singapore Pte Ltd (Singapore), Starboard Cruise Services (United States).

This is a free translation into English of the Independent Verifier's 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 auditing standards applicable in France.

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

This report drawn up in accordance with the provisions of Article L.225-37 *et seq.* of the French Commercial Code was approved by the Board of Directors at its meeting of January 25, 2018 and will be submitted for shareholders' approval at the Shareholders' Meeting of April 12, 2018.

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 protecting its corporate interests. Its main missions involve the adoption of overall strategic orientations of the Company and the Group and ensuring these are implemented, the verification of the truthfulness and reliability of information concerning the Company and the Group and the overall protection of the Company's assets.

The Board of Directors of LVMH Moët Hennessy - Louis Vuitton acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

A Charter has been adopted by the Board of Directors which outlines rules governing its membership, duties, procedures, and responsibilities.

Three committees have been established by the Board of Directors: the Performance Audit Committee, the Nominations and Compensation Committee, and the Ethics and Sustainable Development Committee. Each has internal rules setting forth its composition, role and responsibilities.

The Charter of the Board of Directors and the internal rules governing the committees are communicated to all candidates for appointment as Director and to all permanent representatives of a legal entity before assuming their duties. These documents are presented in full in the appendix to this report. They are regularly revised to take into account changes in laws and regulations and good governance practices.

Pursuant to the provisions of the Board of Directors' Charter, all Directors must bring to the attention of the Chairman of the Board any instance, even potential, of a conflict of interest that may exist between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities. They must also provide the Chairman with details of any formal judicial inquiry, fraud conviction, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative or management body imposed by a court and any bankruptcy, receivership or liquidation proceedings to which they have been a party. No information has been communicated with respect to this obligation.

The Company's Bylaws require each Director to hold, directly and personally, at least 500 of its shares.

1.2. Code of corporate governance – implementation of recommendations

The Company refers to the AFEP/MEDEF Code of Corporate Governance for Listed Companies for guidance. This document may be viewed on the AFEP/MEDEF website: www.afep.com.

The following table contains the Company's explanations concerning points of the AFEP/MEDEF Code with which it has not strictly complied.

Recommendation of the AFEP/MEDEF Code	Explanation
Article 8: Independent Directors Point 8.5.6: Not to have been a Director of the Company for more than 12 years.	The Board set aside this criterion considering that length of service is not likely to cloud the critical faculties or color the judgment of the relevant Directors, given both their personality and their current personal and professional circumstances. Moreover, their in-depth knowledge of the Group is a major asset during key strategic decision-making.
Article 24: Compensation of senior executive officers Point 24.3.3: Provisions specific to stock options and performance shares: resolution authorizing the award plan submitted to a vote at the meeting of shareholders must state an award sub-ceiling for senior executive officers.	In the resolutions put to the vote at the Shareholders' Meeting, the Board of Directors decided not to include a sub-ceiling on the allocation of options or bonus performance shares to senior executive officers, considering that the Nominations and Compensation Committee – which consists entirely of Independent Directors and is tasked with making proposals on the granting of options or bonus performance shares to senior executives – ensures an adequate degree of control over allocation policy.

1.3. Membership and operating procedures of the Board of Directors

1.3.1. Membership

The Board of Directors has 15 members who are appointed for three-year terms, as stipulated in the Bylaws.

Name	Nationality	Age as of 12/31/2017	Office held	Date of first appointment	End of term	Board Committees		
						Performance Audit Committee	Nominations and Compensation Committee	Ethics and Sustainable Development Committee
Bernard ARNAULT	French	68	Chairman and Chief Executive Officer	09/26/1988	2019			
Antoine ARNAULT	French	40	Director	05/11/2006	2018	Member		
Delphine ARNAULT	French	42	Director	09/10/2003	2020			Member
Nicolas BAZIRE	French	60	Director	05/12/1999	2018			
Antonio BELLONI	Italian	63	Director	05/15/2002	2020			
			Group Managing Director	09/12/2001	2019			
Bernadette CHIRAC	French	84	Director	04/15/2010	2019			
Charles de CROISSET	French	74	Director	05/15/2008	2018	Member	Chairman	
Diego DELLA VALLE	Italian	64	Director	05/15/2002	2020			
Clara GAYMARD	French	57	Director	04/14/2016	2019			
Marie-Josée KRAVIS	US	68	Director	03/31/2011	2020		Member	
Charles POWELL	British	76	Director	05/29/1997	2018			
Marie-Laure SAUTY de CHALON	French	55	Director	04/10/2014	2020			Member
Yves-Thibault de SILGUY	French	69	Director	05/14/2009	2018	Chairman	Member	Chairman
Natacha VALLA	French	41	Director	04/14/2016	2019			
Hubert VÉDRINE	French	70	Director	05/13/2004	2019			Member

1.3.2. Changes in membership of the Board of Directors

Changes during 2017

Over the course of the fiscal year 2017, membership of the Board of Directors decreased from 17 to 15 Directors. The following table summarizes the changes in membership of the Board of Directors during the fiscal year 2017.

Name	Change	Date
Delphine ARNAULT	Renewal of her term of office as Director	April 13, 2017
Nicolas BAZIRE	Renewal of his term of office as Director	April 13, 2017
Antonio BELLONI	Renewal of his term of office as Director	April 13, 2017
Diego DELLA VALLE	Renewal of his term of office as Director	April 13, 2017
Albert FRÈRE	Resignation as a Director	
	Appointment as an Advisory Board member	April 13, 2017
Pierre GODÉ	Term of office as Director not renewed	
	Appointment as an Advisory Board member	April 13, 2017
Marie-Josée KRAVIS	Renewal of her term of office as Director	April 13, 2017
Marie-Laure SAUTY de CHALON	Renewal of her term of office as Director	April 13, 2017

To make the renewal of Directors' appointments as egalitarian as possible, and in any event to make them complete for each three-year period, the Board of Directors set up a system of rolling renewals that has been in place since 2010. To this end, the Board of Directors decided at its meeting of April 13, 2017, in accordance with the Bylaws and on the recommendation of the Nominations and Compensation Committee and after drawing lots and obtaining the approval of the relevant parties, to cut short the terms of office as Director of Charles de Croisset and of Nicolas Bazire, which were initially due to expire in 2019 and 2020. Accordingly, the Shareholders' Meeting of April 12, 2018 will be asked to vote on whether to renew their term of office.

At its meeting of January 25, 2018, the Board of Directors (i) considered the Directorships of Antoine Arnault, Nicolas Bazire, Charles de Croisset, Yves-Thibault de Silguy and Lord Powell of Bayswater, all of which expire at the close of the Shareholders' Meeting of April 12, 2018, and (ii) decided to submit a resolution at said Shareholders' Meeting renewing their terms of office as Directors.

Since the Company meets the conditions laid down in the French Commercial Code making it eligible for the exemption applicable to holding companies, it is not subject to the requirement to appoint Directors representing employees.

Subject to decisions made at the Shareholders' Meeting of April 12, 2018, the Board of Directors will thus consist of 15 members: Delphine Arnault, Bernadette Chirac, Clara Gaymard, Marie-Josée Kravis, Marie-Laure Sauty de Chalon, Natacha Valla, Bernard Arnault, Antoine Arnault, Nicolas Bazire, Antonio Belloni, Charles de Croisset, Diego Della Valle, Yves-Thibault de Silguy, Hubert Védrine and Lord Powell of Bayswater.

The Directors' personal details are presented in §1.4 below.

Since each gender is represented by at least 40% of Board members, the composition of the Board will continue to comply with the provisions of the French Commercial Code relating to gender equality on boards of directors.

Bernard Arnault (Chairman and Chief Executive Officer) and Antonio Belloni (Group Managing Director) do not hold more than two directorships at non-Group listed companies, including foreign companies.

1.3.3. Independence

During its meeting of January 25, 2018, the Board of Directors reviewed the status of each Director currently in office, in particular with respect to the independence criteria defined in Articles 8.5 to 8.7 of the AFEP/MEDEF Code, and set out below:

Criterion 1: not to be and not to have been during the course of the previous five years an employee or executive officer of the Company, or an employee, senior executive officer or a Director of a company that it consolidates, or of its parent company or a company consolidated by this parent.

Criterion 2: not to be a senior executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Company (currently in office or having held such office during the last five years) is a Director.

Criterion 3: not to be a customer, supplier, commercial banker or investment banker that is material to the Company or its group or for a significant part of whose business the Company or its group accounts.

Criterion 4: not to be related by close family ties to a company officer.

Criterion 5: not to have been an auditor of the Company within the previous five years.

Criterion 6: not to have been a Director of the Company for more than 12 years.

Criterion 7: not to receive variable compensation in cash or in the form of shares or any compensation linked to the performance of the Company or Group.

Criterion 8: not to represent shareholders with a controlling interest in the Company.

At the end of this review, the Board of Directors took the view that:

(i) Bernadette Chirac, Clara Gaymard, Marie-Josée Kravis, Marie-Laure Sauty de Chalon, Natacha Valla and Yves-Thibault de Silguy meet all these criteria;

(ii) Charles de Croisset, who also acts as International Advisor to Goldman Sachs, should be considered independent, since the business relationship between these two groups does not make LVMH dependent on Goldman Sachs in any way;

(iii) Diego Della Valle and Hubert Védrine, who have served on the Board of Directors for over 12 years, should be considered independent. In the matter of these two individuals, the Board has set aside the criterion set out in the AFEP/MEDEF Code with respect to their length of service as Board members, considering that this is not likely to cloud their critical faculties or color their judgment, given both their experience and status and their current personal and professional circumstances. Moreover, their in-depth knowledge of the Group is a major asset during key strategic decision-making.

Subject to decisions made at the Shareholders' Meeting of April 12, 2018, nine out of the fifteen Directors who make up the Board of Directors are thus considered to be independent and to hold no interests in the Company. They represent 60% of the Board's membership.

With respect to the independence criteria set out in the AFEP/MEDEF Code, 47% of the members of the Board of Directors are Independent Directors, thus exceeding the Code's recommendation for controlled companies that one-third of Board members be independent.

Table summarizing Directors' independent status following the Board of Directors' review of January 25, 2018 of the criteria for independence.

Name	AFEP/MEDEF criteria [a]								Independent Director
	1	2	3	4	5	6	7	8	
Bernard ARNAULT		X	X		X				No
Antoine ARNAULT		X	X		X	X			No
Delphine ARNAULT		X	X		X				No
Nicolas BAZIRE		X	X	X	X			X	No
Antonio BELLONI		X	X	X	X			X	No
Bernadette CHIRAC	X	X	X	X	X	X	X	X	Yes
Charles de CROISSET	X	X	X	X	X	X	X	X	Yes
Diego DELLA VALLE	X	X	X	X	X		X	X	Yes [b]
Clara GAYMARD	X	X	X	X	X	X	X	X	Yes
Marie-Josée KRAVIS	X	X	X	X	X	X	X	X	Yes
Charles POWELL		X	X	X	X		X	X	No
Marie-Laure SAUTY de CHALON	X	X	X	X	X	X	X	X	Yes
Yves-Thibault de SILGUY	X	X	X	X	X	X	X	X	Yes
Natacha VALLA	X	X	X	X	X	X	X	X	Yes
Hubert VÉDRINE	X	X	X	X	X		X	X	Yes [b]

(a) See §1.2 above for details of how the Company applies the independence criteria laid down in the AFEP/MEDEF Code.
(b) According to the criteria applied by the Company.

1.3.4. Operating procedures

Over the course of the 2017 fiscal year, the Board of Directors met six times as convened by its Chairman. Directors' attendance rate at these meetings averaged 86%.

The Board approved the annual and interim consolidated and parent company financial statements, reviewed quarterly activity and expressed its opinions on subjects including the Group's strategic direction and decisions, its budget, compensation payable to company officers, the establishment of plans to grant bonus shares and bonus performance shares, and the implementation of the share repurchase program. In accordance with the AFEP/MEDEF Code of Corporate Governance and in line with the option provided by the Company's Bylaws, it decided to draw lots to determine which Directors would have their term of office renewed early so that reappointments are staggered more evenly.

In connection with the acquisition of the Christian Dior Couture business segment, the Board (i) appointed the firm Ledouble as an Independent Expert Appraiser to issue an opinion on the fairness of the financial terms of the transaction (ii) set up an ad hoc Committee consisting of Natacha Valla, Charles de Croisset and Yves-Thibault de Silguy, all Independent Directors, responsible for overseeing the Independent Expert Appraiser's work and for issuing an opinion prior to any decisions that the Board of Directors would have to make in respect of said acquisition (iii) authorized the execution of the agreement to acquire the Christian Dior Couture business segment and the Vendor Loan provided for under said agreement.

It renewed the authorizations granted to (i) the Chairman and Chief Executive Officer to give guarantees to third parties and (ii) the Chairman and Chief Executive Officer and the Group Managing Director to issue bonds.

The Board of Directors authorized the Company to provide a guarantee in connection with the US commercial paper program arranged by LVMH Inc. covering issuance of up to 2 billion US dollars.

It also examined the regulated agreements that remained in effect during the fiscal year. In addition, it approved measures adopted by the Company to ensure the safety of the Chairman and his family.

The Board of Directors also conducted an evaluation of its capacity to meet the expectations of shareholders, reviewing its membership, its organization, and its procedures.

It also revised (i) the internal rules of the Performance Audit Committee in order to bring its remit in line with the new regulatory provisions and to amend the procedures for appointing the Committee's Chairman as well as the length of his/her term of office and (ii) the internal rules of the Nominations and Compensation Committee, expanding its remit to include selecting and reappointing the Chairman of the Performance Audit Committee.

It appointed a new independent member to the Ethics and Sustainable Development Committee and adopted the revised version of LVMH's Code of Conduct.

Lastly, the Board was informed of the measures the Group has adopted as regards gender equality and equal pay.

Before the meeting of October 25, 2017, the Board of Directors held a meeting without the senior executive officers or the other members holding executive positions within the Group.

Using the Board of Directors' evaluation questionnaire drawn up in accordance with the provisions of the AFEP/MEDEF Code, the Directors exchanged views on the composition, organization and modus operandi of the Board of Directors and the three Committees that exist within it, which they deemed appropriate.

At its meeting of January 25, 2018, the Board of Directors reviewed its composition, organization and *modus operandi*. The Board concluded that its composition is balanced with regard to the proportion of External Directors, given the ownership of the Company's share capital, and with regard to the diversity and complementarity of its members' expertise and experience.

The Board noted that:

- the Directors are satisfied with the frequency of Board meetings and the quality of information provided on such topics as strategic direction, current business activity, financial statements, the budget and the three-year plan;
- Directors' attendance remained stable relative to 2016;
- the gender balance, presence of non-French nationals and the Directors' areas of expertise ensure a wide range of approaches and views, as is essential to a global group;
- the Board is fulfilling its role with respect to its missions and objectives of increasing the Company's value and protecting its interests;
- the Directors have no particular comments to make on the rules for allocating directors' fees or the minimum number of shares that each Director must hold; this also applies to the composition of the three Committees and the quality of their work.

In addition, the Board of Directors reviewed the Group's policy to protect against the impact of future economic and financial developments.

1.4. Terms of office of the management and supervisory bodies

1.4.1. List of positions and offices held by members of the Board of Directors

1.4.1.1. Currently serving Directors

Bernard ARNAULT, Chairman and Chief Executive Officer

Date of birth: March 5, 1949.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Number of LVMH shares held in a personal capacity: 170,091 shares.

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 the 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 in January 1989.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Chairman and Chief Executive Officer
	Christian Dior Couture SA	Director
	Château Cheval Blanc SC	Chairman of the Board of Directors
	Louis Vuitton, 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
	LVMH Services Limited (United Kingdom)	Director

Groupe Arnault

France	Christian Dior SE [1]	Chairman of the Board of Directors
	Financière Jean Goujon SAS	Member of the Supervisory Committee
	Groupe Arnault SEDCS	Chairman of the Executive Board

Other

France	Carrefour SA [1]	Director

Positions and offices that have ended since January 1, 2013

France	Christian Dior SE [1]	Chief Executive Officer
	Groupe Arnault SAS	Chairman
International	LVMH International SA (Belgium)	Director

(1) Listed company.

Delphine ARNAULT

Date of birth: April 4, 1975.
Business address: Louis Vuitton Malletier – 2, rue du Pont-Neuf – 75001 Paris (France).
Number of LVMH shares held in a personal capacity: 463,493 shares.

Delphine Arnault began her career at international strategy consultancy firm McKinsey, where she worked as a consultant for two years. In 2000, she moved to designer John Galliano's company, which she helped develop, acquiring hands-on experience in the fashion industry. In 2001, she joined the Executive Committee of Christian Dior Couture, where she served as Deputy Managing Director until August 2013. Since September 2013, she has been Executive Vice President of Louis Vuitton, in charge of supervising all of Louis Vuitton's product-related activities.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE[1]	Director and Member of the Ethics and Sustainable Development Committee
	Céline SA	Director
	Christian Dior Couture SA	Director
	Château Cheval Blanc SC	Director
International	Emilio Pucci Srl (Italy)	Director
	Emilio Pucci International BV (Netherlands)	Director
	Loewe SA (Spain)	Director

Groupe Arnault

France	Christian Dior SE[1]	Director

Other

France	Havas SA[1]	Director
	Métropole Télévision "M6" SA[1]	Member of the Supervisory Board
International	21st Century Fox Corporation (United States)[1]	Director
	Actar International SA (Luxembourg)	Permanent representative of Ufipar, Director
	Ferrari SpA (Italy)[1]	Director

Positions and offices that have ended since January 1, 2013

France	Les Echos SAS	Member of the Supervisory Board

Antonio BELLONI, Group Managing Director

Date of birth: June 22, 1954.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Number of LVMH shares held in a personal capacity: 98,487 shares.

Antonio Belloni joined the LVMH group in June 2001, following 22 years with Procter & Gamble. He was appointed head of Procter & Gamble's European division in 1999, having previously 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. He has been Group Managing Director of LVMH since September 2001.

(1) Listed company.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE[1]	Group Managing Director and Director
	Berluti SA	Vice-Chairman and Member of the Supervisory Board
	Cha Ling SCA	Chairman of the Supervisory Board
	Chaumet International SA	Chairman of the Board of Directors
	Fendi International SAS	Chairman
	Fred Paris SA	Permanent representative of LV Group, Director
	Givenchy SA	Permanent Representative of LVMH Finance, Director
	Le Bon Marché, maison Aristide Boucicaut SA	Permanent Representative of LVMH, Director
	LVMH Fragrance Brands SA	Permanent representative of LV Group, Director
	Moët Hennessy Management SARL	Managing Director
	Louis Vuitton, Fondation d'Entreprise	Director
International	Benefit Cosmetics LLC (United States)	Managing Director
	Bulgari SpA (Italy)	Member of the Board of Directors
	Cova Montenapoleone Srl (Italy)	Director
	Cruise Line Holdings Co. (United States)	Director
	DFS Group Limited (Bermuda)	Director
	DFS Group Limited (Hong Kong)	Director
	DFS Holdings Limited (Bermuda)	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 Srl (Italy)	Chairman of the Board of Directors
	Fresh Inc. (United States)	Director
	Loro Piana SpA (Italy)	Director
	LVMH Moët Hennessy - Louis Vuitton Inc. (United States)	Vice-Chairman and Director
	LVMH (Shanghai) Management & Consultancy Co. Ltd (China)	Chairman of the Board of Directors
	Naxara SA (Luxembourg)	Director
	Nude Brands Limited (United Kingdom)	Director
	Pasticceria Confetteria Cova Srl (Italy)	Director
	RVL Holding BV (Netherlands)	Member of the Supervisory Board
	Thomas Pink Holdings Limited (United Kingdom)	Director
	Ufip (Ireland)	Director
	Vicuna Holding SpA (Italy)	Chairman of the Board of Directors

Other

International	Barilla G. e R. Fratelli SpA (Italy)	Director

Positions and offices that have ended since January 1, 2013

France	Sephora SA	Permanent representative of Ufipar, Director
International	De Beers Diamond Jewellers Limited (United Kingdom)	Director
	De Beers Diamond Jewellers Trademark Ltd (United Kingdom)	Director
	Donna Karan International Inc. (United States)	Director
	Fendi Adele Srl (Italy)	Director
	Fendi Asia Pacific Limited (Hong Kong)	Director
	Fendi Italia Srl (Italy)	Director
	Fendi North America Inc. (United States)	Director
	Fendi SA (Luxembourg)	Director
	Sephora Greece (Greece)	Director
	Ufilug SA (Luxembourg)	Director

(1) Listed company.

Bernadette CHIRAC

Date of birth: May 18, 1933.
Mailing address: 4 rue de Tournon – 75006 Paris (France).
Number of LVMH shares held in a personal capacity: 500 shares.

Married to Jacques Chirac, President of France from 1995 to 2007, Bernadette Chirac was elected to the local council of the town of Sarran in 1971 and was named as deputy mayor in 1977. She was elected as Departmental councilor of Corrèze in 1979 and was reelected continuously until 2015. In 1990, she founded the association Le Pont Neuf, and served as its President until it was dissolved. In 1994, she was named Chairman of Fondation Hôpitaux de Paris – Hôpitaux de France and took an active role in its "*Pièces Jaunes*" and "*Plus de Vie*" operations which, thanks to her support and involvement, have become widely recognized charity events in France. Since 2007, she has also served as Chairman of Fondation Claude Pompidou.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE[1]	Director

Other

France	Departmental Council of Corrèze	Substitute departmental councilor
	Fondation Hôpitaux de Paris – Hôpitaux de France	Chairman
	Fondation Claude Pompidou	Chairman

Positions and offices that have ended since January 1, 2013

France	Departmental Council of Corrèze	Departmental councilor

Diego DELLA VALLE

Date of birth: December 30, 1953.
Business address: Tod's SpA – Corso Venisia, 30 – 20121 Milan (Italy).
Number of LVMH shares held in a personal capacity: 500 shares.

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 Director delegate of Tod's SpA, which today is a world leader in the luxury accessories sector.

Current positions and offices

Tod's SpA group

International	DDV Partecipazioni Srl (Italy)	Sole Director
	DI.VI. Finanziaria Srl (Italy)	Sole Director
	Diego Della Valle & C. Srl (Italy)	Sole Director
	Tod's SpA (Italy)[1]	Chairman of the Board of Directors and Director delegate
	Fondazione Della Valle Onlus (Italy)	Chairman of the Board of Directors

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE[1]	Director

Other

International	ACF Fiorentina SpA (Italy)	Honorary Chairman
	Compagnia Immobiliare Azionaria (Italy)[1]	Director
	Nuovo Trasporto Viaggiatori (Italy)	Director
	RCS Mediagroup SpA (Italy)[1]	Director

Positions and offices that have ended since January 1, 2013

None

(1) Listed company.

Clara GAYMARD

Date of birth: January 27, 1960.
Business address: Raise – 138 bis, rue de Grenelle – 75007 Paris (France).
Number of LVMH shares held in a personal capacity: 500 shares.

Clara Gaymard has held a number of administrative positions in the French government, in particular the External Economic Relations Directorate (DREE) within the French Ministry for the Economy and Finance (1986-2003), before directing the Invest in France Agency (2003-2006), and then joining General Electric (GE), where she served as Chairman and CEO of GE France until 2016. Ms. Gaymard is the co-founder of Raise.

Current positions and offices

LVMH group		
France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Director
Other		
France	Bouygues SA [1]	Director
	Danone SA [1]	Director
	Pabafajamet SAS	Chairman
	Raise Conseil SAS	Chief Executive Officer
	Sages	Director
	Veolia Environnement SA [1]	Director
	WEFCOS (Women's Forum for the Economy and Society) SAS	Chairman

Positions and offices that have ended since January 1, 2013

None

Marie-Josée KRAVIS

Date of birth: September 11, 1949.
Mailing address: 625 Park Avenue – NY 10065, New York (United States).
Number of LVMH shares held in a personal capacity: 500 shares.

Marie-Josée Kravis is an economist specializing in the fields of public policy and strategic planning. She started her career as a financial analyst with the Power Corporation of Canada and went on to work with the General Solicitor of Canada and the Canadian minister for Supply and Services. She is Vice-Chairman of the Board of Trustees and a senior fellow of the Hudson Institute, and since 2005 has been President of the Museum of Modern Art (MoMA) of New York.

Current positions and offices

LVMH group		
France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Director and Member of the Nominations and Compensation Committee
Other		
France	Publicis Groupe SA [1]	Member of the Supervisory Board and Chairman of the Risk and Strategy Committee
International	Federal Reserve Bank of New York (United States)	Member of the International Advisory Board
	Hudson Institute (United States)	Vice-Chairman of the Board of Trustees and senior fellow
	Memorial Sloan Kettering Cancer Center (United States)	Vice-Chairman of the Board of Trustees and member of the Executive Committee
	The Museum of Modern Art of New York (United States)	Chairman

Positions and offices that have ended since January 1, 2013

International	Qatar Museum Authority (Qatar)	Director

(1) Listed company.

Marie-Laure SAUTY de CHALON

Date of birth: September 17, 1962.
Business address: Aufeminin – 8, rue Saint Fiacre – 75002 Paris (France).
Number of LVMH shares held in a personal capacity: 500 shares.

After building her career at a number of press and television advertising companies, Marie-Laure Sauty de Chalon became Chief Executive Officer of Carat Interactive in 1997. In 2001, she became Chairman and Chief Executive Officer of Consodata North America. She then took over as head of the Aegis Media group in France and Southern Europe in 2004. Since 2010, she has been Chairman and Chief Executive Officer of Aufeminin.com and a professor at the *Institut d'Études Politiques de Paris*.

Current positions and offices

Aufeminin.com group

France	Aufeminin SA[1]	Chairman and Chief Executive Officer
	Aufeminin.com Productions SARL	Managing Director
	Etoilecasting.com SAS	Chairman
	Les rencontres aufeminin.com SAS	Chairman
	Marmiton SAS	Chairman
	My Little Paris SAS	Member of the Supervisory Board
International	GoFeminin.de GmbH (Germany)	Joint Managing Director
	SoFeminine.co.uk Ltd (United Kingdom)	Director

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE[1]	Director and Member of the Ethics and Sustainable Development Committee

Other

France	Autorité de la Concurrence	Member of the College
	Carrefour SA[1]	Director and Member of the CSR Committee
	Coorpacademy	Director
	JCDecaux SA[1]	Member of the Supervisory Board

Positions and offices that have ended since January 1, 2013

France	Aegis Media France	Chairman
	Carat France	Chairman
	Fondation Nestlé France, Fondation d'Entreprise	Director
	Fondation PlaNet Finance	Director
	Mediamétrie	Director
	SmartAdServer SAS	Chairman
International	Aegis Media Southern Europe	Chairman

(1) Listed company.

Natacha VALLA

Date of birth: January 1, 1976.
Mailing address: 23 rue de Fleurus – 75006 Paris (France).
Number of LVMH shares held in a personal capacity: 500 shares.

Natacha Valla is an economist who began her career at the European Central Bank (2001-2005), followed by the Banque de France (2005-2008), before joining Goldman Sachs as Executive Director (2008-2013). She was subsequently Deputy Director at CEPII (2014-2016), an international economics think tank reporting to the prime minister, where she oversaw international macroeconomics and finance programs, before joining the European Investment Bank, where she is currently responsible for economic policy and strategy. She is also a member of the Commission Économique de la Nation and the scientific Advisory Board of the French Prudential Supervisory Authority.

Current positions and offices

Vinci group

France	Société des Autoroutes du Sud de la France SA	Director
	Cofiroute SA	Director

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Director

Other

France	Accor SA [1]	Director
	Tikehau Capital SCA	Member of the Supervisory Board

Positions and offices that have ended since January 1, 2013

None

Hubert VÉDRINE

Date of birth: July 31, 1947.
Business address: Hubert Védrine (HV) Conseil – 21, rue Jean Goujon – 75008 Paris (France).
Number of LVMH shares held in a personal capacity: 500 shares.

Hubert Védrine has held a number of French government and administrative posts, notably as Diplomatic Advisor to the Presidency from 1981 to 1986, Spokesperson for the Presidency from 1988 to 1991, General Secretary 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

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Director and Member of the Ethics and Sustainable Development Committee

Other

France	Hubert Védrine (HV) Conseil SARL	Managing Partner

Positions and offices that have ended since January 1, 2013

None

(1) Listed company.

1.4.1.2. Renewals of appointments of Directors proposed at the Shareholders' Meeting

Antoine ARNAULT

Date of birth: June 4, 1977.
Business address: Berluti – 120, rue du Faubourg Saint-Honoré – 75008 Paris (France).
Number of LVMH shares held in a personal capacity: 302,571 shares.

Antoine Arnault graduated from HEC Montreal and INSEAD. In 2000 he created an Internet company, specialized in the registration of domain names.

In 2002, he sold his stake in the company and joined the family group, where he successively held the positions of Marketing Manager and Director of Regional Operations at Louis Vuitton.

In 2007, he became Director of Communications at Louis Vuitton, with responsibility for advertising, publishing, digital content development, and purchasing media space.

He has been Managing Director of Berluti since 2011, the year in which he also initiated the *Journées Particulières* open-day event. He has also been Chairman of the Board of Directors of Loro Piana since the end of 2013.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Director and Member of the Performance Audit Committee
	Berluti SA	Chairman of the Executive Board
	Les Echos SAS	Member of the Supervisory Board
	LV Group SA	Chairman and Chief Executive Officer
	Association du Musée Louis Vuitton	Permanent Representative of LV Group, Director
International	Berluti LLC (United States)	Managing Director
	Berluti Hong Kong Company Limited (Hong Kong)	Director
	Berluti (Shanghai) Company Limited (China)	Director
	Fendi Srl (Italy)	Director
	Loro Piana SpA (Italy)	Chairman of the Board of Directors
	Manifattura Berluti Srl (Italy)	Director

Groupe Arnault

France	Groupe Arnault SEDCS	Member of the Executive Board

Other

France	Marbeuf Capital SARL	Managing Director
	Comité Colbert	Director
International	INNOVA E2 (Luxembourg)	Director

Positions and offices that have ended since January 1, 2013

France	AA Conseil SAS	Chairman
	FG SAS	Chairman
	Lagardère SCA [1]	Member of the Supervisory Board
	Madrigall SA	Director
	Société Nouvelle de Chemiserie Arnys SA	Chairman of the Board of Directors
International	Berluti Orient FZ-LLC (United Arab Emirates)	Director
	Fendi Adele Srl (Italy)	Director

(1) Listed company.

Nicolas BAZIRE, Senior Vice-President for Development and Acquisitions

Date of birth: July 13, 1957.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Number of LVMH shares held in a personal capacity: 101,399 shares.

Nicolas Bazire became Chief of Staff of Prime Minister Edouard Balladur in 1993. He was Managing Partner at Rothschild & Cie Banque between 1995 and 1999 and has served as Managing Director of Groupe Arnault SEDCS since 1999.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE[1]	Director
	Groupe Les Echos SA	Director
	Les Echos SAS	Vice-Chairman of the Supervisory Board, Chairman of the Compensation Committee and Member of the Appointments Committee
	Louis Vuitton Malletier SA	Permanent representative of Ufipar, Director
	LV Group SA	Director and Member of the Nominations and Compensation Committee
	Louis Vuitton, Fondation d'Entreprise	Director

Groupe Arnault

France	Agache Developpement SA	Director
	Christian Dior SE[1]	Director, Member of the Performance Audit Committee and Member of the Nominations and Compensation Committee
	Europatweb SA	Director
	Financière Agache SA	Managing Director and Permanent Representative of Groupe Arnault, Director
	GA Placements SA	Permanent Representative of Montaigne Finance, Director
	Groupe Arnault SEDCS	Chief Executive Officer
	Montaigne Finance SAS	Member of the Supervisory Committee
	Semyrhamis SA	Non-Director Managing Director and Permanent Representative of Groupe Arnault, Director

Other

France	Atos SE[1]	Director and Chairman of the Nomination and Compensation Committee
	Carrefour SA[1]	Director, Member of the Accounts Committee, the Nominations Committee and the Strategy Committee
	Suez SA[1]	Director, Member of the Audit and Accounts Committee, the Nominations and Governance Committee and the Strategy Committee
International	Société des Bains de Mer de Monaco SA[1] (Principality of Monaco)	Permanent representative of Ufipar, Director and Rapporteur to the Finance and Audit Commission

Positions and offices that have ended since January 1, 2013

France	Financière Agache Private Equity SA	Director

(1) Listed company.

Charles de CROISSET

Date of birth: September 28, 1943.
Business address: Goldman Sachs International – Peterborough Court, 133 Fleet Street – EC4A 2BB London (United Kingdom).
Number of LVMH shares held in a personal capacity: 1,000 shares.

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

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Director, Chairman of the Nominations and Compensation Committee and Member of the Performance Audit Committee

Other

International	Goldman Sachs International (United Kingdom)	International Advisor

Positions and offices that have ended since January 1, 2013

France	Euler Hermès SA [1]	Member of the Supervisory Board
	Fondation du Patrimoine	Chairman
	Renault SA [1]	Director
	Renault SAS	Director

Lord POWELL of BAYSWATER

Date of birth: July 6, 1941.
Business address: LVMH – Clarendon House – 12 Clifford Street – W1S 2LL London (United Kingdom).
Number of LVMH shares held in a personal capacity: 550 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 sits as a cross-bench member of the House of Lords, the British Parliament's upper chamber.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Director
International	LVMH Services Limited (United Kingdom)	Chairman of the Board of Directors

Groupe Arnault

France	Financière Agache SA	Director

Other

International	Hong Kong Land Holdings (Bermuda) [1]	Director
	Mandarin Oriental International Holdings (Bermuda)	Director
	Matheson & Co. Ltd (United Kingdom) Director	Director
	Northern Trust Corporation (United States) [1]	Director

Positions and offices that have ended since January 1, 2013

International	Caterpillar Inc. (United States) [1]	Director
	Northern Trust Global Services (United Kingdom)	Director
	Schindler Holding (Switzerland) [1]	Director
	Textron Corporation (United States) [1]	Director

(1) Listed company.

Yves-Thibault de SILGUY

Date of birth: July 22, 1948.
Business address: YTSeuropaconsultants – 13 bis, avenue de la Motte-Picquet – 75007 Paris (France).
Number of LVMH shares held in a personal capacity: 500 shares.

Yves-Thibault de Silguy has held various positions within the French administration, the French government, as well as within the European Community as European Commissioner for Economic and Monetary Affairs (1995-1999). In 1988, he joined Usinor-Sacilor, where he was the Director of International Affairs until 1993. From 2000 to 2006, he successively became a member of the Executive Board, Chief Executive Officer and then Group Managing Director of Suez. In June 2006, he was appointed as Chairman of the Board of Directors of Vinci and in May 2010 he became Vice-Chairman and Senior Director. Since May 2010, he has been Chairman of YTSeuropaconsultants.

Current positions and offices

Vinci group		
France	Société des Autoroutes du Sud de la France SA	Director
	Vinci SA [1]	Vice-Chairman of the Board of Directors and Senior Director
LVMH group		
France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Director, Chairman of the Performance Audit Committee, Member of the Nominations and Compensation Committee and Chairman of the Ethics and Sustainable Development Committee
Other		
France	Sofisport SA	Chairman of the Supervisory Board
	VTB Bank (France) SA	Member of the Supervisory Board
	Ysilop Consulting SARL	Managing Director
	YTSeuropaconsultants SARL	Managing Director
International	Solvay (Belgium) [1]	Director
	VTB Bank (Russia) [1]	Member of the Supervisory Board

Positions and offices that have ended since January 1, 2013

None

(1) Listed company.

1.4.2. Statutory Auditors

Principal Statutory Auditors

	Start date of first term	Current term	
		Date appointed	End of term
ERNST & YOUNG Audit 1/2 place des Saisons – 92400 Courbevoie – Paris la Défense 1 (France) Represented by Jeanne Boillet and Patrick Vincent-Genod	April 14, 2016 [a]	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year
MAZARS Tour Exaltis 61, rue Henri Regnault – 92400 Courbevoie (France) Represented by Simon Beillevaire and Loïc Wallaert	April 14, 2016	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year

(a) The Ernst & Young network has been a Statutory Auditor of LVMH since 1988.

Alternate Statutory Auditors

	Start date of first term	Current term	
		Date appointed	End of term
Auditex 1/2 place des Saisons – 92400 Courbevoie – Paris la Défense 1 (France)	April 15, 2010	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year
Philippe Castagnac Tour Exaltis 61, rue Henri Regnault – 92400 Courbevoie (France)	April 14, 2016	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year

1.5. Executive Management

Bernard Arnault has been Chairman and Chief Executive Officer of the Company since 1989. The Board of Directors has not limited the powers vested in the Chief Executive Officer.

The Board of Directors came to the conclusion that the combined role of Chairman and Chief Executive Officer was suited to the Company's specific shareholding structure, and furthermore enabled more rapid decision-making. Consequently, it decided not to dissociate the roles of Chairman and Chief Executive Officer. In September 2001, in response to the proposal of the Chairman and Chief Executive Officer, the Board appointed Antonio Belloni as Group Managing Director. The Group Managing Director has the same powers as the Chief Executive Officer.

At its meeting of April 14, 2016, the Board of Directors reappointed Bernard Arnault as Chairman and Chief Executive Officer and, at the proposal of the latter, reappointed Antonio Belloni as Group Managing Director.

The balance of powers within the Board of Directors is ensured by the provisions of the Charter of the Board of Directors and the rules governing the three committees formed by it, which specify the duties of each of those Committees.

The Charter of the Board of Directors states that the role of the Board of Directors is to define the overall strategic direction of the Company and to approve any significant transactions falling outside the scope of the strategic direction set by the Board of Directors.

The Board of Directors may also establish one or more ad hoc committees for specific or important matters. Lastly, Independent Directors may meet separately from the other members of the Board of Directors (see §1.3.4 above concerning the operation of the Board of Directors in 2017).

The balance is maintained by the membership of the Board of Directors and of its various committees. According to the criteria laid down in the AFEP/MEDEF Code, 47% of the Directors on the Board are Independent Directors. In addition, (i) the Nominations and Compensation Committee consists entirely of Independent Directors and (ii) at least two-thirds of the members of both the Performance Audit Committee and the Ethics and Sustainable Development Committee are Independent Directors.

1.6. Performance Audit Committee

The main tasks of the Performance Audit Committee are the monitoring of the process of preparing financial information, the effectiveness of internal control and risk management procedures, as well as the statutory audit of the individual company and consolidated financial statements by the Statutory Auditors. The Committee oversees the procedure for the selection of Statutory Auditors and ensures their independence.

The Committee consists of three members appointed by the Board of Directors: Yves-Thibault de Silguy (Chairman), who has notably served as European Commissioner for Economic and Monetary Affairs, a trustee of the IFRS Foundation and CEO of Suez; Antoine Arnault, Chairman of the Executive Board of Berluti and Chairman of the Board of Directors of Loro Piana; and Charles de Croisset, who has successively held senior management positions at CCF, HSBC Holdings plc and Goldman Sachs International. Because their professional experience (see also §1.4.1 "List of positions and offices held by members of the Board of Directors" above) and their familiarity with financial and accounting procedures applicable to corporate groups, Yves-Thibault de Silguy, Antoine Arnault and Charles de Croisset have the expertise necessary to fulfill their responsibilities.

Two-thirds of the Committee's members are Independent Directors, as recommended by the AFEP/MEDEF Code.

The Performance Audit Committee met four times in fiscal year 2017, with all of its members in attendance. All of these meetings were held without any members of the Company's Executive Management in attendance. The meetings to examine the financial statements were held no later than two days before the examination of the financial statements by the Board of Directors.

These meetings were also attended by the Statutory Auditors, Chief Financial Officer, Deputy Chief Financial Officer, Audit and Internal Control Director, Tax Director, Director of Legal Affairs and, depending on the issues discussed, the Financing and Treasury Director, Internal Audit Director, Risk Management Director, Operations Director, Ethics and Compliance Director, Insurance Director and relevant heads of departments or subsidiaries.

Besides reviewing the annual and interim parent company and consolidated financial statements, in conjunction with a detailed analysis of changes in the Group's activities and scope of consolidation, the Committee's work mainly focused on the following points: internal control and management of major risks at a certain Group subsidiaries, management of foreign exchange risk, internal control and management of major risks, the tax situation in the United States and issues concerning the valuation of brands and goodwill. Presentations on these points were made by the Group's Chief Financial Officer or by relevant heads of departments or subsidiaries.

As part of the review of the 2016 parent company and consolidated financial statements, the Statutory Auditors gave a presentation covering, in particular, internal control and the main audit issues identified, the scope of their work, and the different types of audits conducted at the subsidiaries. In addition, the Statutory Auditors submitted to the Performance Audit Committee, in advance of the audit reform that took effect from fiscal year 2017, their additional report on the scope of and timetable for the work to be performed by the Statutory Auditors, the materiality thresholds above which anomalies are reported, the approach by subsidiary to the audit of the consolidated financial statements, the principal risks and points requiring attention identified during the audit, and the accounting adjustments made by the Statutory Auditors.

It was given the Statutory Auditors' independence declaration as well as the amount of the fees paid to the Statutory Auditors' network by companies controlled by the Company or the entity that controls it, in respect of services not directly related to the Statutory Auditors' engagement, and was informed of the services provided in respect of work directly related to the Statutory Auditors' engagement.

1.7. Nominations and Compensation Committee

The main responsibilities of the Nominations and Compensation Committee are to issue:

- proposals on compensation, benefits in kind, bonus shares and share 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 apportionment 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.

The Committee consists of three members appointed by the Board of Directors: Charles de Croisset (Chairman), Marie-Josée Kravis and Yves-Thibault de Silguy.

All of the Committee's members are Independent Directors, a proportion exceeding that recommended by the AFEP/MEDEF Code, which states that a majority of members should be Independent Directors. The Committee met four times during fiscal year 2017, and Directors' attendance rate at these meetings averaged 92%. In particular, it (i) issued proposals on the fixed and variable components of compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director, on the performance criteria associated with their variable compensation and the respective weighting of each one, the granting of performance shares to those two individuals and the requirement to retain possession of a portion of any vested shares; (ii) reviewed the performance of the Chairman and Chief Executive Officer and the Group Managing Director with respect to each of their quantifiable and qualitative targets;

(iii) gave its opinion on compensation, performance shares and benefits in kind granted to certain Directors by the Company and its subsidiaries; (iv) reviewed the medium-term discretionary profit-sharing plan offered to certain executives of subsidiaries; and (v) examined the table setting out directors' fees paid to Directors and Advisory Board members in fiscal year 2016.

In addition, the Committee issued an opinion on the status of all members with regard, in particular, to the independence criteria set forth within the AFEP/MEDEF Code. It issued an opinion on the reappointment of Directors and Advisory Board members whose terms of office were due to expire at the close of the Shareholders' Meeting of April 13, 2017 and on candidacies for appointments to the Advisory Board. It examined measures adopted by the Company to ensure the safety of the Chairman and his family. Lastly, it was kept apprised of succession planning for senior executive officers.

Prior to the Board meeting of January 25, 2018, the Committee in particular reviewed the Company's executive compensation policy and decided that no changes were necessary. It also reviewed the fixed compensation paid to executive company officers and found that there were no grounds for any changes. It examined the criteria established for determining the amount of their variable compensation and made recommendations, notably on variable compensation to be paid in respect of 2017 (i) to the Chairman and Chief Executive Officer and the Group Managing Director, which it proposed to maintain at the same level as for 2016, and (ii) to Directors receiving compensation from the Company or its subsidiaries, as well as on fixed compensation in respect of 2018 and variable compensation in respect of 2017 to be received by those same Directors.

It also reviewed all the terms of office of Directors expiring in 2018 and issued a favorable opinion on the reappointment as Directors of Antoine Arnault, Nicolas Bazire, Charles de Croisset, Yves-Thibault de Silguy and Lord Powell of Bayswater.

1.8. Ethics and Sustainable Development Committee

At its meeting of April 14, 2016, the Board of Directors decided to establish an Ethics and Sustainable Development Committee, whose main duties are to:

- ensure compliance with the rules and values defined by the LVMH Code of Conduct as well as the other codes and charters resulting from this Code;
- contribute to the definition of rules of conduct or principles for action on which the Group's executives and employees must base their behavior in line with ethical standards as well as the Group's approach to corporate social responsibility;
- review the ethical, environmental, workforce-related and social responsibility issues faced by the Group;
- review the environmental, workforce-related and social information contained in the "*Management Report of the Board of Directors*" and submit its opinion on this information to the Board;
- monitor the functioning of whistle-blowing systems put in place within the Group.

It consists of four members appointed by the Board of Directors: Yves-Thibault de Silguy (Chairman), Hubert Védrine (appointed April 13, 2017), Delphine Arnault and Marie-Laure Sauty de Chalon.

Three of its members are Independent Directors.

The Committee met once during the year, with an attendance rate of 75%. During the meeting, the Director of Legal Affairs presented the draft revised version of the Group's Code of Conduct, outlining (i) the conduct rules that each employee must uphold within the LVMH group in terms of business ethics, corporate responsibility and environmental protection, and (ii) the individual and collective values guiding all LVMH's actions.

1.9. Vice-Chairman of the Board of Directors

The Vice-Chairman is responsible for chairing the meetings of the Board of Directors or the Shareholders' Meeting in the absence of the Chairman of the Board of Directors. Pierre Godé held this position until April 13, 2017.

1.10. Advisory Board

1.10.1. Membership and operating procedures

Advisory Board members are appointed by the Shareholders' Meeting on the proposal of the Board of Directors and are chosen from among the shareholders on the basis of their competences. Under the Bylaws, they are appointed for three-year terms.

They are invited to meetings of the Board of Directors and are consulted for decision-making purposes, but do not have a vote. They may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally, on any issues relating to the Company's organization and development. The Committee Chairmen may also solicit their opinion on matters falling within their respective areas of expertise. Their absence does not affect the validity of the Board of Directors' proceedings.

The Advisory Board currently has two members, whose extensive knowledge of the Group and the global luxury goods market represents a valuable asset for decision-making.

Members of the Advisory Board

Name	Nationality	Date of first appointment	Renewal of the term of office
Paolo BULGARI	Italian	03/31/2011	2020
Albert FRÈRE	Belgian	05/29/1997 [a]	2020

(a) Date of first appointment on the Board of Directors.

1.10.2. Advisory Board Members' terms of office

Paolo BULGARI

Date of birth: October 8, 1937.
Business address: Bvlgari – Lungotevere Marzio, 11 – 00187 Rome (Italy).
Number of LVMH shares held in a personal capacity: 500 shares.

The nephew of Sotirio Bulgari, founder of the House of Bvlgari, Paolo Bulgari began his career as a specialist in precious stones within the family business in 1960. He has been Chairman of Bvlgari since 1984. Recognized as one of the leading experts in precious stones, he embodies the spirit of the company and the inspiration of its creative team.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Advisory Board member
International	Bulgari SpA (Italy)	Chairman of the Board of Directors

Other

International	El Greco Srl (Italy)	Chairman of the Board of Directors and Director delegate
	El Greco Due Srl (Italy)	Chairman of the Board of Directors and Director delegate
	Podernuovo Srl (Italy)	Chairman of the Board of Directors
	Sarment Wine (Singapore)	Honorary Chairman

(1) Listed company.

Albert FRÈRE

Date of birth: February 4, 1926.
Business address: Frère-Bourgeois – 12, rue de la Blanche Borne – 6280 Loverval (Belgium).
Number of LVMH shares held in a personal capacity: 500 shares.

Having begun his career within the family metal products business, 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 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, until December 31, 2011. 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	Financière de la Sambre SA (Belgium)	Chairman of the Board of Directors
	Frère-Bourgeois SA (Belgium)	Chairman of the Board of Directors
	Stichting Administratie Kantoor Frère-Bourgeois (Netherlands)	Chairman of the Board of Directors

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE [1]	Advisory Board member
	Château Cheval Blanc SC	Director

Other

International	Banque Nationale de Belgique (Belgium) [1]	Honorary Chairman

1.11. Participation in Shareholders' Meetings

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular conditions for the allocation of dual voting rights to the holders of registered shares, are laid down in Article 23 of the Bylaws in the appendix to this report.

1.12. Summary of existing delegations and financial authorizations and use made of them

Share repurchase program (L.225-209 *et seq.* of the French Commercial Code) [a]

Work type	Authorization date	Expiry/ Duration	Amount authorized	Use as of December 31, 2017
Share repurchase program Maximum purchase price: 300 euros	SM April 13, 2017 (17th resolution)	October 12, 2018 (18 months)	10% of the share capital [b]	Movements during the fiscal year [c] Purchases: 692,292 shares Disposals: 430,115 shares 4,281,097 shares held at 12/31/2017
Reduction of capital through the retirement of shares purchased under the share repurchase program	SM April 13, 2017 (19th resolution)	October 12, 2018 (18 months)	10% of the share capital per 24-month period [b]	Shares retired during the fiscal year: 791,977 shares

(a) A resolution renewing these authorizations will be presented at the Shareholders' Meeting of April 12, 2018. See §4.1 of the *Board of Directors' report on the draft resolutions*.
(b) As a guide, this equates to 50,698,029 shares on the basis of the authorized share capital as of December 31, 2017.
(c) Movements between April 13, 2017 and December 31, 2017 mentioned in §6 of the *Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy - Louis Vuitton.

(1) Listed company.

Authorizations to increase the share capital (L.225-129, L.225-129-2 and L.228-92 of the French Commercial Code)

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2017
Through the capitalization of profit, reserves, additional paid-in capital or other items (L.225-129-2 and L.225-130)	SM April 13, 2017 (18th resolution)	June 12, 2019 (26 months)	50 million euros [(a)]	Not applicable	None
With preferential subscription rights: ordinary shares and securities giving access to the share capital	SM April 13, 2017 (20th resolution)	June 12, 2019 (26 months)	50 million euros [(a)(b)]	Free	None
Without preferential subscription rights: ordinary shares and securities giving access to the share capital					
- by means of public offering (L.225-135 *et seq.*)	SM April 13, 2017 (21st resolution)	June 12, 2019 (26 months)	50 million euros [(a)(b)]	At least equal to the minimum price required by regulations [(c)]	None
- by means of private placement (L.225-135 *et seq.*)	SM April 13, 2017 (22nd resolution)	June 12, 2019 (26 months)	50 million euros [(a)(b)] Issue of shares capped at 20% of the sharecapital per year, determined as of the issue date.	At least equal to the minimum price required by regulations [(c)]	None
Increase in the number of shares to be issued in the event that the issue is oversubscribed in connection with capital increases, with or without preferential subscription rights, carried out pursuant to the 20th, 21st and 22nd resolutions of the Shareholders' Meeting on April 13, 2017	SM April 13, 2017 (24th resolution)	June 12, 2019 (26 months)	Up to 15% of the initial issue [(a)]	Same price as the initial issue	None
In connection with a public exchange offer (L.225-148)	SM April 13, 2017 (25th resolution)	June 12, 2019 (26 months)	50 million euros [(a)]	Free	None
In connection with in-kind contributions (L.225-147)	SM April 13, 2017 (26th resolution)	June 12, 2019 (26 months)	10% of the share capital at the date of the issue [(a)(d)]	Free	None

(a) Maximum nominal amount (i.e. 166,666,666 shares based on a nominal value of 0.30 euros per share). This is an overall cap set by the Shareholders' Meeting of April 13, 2017 for any issues decided upon pursuant to the 18th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th or 28th resolutions.

(b) Up to the overall maximum of 50 million euros referred to in (a), this amount may be increased to a maximum of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of April 13, 2017, 24th resolution).

(c) Up to a maximum of 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is equal to at least 90% of the weighted average share price over the three trading days preceding the date on which it is determined (Shareholders' Meeting of April 13, 2017, 23rd resolution).

(d) As a guide, this equates to 50,698,029 shares on the basis of the authorized share capital as of December 31, 2017.

Employee share ownership

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2017
Share subscription or purchase options (L.225-177 *et seq.*)	SM April 13, 2017 (27th resolution)	June 12, 2019 (26 months)	1% of the share capital [b][c]	20 trading days preceding the grant date [e], with no discount	• granted: none • available to be granted: 5,069,802 shares
Bonus share awards (L.225-197-1 *et seq.*)	April 14, 2016 (19th resolution)	June 13, 2018 (26 months)	1% of the share capital [a][b][d]	Not applicable	• granted: 815,771 shares • available to be granted: 4,254,031 shares
Capital increase reserved for employees who are members of a company savings plan (L.225-129-6)	SM April 13, 2017 (28th resolution)	June 12, 2018 (26 months)	1% of the share capital [b][c]	Average share price over the 20 trading days preceding the grant date, subject to a maximum discount of 20%	None

(a) A resolution renewing this authorization will be presented at the Shareholders' Meeting of April 12, 2018. See §4.2 of the *Board of Directors' report on the draft resolutions*.
(b) Up to the overall maximum of 50 million euros set by the Shareholders' Meeting of April 13, 2017, against which this amount would be offset.
(c) As a guide, this equates to 5,069,802 shares on the basis of the authorized share capital as of April 13, 2017.
(d) As a guide, this equates to 5,069,802 shares on the basis of the authorized share capital as of April 14, 2016.
(e) For purchase options, the price may not be less than the average purchase price of the shares.

1.13. Information on the related-party agreements described in Article L.225-37-4 2° of the French Commercial Code

In accordance with the provisions of Article L.225-37-4 2° of the French Commercial Code, you are hereby informed that Groupe Arnault SEDCS acquired the entire share capital of a Royal Van Lent subsidiary, which owns and operates a vessel for business use, for 54 million euros in February 2017. Groupe Arnault SEDCS assumed all liabilities and commitments incurred and entered into by the company prior to the sale.

1.14. Information that could have a bearing on a takeover bid or exchange offer

Pursuant to the provisions of Article L.225-37-5 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 the Arnault Family Group, which controlled 46.84% of the share capital and 63.13% of the voting rights exercisable at Shareholders' Meetings as of December 31, 2017;
- share issues and repurchases under various resolutions:

- the shareholders have delegated to the Board of Directors the power to:
  - acquire Company shares within the limit of 10% of the share capital,
  - increase the share capital, with or without preferential subscription rights and via public offering or private placement, up to a total nominal amount not exceeding 50 million euros, i.e. 33% of the Company's current share capital,
  - increase the share capital in connection with a public exchange offer or in-kind contributions.

These delegations of authority are suspended during takeover bids or exchange offers:

- the shareholders have also delegated to the Board of Directors the power to:
  - allocate share subscription options or bonus shares to be issued within the limit of 1% of the share capital,
  - increase the share capital through an issue for employees within the limit of 1% of the share capital.

These delegations of authority are not suspended during takeover bids or exchange offers.

2. COMPENSATION OF SENIOR EXECUTIVE OFFICERS

The Board of Directors determines executive compensation policy after consulting the Nominations and Compensation Committee, whose responsibilities include (i) making proposals on fixed and variable compensation and benefits in kind payable to the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director, (ii) giving an opinion on the award of share options and bonus shares subject to performance conditions to the Chief Executive Officer and the Group Managing Director and the requirement to retain possession of a portion of any such shares, (iii) formulating a position on supplementary pension schemes put in place by the Company for its senior executives and (iv) making proposals on any retirement benefits that might be paid to a senior executive when he/she steps down.

Compensation and benefits awarded to senior executive officers mainly reflect the degree of responsibility attached to their roles, their individual performance and the Group's results, and the achievement of targets. They also take into account compensation paid by companies of a similar size, industry sector and international presence.

2.1. Compensation policy

2.1.1. Compensation and benefits in kind

Compensation payable to senior executive officers is determined with reference to the principles laid down in the AFEP/MEDEF Code.

This compensation is broken down as follows:

Fixed compensation

Compensation payable to the Chairman and Chief Executive Officer and the Group Managing Director includes a fixed component, which it has been decided to keep stable.

Variable compensation

Compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director also includes a variable annual component based on the achievement of quantifiable and qualitative targets. For the Chairman and Chief Executive Officer, these quantifiable and qualitative targets are equally weighted for the purposes of determining variable compensation; for the Group Managing Director, they are weighted two-thirds and one-third, respectively. The quantifiable criteria are financial in nature and relate to growth in the Group's revenue, operating profit and cash flow relative to budget, with each of these three components accounting for one-third of the total determination. The qualitative criteria have been laid down precisely, but are not made public for confidentiality reasons. The method used for assessing performance has been reviewed by the Nominations and Compensation Committee. Given the choice made to keep fixed compensation amounts steady, the variable portion is capped at 250% of the fixed portion for the Chairman and Chief Executive Officer and at 150% of the fixed portion for the Group Managing Director.

Payment to the Chairman and Chief Executive Officer and Group Managing Director of the annual variable component of their compensation is now subject to prior approval of the amount at an Ordinary Shareholders' Meeting.

Award of share options and bonus shares

The Company has not put in place any share subscription option or purchase plans since 2010.

The Chairman and Chief Executive Officer and the Group Managing Director are eligible for bonus share plans put in place by the Company for the Group's employees and executives. Any bonus shares awarded to them must be subject to performance conditions laid down by the Board of Directors at the proposal of the Nominations and Compensation Committee. The Board of Directors has adopted the recommendation put forward by the Nominations and Compensation Committee and capped the financial value of shares awarded to the Chairman and Chief Executive Officer and the Group Managing Director at 60% and 40% of their total annual compensation respectively.

Concerning the option plans put in place between 2007 and 2009 and all bonus performance share plans put in place since 2010, the Chairman and Chief Executive Officer and the Group Managing Director must, if they exercise their options or if their shares vest, retain possession, in registered form and until the conclusion of their respective terms of office, of a specified number of shares, under the terms laid down in those plans (see §4.4 and §4.5 of the *Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy - Louis Vuitton).

In the resolutions put to the vote at the Shareholders' Meeting, the Board of Directors decided not to include a specific cap on the allocation of options or bonus performance shares to senior executive officers, considering that the Nominations and Compensation Committee – which consists entirely of Independent Directors and is tasked with making proposals on the granting of options or bonus performance shares to senior executives – ensures an adequate degree of control over allocation policy. Bonus performance shares allocated to senior executive officers in 2017 under the October 25, 2017 plan represent 7.8% of total allocations.

Furthermore, the Charter of the Board of Directors forbids senior executive officers from using hedging transactions on their share purchase or subscription options or their performance shares until the end of the holding period set by the Board.

Directors' fees

The Shareholders' Meeting shall set the total amount of directors' fees to be paid to the members of the Board of Directors. This total, annual amount has been set at 1,260,000 euros since the Shareholders' Meeting of April 5, 2012. It is divided among the Directors and the members of the Advisory Board, in accordance with the rule defined by the Board of Directors, based on the proposal submitted by the 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 Chairman or Vice-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.

A portion of the directors' fees to be paid to its members is 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 Committee meetings the Director in question does not attend.

In respect of fiscal year 2017, LVMH paid a total gross amount of 1,013,750 euros in directors' fees to the members of its Board of Directors.

The Nominations and Compensation Committee is kept informed of the amount of directors' fees paid to senior executive officers by the Group's subsidiaries in which they perform the role of company officers.

Exceptional compensation

Exceptional compensation may be awarded by the Board of Directors to certain Directors, with respect to any specific mission with which they have been entrusted. The amount shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

In 2017, the Board of Directors awarded each of the members of its *ad hoc* Committee exceptional compensation in a gross amount of 15,000 euros in connection with the acquisition of the Christian Dior Couture business segment.

Benefits in kind

Like the other members of the Group's Executive Committee, the Chairman and Chief Executive Officer and the Group Managing Director each have a company car. The value of this benefit is measured in accordance with the applicable tax provisions.

2.1.2. Other undertakings and regulated agreements

Severance benefits

Pursuant to the provisions of Article L.225-42-1 of the French Commercial Code, at its meeting on February 4, 2010, the Board of Directors approved the non-compete clause included in Antonio Belloni's employment contract – suspended during the duration of his mandate as Group Managing Director; this commitment not to compete for a twelve-month period provides for the payment of a monthly compensation equal to his monthly remuneration on the termination date of his functions, which would be supplemented by one-twelfth of the last bonus received. Article 21 of the AFEP/MEDEF Code, recommending that an employee's employment contract be terminated when that employee is appointed a senior executive officer, does not apply to the Group Managing Director, a role in which Antonio Belloni has served since September 26, 2001.

Notwithstanding this clause, neither the Chairman and Chief Executive Officer nor the Group Managing Director benefit from provisions granting them specific compensation upon leaving the Company or exemption from rules governing the exercise of options or the vesting of bonus performance shares.

Supplementary pensions

The members of the Group's Executive Committee who are employees or senior executive officers of French subsidiaries, and who have been members of the Committee for at least six years, are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group. This is not required however, if they leave the Group at the latter's request after the age of 55 and resume no other professional activity until their external pension plans are liquidated.

This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,372,980 euros as of December 31, 2017). The annual supplementary retirement benefit is equal to the difference between 60% of the reference remuneration amount (capped where appropriate) and all pension payments made in France (under the general social security plan and the ARRCO and AGIRC supplementary plans) and abroad. As of December 31, 2017, the total amount of pensions and the supplementary pension may not exceed 823,788 euros per year.

As a result of the aforementioned system, on the basis of compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director in 2017, the supplementary pension payable to them would not exceed 45% of the amount of their last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed.

Given the characteristics of the plan put in place by the Company and their personal circumstances, the supplementary pensions for which Bernard Arnault and Antonio Belloni may qualify no longer give rise to the annual vesting of additional benefits or, consequently, to a correlative increase in the Company's financial commitment.

Recipients' potential benefits are funded by contributions paid to an insurer, which are deductible from the corporate tax base and subject to the contribution tax provided for under Article L.137-11, I, 2°, a) of the French Social Security Code, the rate of which is set at 24%.

Increases in provisions for these supplementary retirement benefits in 2017 are included in the amount shown for post-employment benefits under Note 32.4 to the consolidated financial statements.

2.2. Compensation paid or awarded in respect of fiscal year 2017

2.2.1. Summary of compensation, options and performance shares granted to senior executive officers [(a)]

Bernard Arnault – Chairman and Chief Executive Officer

(EUR)	2017	2016
Fixed and variable compensation due in respect of the fiscal year	3,339,947	3,351,629
Valuation of options granted during the fiscal year	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year [(b)]	4,482,312	4,482,204

Antonio Belloni – Group Managing Director

(EUR)	2017	2016
Fixed and variable compensation due in respect of the fiscal year	5,556,802	5,556,802
Valuation of options granted during the fiscal year	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year [(b)]	2,021,297	2,021,108

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, in addition to compensation and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L.225-37-3 of the French Commercial Code, excluding directors' fees.

(b) A breakdown of equity securities or securities giving access to equity allocated to senior executive officers during the fiscal year is set out in §2.2.5 below and the performance conditions that must be met for shares to vest are set out in §4.5 in the *Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy - Louis Vuitton.

2.2.2. Summary of compensation paid to each senior executive officer [a]

Bernard Arnault – Chairman and Chief Executive Officer

Compensation *(EUR)*	Amounts due for the fiscal year		Amounts paid during the fiscal year	
	2017	2016	2017	2016
Fixed compensation	1,139,947	1,151,629	1,139,947	1,151,629
Variable compensation	2,200,000	2,200,000	2,200,000 [b]	2,200,000 [b]
Exceptional compensation	-	-	-	-
Directors' fees [c]	116,413	115,345	102,659	115,345
Benefits in kind [d]	37,807	39,317	37,807	39,317
Total	**3,494,167**	**3,506,291**	**3,480,413**	**3,506,291**

Antonio Belloni – Group Managing Director

Compensation *(EUR)*	Amounts due for the fiscal year		Amounts paid during the fiscal year	
	2017	2016	2017	2016
Fixed compensation	3,241,552	3,241,552	3,241,552	3,241,552
Variable compensation	2,315,250	2,315,250	2,315,250 [b]	2,315,250 [b]
Exceptional compensation	-	-	-	-
Directors' fees [c]	87,245	87,245	87,245	87,245
Benefits in kind [d]	10,188	12,617	10,188	12,617
Total	**5,654,235**	**5,656,664**	**5,654,235**	**5,656,664**

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, in addition to compensation and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L.225-37-3 of the French Commercial Code.
(b) Amounts paid in respect of the prior fiscal year.
(c) The rules for attributing directors' fees at the Company are presented in §2.1.1 above.
(d) Benefit in kind: company car.

The Group's fixed compensation policy aims to maintain a certain stability in the level of this portion of compensation. The variable portion of the compensation paid to senior executive officers is based on the attainment of both quantifiable and qualitative targets. Quantifiable and qualitative objectives carry an equal weighting for the purpose of determining the bonus of the Chairman and Chief Executive Officer; for the Group Managing Director, they are weighted two-thirds and one-third, respectively. The quantifiable criteria are financial in nature and relate to growth in revenue, operating profit and cash flow as compared to the budget, with each of these items representing one-third of the total determination. The qualitative criteria are precisely established but are not made public for reasons of confidentiality. The method used for assessing performance has been reviewed by the Nominations and Compensation Committee. Given the choice made to keep fixed compensation amounts steady, the variable portion is capped at 250% of the fixed portion for the Chairman and Chief Executive Officer and at 150% of the fixed portion for the Group Managing Director.

2.2.3. Summary of directors' fees, compensation, benefits in kind and commitments given to other company officers [(a)]

Members of the Board of Directors *(EUR unless otherwise stated)*	Directors' fees paid in		Fixed compensation paid during the fiscal year		Variable compensation paid during the fiscal year		Exceptional compensation paid during the fiscal year	
	2017	2016	2017	2016	2017	2016	2017	2016
Antoine Arnault [(b) (c)]	77,500	71,875	750,000	912,200	300,000	150,000	-	-
Delphine Arnault [(b) (c)]	61,987	66,472	869,522	848,786	1,780,000 [(d)]	1,596,000 [(d)]	-	-
Nicolas Bazire [(b) (c) (e)]	55,000	55,000	1,235,000	1,235,000	2,700,000	2,700,000	-	-
Bernadette Chirac	15,000	37,500	-	-	-	-	-	-
Charles de Croisset	112,500	106,875	-	-	-	-	15,000 [(f)]	-
Diego Della Valle	35,000	37,500	-	-	-	-	-	-
Clara Gaymard	45,000	33,750	-	-	-	-	-	-
Marie-Josée Kravis	56,875	61,875	-	-	-	-	-	-
Lord Powell of Bayswater	40,000	37,500	205,000 [(g)]	205,000 [(g)]	-	-	-	-
Marie-Laure Sauty de Chalon	67,500	67,500	-	-	-	-	-	-
Yves-Thibault de Silguy	157,500	157,500	-	-	-	-	15,000 [(f)]	-
Natacha Valla	45,000	33,750	-	-	-	-	15,000 [(f)]	-
Hubert Védrine	56,875	37,500	-	-	-	-	-	-

(a) Directors' fees and gross compensationand/or fees and benefits in kind paid or borne by the Company and companies controlled, in addition to compensation and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, in accordance with Article L.225-37-3 of the French Commercial Code.
(b) The breakdown of equity securities or securities conferring entitlement to capital granted to senior executive officers during the fiscal year is presented in §2.2.5 below.
(c) Benefits in kind: company car.
(d) Of which 1,066,000 euros in 2016 and 1,200,000 euros in 2017 under a medium-term incentive plan.
(f) Other benefit: supplementary pension.
(f) As a member of the ad hoc Committee. See §1.3.4. above
(g) In pounds sterling.

In addition, gross attendance fees paid by the Company to Advisory Board members in 2017 were as follows:

(EUR)	
Paolo Bulgari	20,000
Albert Frère [(a)]	15,000
Pierre Godé [(b)]	35,000
Patrick Houël [(c)]	15,000
Felix G. Rohatyn [(c)]	5,000

(a) Of which 5,000 euros in respect of his Directorship.
(b) Of which 20,000 euros in respect of his Directorship and his role as Vice-Chairman of the Board of Directors, which expired on April 13, 2017.
(c) Term of office expired on April 13, 2017.

2.2.4. Options granted to and exercised by company officers during the fiscal year

Options granted to senior executive of the Company

See also §4.4 in the "Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the *Management Report of the Board of Directors* for the allocation and holding arrangements.

No new option plans were put in place in 2017.

Options exercised by executive officers of the Company[a]

Recipients	Company granting the options	Date of the plan	Number of options	Exercise price *(EUR)*
Bernard Arnault	LVMH	05/10/2007	474,893	77.526
	Christian Dior	01/31/2007	217,633	78.11

(a) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

Options exercised by other executive officers of the Company[a]

Recipients	Company granting the options	Date of the plan	Number of options	Exercise price *(EUR)*
Delphine Arnault	Christian Dior	05/15/2008	7,463	67.31
	"	05/14/2009	3,501	47.88
Nicolas Bazire	LVMH	05/14/2009	18,480	50.861

(a) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

2.2.5. Performance shares allocated to company officers during the fiscal year

See also §4.5 in the "Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the *Management Report of the Board of Directors* for the allocation and holding arrangements.

Shares allocated on a provisional basis during the fiscal year to company officers of the Company

Recipients	Company granting the shares	Date of Shareholders' Meeting	Date of the plan	Number of performance shares	% of the share capital	Valuation of shares *(EUR)*
Bernard Arnault	LVMH	04/14/2016	10/25/2017	19,745	0.0039	4,482,312
Antonio Belloni	LVMH	04/14/2016	10/25/2017	8,904	0.0017	2,021,297

Shares allocated on a provisional basis during the fiscal year to other company officers of the Company

Recipients	Company granting the shares	Date of the plan	Number of performance shares
Antoine Arnault	LVMH	10/25/2017	1,323
Delphine Arnault	LVMH	10/25/2017	4,673
Nicolas Bazire	LVMH	10/25/2017	8,904

Shares vested during the fiscal year to company officers of the Company[a]

Recipients	Company granting the shares	Date of the plan	Number of performance shares
Bernard Arnault	LVMH	10/23/2014	5,117
	Christian Dior	10/16/2014	22,271
Antonio Belloni	LVMH	10/23/2014	4,929

(a) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

Shares vested during the fiscal year to other company officers of the Company[a]

Recipients	Company granting the shares	Date of the plan	Number of performance shares
Antoine Arnault	LVMH	10/23/2014	733
Delphine Arnault	LVMH	10/23/2014	733
	Christian Dior	10/16/2014	7,104
Nicolas Bazire	LVMH	10/23/2014	4,929

(a) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

2.2.6. Prior allocations of options

2.2.6.1. Share purchase option plans

No share purchase option plans were in effect in 2017.

2.2.6.2. Share subscription option plans

The terms and conditions of exercising options and, for the plan set up in 2009, the performance conditions related to exercising options are presented in §4.4 of the *Management Report of the Board of Directors*. For plans set up between 2007 and 2009, if the Chairman and Chief Executive Officer and the Group Managing Director decide to exercise their options, they must retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares representing a sliding percentage of between 50% and 30% (based on the remaining term of the plan) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date.

Date of Shareholders' Meeting	**05/11/2006**	**05/11/2006**	**05/11/2006**	
Date of Board of Directors' meeting	**05/10/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options granted at plan inception[e]	**1,679,988**	**1,698,320**	**1,301,770**	**4,680,078**
of which Company officers[a]	*805,875*	*766,000*	*541,000*	***2,112,875***
Bernard Arnault[b]	427,500	400,000	200,000	**1,027,500**
Antoine Arnault[b]	9,500	9,500	9,500	**28,500**
Delphine Arnault[b]	9,500	9,500	9,500	**28,500**
Nicolas Bazire[b]	142,500	142,500	100,000	**385,000**
Antonio Belloni[b]	142,500	142,500	100,000	**385,000**
of which Top ten employee recipients[c]	*311,544*	*346,138*	*327,013*	***984,695***
Number of recipients	524	545	653	
Earliest option exercise date	05/10/2011	05/15/2012	05/14/2013	
Expiry date	05/09/2017	05/14/2018	05/13/2019	
Subscription price *(EUR)*[d]	77.526	65.265	50.861	

(a) Options granted to active company officers as of the plan's commencement date.
(b) Company officers serving as of December 31, 2017.
(c) Options granted to active employees other than company officers as of the plan's commencement date.
(d) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.
(e) Before adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

2.2.7. Prior allocations of performance shares

The terms and conditions of allocation and performance conditions related to the vesting of shares are presented in §4.5 of the *Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy - Louis Vuitton.

For plans set up since 2010, if their shares vest, the Chairman and Chief Executive Officer and the Group Managing Director must retain possession, in registered form until the conclusion of their respective terms in office, of a number of shares corresponding to one-half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the opening share price on the vesting date for plans set up before 2013, and on the basis of the closing share price on the day before the vesting date for plans set up since 2013.

Date of Shareholders' Meeting	04/18/2013	04/18/2013	04/16/2015	04/16/2015	04/14/2016	04/14/2016	
Date of Board of Directors' meeting	**07/25/2013**	**10/23/2014**	**04/16/2015**	**10/22/2015**	**10/20/2016** [a]	**10/25/2017** [a]	
	Performance shares	**Performance shares**	**Performance shares**	**Performance shares**	**Performance shares**	**Performance shares**	**Total**
Total number of bonus performance shares provisionally allocated at plan inception [g]	**397,406**	**307,548**	**73,262**	**315,532**	**310,509**	**346,490**	**1,750,747**
of which Company officers [b]	*78,572*	*19,235*	*41,808*	*46,990*	*43,462*	*43,549*	***273,616***
Bernard Arnault [c]	17,968	4,606	10,012	14,626	13,528	19,745	**80,485**
Antoine Arnault [c]	1,644	659	1,432	2,093	1,936	1,323	**9,087**
Delphine Arnault [c]	1,644	659	1,432	2,093	1,936	4,673	**12,437**
Nicolas Bazire [c]	17,308	4,437	9,644	14,089	13,031	8,904	**67,413**
Antonio Belloni [c]	17,308	4,437	9,644	14,089	13,031	8,904	**67,413**
of which Top ten employee recipients [d]	*69,606*	*36,280*	*31,454*	*61,858*	*57,734*	*120,378*	***377,310***
Number of recipients	748	772	14	740	740	851	
Vesting date	07/25/2016 [e]	10/23/2017 [e]	04/16/2018 [e]	10/22/2018 [e]	10/20/2019	10/25/2020 [f]	
Date as of which the shares may be sold	07/25/2018 [e]	10/23/2019 [e]	04/16/2020 [e]	10/22/2020 [e]	10/20/2019	10/25/2020 [f]	
Performance condition	**Satisfied**	**Satisfied**	**Satisfied**	**Satisfied**	**Satisfied in 2017**	**Not applicable in 2017**	

(a) The total number of bonus shares and performance shares in the plans launched on October 20, 2016 and October 25, 2017, stands at 360,519 shares and 364,992 shares respectively (see §4.5.1 in the "Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the *Management Report of the Board of Directors*). No bonus shares were awarded to company officers.
(b) Total number of performance shares allocated to company officers serving as of the provisional allocation date.
(c) Company officers serving as of December 31, 2017.
(d) Performance shares allocated to employees – other than LVMH company officers – serving as of the provisional allocation date.
(e) Shares vest and become available on July 25, 2017; October 23, 2018; April 16, 2019 and October 22, 2019 for recipients who are not French residents for tax purposes.
(f) Shares vest and become available on June 30, 2024 or, where applicable, June 30, 2023 for shares subject to a condition specifically related to the performance of a subsidiary.
(g) For pre-2015 plans, before adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

2.2.8. Senior executives' employment contracts, specific pensions, severance benefits and non-compete clauses

Senior executive officers	Work contract		Supplementary pension		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 Chairman and Chief Executive Officer		X	X			X		X
Antonio Belloni Group Managing Director	X[a]		X			X	X[a]	

(a) Employment contract suspended for the duration of the term of Group Managing Director. Covenant not to compete for a twelve-month period included in the employment contract providing for the monthly payment during its application of a compensation equal to the monthly compensation on the termination date of his functions, supplemented by one-twelfth of the last bonus received.

The Company has set up a defined-benefit pension plan, in accordance with the provisions of Article L.137-11 of the French Social Security Code, for senior executives.

The supplementary pension only vests if the recipient has served for at least six years on the Group's Executive Committee and claims all of his or her retirement benefits, acquired under the basic and mandatory supplementary plans, simultaneously with the end of his or her service at the Group. However, this last condition is not required if the recipient leaves at the Group's request after the age of 55, provided that the recipient does not engage in any other professional activity between his or her departure from the Group and the pension claim. Furthermore, in the event of the death of the potential recipient before his or her benefits are claimed, the derived rights are maintained with the surviving spouse as the beneficiary.

This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,372,980 euros as of December 31, 2017). The annual supplementary retirement benefit is equal to the difference between 60% of the reference remuneration amount (capped where appropriate) and all pension payments made in France (under the general social security plan and the ARRCO and AGIRC supplementary plans) and abroad. As of December 31, 2017, the total amount of pensions and the supplementary pension may not exceed 823,788 euros per year.

As a result of the aforementioned system, on the basis of compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director in 2017, the supplementary pension payable to them would not exceed 45% of the amount of their last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed.

Given the characteristics of the plan put in place by the Company and their personal circumstances, the supplementary pensions for which Bernard Arnault and Antonio Belloni may qualify no longer give rise to the annual vesting of additional benefits or, consequently, to a correlative increase in the Company's financial commitment.

Recipients' potential benefits are funded by contributions paid to an insurer, which are deductible from the corporate tax base and subject to the contribution tax provided for under Article L.137-11, I, 2°, a) of the French Social Security Code, the rate of which is set at 24%.

Increases in provisions for these supplementary retirement benefits in 2017 are included in the amount shown for post-employment benefits under Note 32.4 to the consolidated financial statements.

2.3. Presentation of the draft resolutions concerning the compensation of senior executive officers

Information concerning compensation paid in 2017 or awarded in respect of fiscal year 2017 to the senior executive officers is disclosed in §3.1 of the Board of Directors' report on the draft resolutions.

In connection with the compensation policy to be submitted for approval at the Shareholders' Meeting of April 12, 2018, all the relevant disclosures are contained in §3.2 of the *Board of Directors' report on the draft resolutions*.

3. SUMMARY OF TRANSACTIONS IN LVMH SECURITIES DURING THE FISCAL YEAR BY SENIOR EXECUTIVES AND CLOSELY RELATED PERSONS [a]

Directors concerned	Type of transaction	Number of shares/securities	Average price *(EUR)*
Bernard Arnault	Share purchases [b]	474,893	77.5260
	Donation	945,100	246.4500
Company(ies) related to Bernard Arnault	Pledge [c]	1,021,810	185.5000
	Monetization [d]	673,854	185.5000
Antoine Arnault	Pledge	4,202	-
	Donation received	189,020	246.4500
Delphine Arnault	Donation received	189,020	246.4500
Nicolas Bazire	Share purchases [b]	18,480	50.8610
	Share sale	18,000	204.4099

(a) Related persons defined in Article R.621-43-1 of the French Monetary and Financial Code.
(b) Exercise of share subscription options.
(c) Confirmation and amendment of the pledge of a securities account.
(d) Funding through monetization.

ANNEXES

Charter of the Board of Directors

The Board of Directors is the strategic body of LVMH Moët Hennessy - Louis Vuitton SE. 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.

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 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 listed companies, in which the Chairman of the Board of Directors or any Director serving as Chief Executive Officer or Group Managing Director holds an office, shall be limited to four.

The Chairman of the Board of Directors or any Director performing the duties of Chief Executive Officer or Group Managing Director must seek the opinion of the Board before accepting a new appointment as company officer at a listed company.

2. Duties of the Board of Directors

As well as determining the Company's management structure and appointing the Chairman of the Board of Directors, Chief Executive Officer and Group Managing Director(s), the principal duties of the Board of Directors are to:

- ensure that the Company's interests and assets are protected;
- define the Company's and the Group's broad strategic direction and ensure that it is put into practice;
- approve any significant transactions that fall outside the scope of the strategic direction defined by the Board of Directors;
- keep abreast of the Company's financial position, cash position and commitments;
- approve the Company's annual and interim financial statements;
- review the essential characteristics of internal control and risk management systems adopted and put in place by the Company;
- ensure that the key risks to which the Company is exposed are in keeping with its strategies and objectives, and are taken into account in the management of the Company;
- verify the quality, reliability and fairness of information provided to shareholders concerning the Company and the Group and, in particular, ensure that the management structure and internal control and risk management systems in place are adequate to guarantee the quality and reliability of financial information published by the Company and to provide a true and fair view of the performance and financial position of the Company and the Group;
- set out the organizational principles and procedures of the Performance Audit Committee;
- disseminate the shared values that guide the Company and its employees and govern relationships with consumers as well as with partners and suppliers of the Company and the Group;
- promote a policy of economic development consistent with a social and citizenship policy based, in particular, on respect for human beings and protection of the environment in which the Group operates.

3. Operating procedures 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.

The Board may use videoconferencing or other means of telecommunication to organize meetings with Directors participating remotely. No such means shall be used, however, when the Board is meeting to draft and approve the parent company financial statements and Management Report, or when it is meeting to draft the consolidated financial statements and the report on Group management.

In order to ensure the identification and effective participation of the Directors concerned in a Board meeting, these means of telecommunication shall, at a minimum, transmit participants' voices as well as satisfy technical criteria for a continuous, real-time connection with the meeting. All remote participants in the meeting shall provide their identity. The attendance of any non-Board members shall be reported to, and subject to approval by, all Directors participating in the meeting.

Directors participating remotely by videoconferencing or conference call shall be deemed present for the purposes of calculating the quorum and majority.

The minutes of the meeting shall include the identities of the Directors who participated in the meeting remotely, the means of communication used and any connection problems that may occur during the meeting or disrupt it. On the recommendation of the Board's Nominations and Compensation Committee, repeated unjustified absences by a Director may lead the Board of Directors to reconsider his/her appointment.

So that members of the Board of Directors can fully serve the function entrusted to them, the Chief Executive Officer provides members with any and all information necessary for the performance of their duties.

Decisions by the Board of Directors shall be made by simple majority vote and are adopted as a board.

If they deem appropriate, Independent Directors may meet without requiring the presence of the other members of the Board of Directors.

For specific or important matters, the Board of Directors may establish one or more ad hoc committees.

Each member of the Board of Directors shall act in the interests and on behalf of all shareholders.

Once a 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.

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 privileged 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 transactions involving the Company's shares or related financial instruments, and from any exercise of options for the duration of periods:

- beginning, as the case may be, on the 30th calendar day preceding the date of publication of the Company's annual or interim consolidated financial statements or the 15th calendar day preceding the date of publication of the Company's quarterly consolidated revenue release; and
- ending (i) the day after the aforementioned publication at 2:00 p.m., if the publication in question occurs in the afternoon, or (ii) the day after the aforementioned publication at 9:00 a.m., if it occurs in the morning.

However, this restriction does not apply to the exercise of share purchase or share subscription options, provided that no shares are resold before the end of the blackout period in question.

Senior executive officers shall refrain from engaging in any hedging transactions, either on their share subscription or purchase options, or on their shares acquired from the exercise of options, or their performance shares; this restriction shall apply until the end of their respective holding periods as established by the Board of Directors.

The Directors agree to:

- notify the Chairman of the Board of Directors of any actual or potential conflict of interest between their duties and responsibilities to the Company and their personal interests and/or other duties;
- abstain from voting on any matter that directly or indirectly pertains to them;
- inform the Chairman of the Board of Directors of any transaction or agreement entered into with any LVMH group company to which they are a party;
- notify the Chairman of the Board of Directors of any formal investigation, conviction for fraud, official public indictment and/or sanction, or court-ordered disqualification from serving as a member of an administrative, management or supervisory body, as well as of any bankruptcy, receivership or liquidation proceedings in which they have been involved.

The Chairman of the Board of Directors shall submit any information of this type to the Performance Audit Committee.

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 Advisory Board members, 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).

The settlement of 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 certain Directors for any special assignments they take on. The amount shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

6. Scope

This Charter shall apply to all members of the Board of Directors and all Advisory Board members. It must be given to each candidate for the position of Director, and to each permanent representative of a legal entity prior to the start of his/her term of office.

Internal rules of the Performance Audit Committee

A specialized committee responsible for auditing performance operates within the Board of Directors, acting under the responsibility of the Board of Directors.

1. Structure of the Committee

The Performance Audit Committee shall consist of at least three Directors appointed by the Board of Directors. At least two-thirds of the members shall be Independent Directors. The majority of the Committee's members must have served as Managing Directors or equivalent or have specific expertise in finance, accounting or statutory audit.

At the proposal of the Nominations and Compensation Committee, the Board of Directors shall appoint a Chairman of the Committee from among its members. The maximum term served by the Chairman of the Committee shall be three years, renewable for the same period.

Neither the Chairman of the Board of Directors nor any Director performing the duties of Chief Executive Officer or Group 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/she comes from a company for which an LVMH Director serves as a member of a committee comparable in function.

2. Role of the Committee

The principal missions of the Committee are to:

- monitor the process of preparing financial information, and in particular the individual and consolidated financial statements and, where applicable, make recommendations to ensure their integrity;
- monitor the work of the Statutory Auditors, taking into account, where applicable, the observations and findings of the *Haut Conseil du Commissariat aux Comptes* (the supervisory body for the French audit industry) on checks carried out by it pursuant to Articles L.821-9 *et seq.* of the French Commercial Code;
- ensure the existence, pertinence, application and effectiveness of internal control, risk management and internal audit procedures, monitor the ongoing effectiveness of those procedures, and make recommendations to senior management on the priorities and general direction of the work of the Internal Audit function;
- examine risks to the Statutory Auditors' independence and, where applicable, safeguards put in place to minimize the potential of risks to compromise their independence, issue an opinion on fees paid to the Statutory Auditors, as well as those paid to the network to which they belong, by the Company and companies it controls or by which it is controlled, in relation to either their statutory audit duties or ancillary services, oversee the procedure for selecting the Company's Statutory Auditors, and make recommendations on appointments to be proposed at Shareholders' Meetings pursuant to the outcome of such consultation;
- analyze the Company's and the Group's exposure to risks, and in particular to those risks identified by internal control and risk management systems, as well as material off balance sheet commitments of the Company and the Group;
- approve services, other than certifying the financial statements, provided by the Statutory Auditors or members of the network to which they belong to the Company, or to persons or entities that control or are controlled by the Company within the meaning of the first and second paragraphs of Article L.233-3 of the French Commercial Code, after analyzing risks to the Statutory Auditors' independence and safeguarding measures adopted by them;
- review key agreements entered into by Group companies and agreements entered into by any Group company with a third-party company 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 conflicts of interest that may affect a Director and recommend appropriate measures to prevent or correct them.

3. Operating procedures of the Committee

A Director's agreement to serve on the Committee implies that he/she will devote the necessary time and energy to his/her duties on the Committee.

The Committee shall meet at least twice a year, without the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s), 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.

Before each meeting, all pertinent documents and analyses relating to the different items on the agenda for the meeting are sent to each member of the Committee.

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.

A summary report shall be drawn up after each Committee meeting.

4. Prerogatives of the Committee

The Committee shall report on its work to the Board of Directors. It shall also report on the outcome of the process of certifying the financial statements, how that process contributed to the integrity of financial information, and the role the Committee played in the process. 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.

The Committee may call upon the Company's staff members responsible for preparing the financial statements, carrying out internal control procedures, conducting internal audits, applying risk management or cash management procedures, or investigating tax, legal, ethics or compliance matters, as well as the Statutory Auditors, to appear before it on any number of occasions to address issues in detail, without requiring the presence of the Chairman of the Board, the Chief Executive Officer, or Group Managing Director(s) of LVMH. These meetings may also take place in the absence of those responsible for the accounting and financial functions.

After having duly notified the Chairman of the Board of Directors, the Committee may seek assistance from external experts if circumstances require.

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.

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 authority of the Board of Directors.

1. Structure of the Committee

The Nominations and Compensation Committee shall be made up of at least three Directors and/or Advisory Board members. 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 Group 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/she comes from a company for which an LVMH Director serves as a member of a committee comparable in function.

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. In addition, it shall make proposals on the appointment or re-appointment of the Chairman of the Performance Audit Committee.

The Committee's opinion may also be sought by the Chairman of the Board of Directors, or by any Director serving as Chief Executive Officer or Managing Director, on potential appointments to the Group's Executive Committee and candidates for senior management positions at the Group's main 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 and prepares a summary table of directors' fees effectively paid to each Director.

It makes proposals to the Board on the fixed and variable portions of compensation and the benefits in kind to be received (i) by the Chairman of the Company's Board of Directors, its Chief Executive Officer and its Group Managing Director(s) and (ii) by Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract; it also issues an opinion on any consultancy agreements entered into, either directly or indirectly, with these same individuals. The Committee issues recommendations regarding the qualitative and quantifiable criteria on the basis of which the variable portion of compensation for senior executive officers is to be determined as well as the performance conditions applicable to the exercise of options and the vesting of bonus shares.

The Committee expresses its opinion on the general policy for the allocation of options and bonus shares within the Group, also making proposals on the granting of options and bonus shares to senior executive officers and to Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract.

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 them upon leaving the Company.

The Committee issues an opinion relating to the fixed and variable portions of compensation, whether immediate or deferred, and benefits in kind to be received by members of the Group's Executive Committee and by other senior executive officers of the Group's main subsidiaries, and on the allocation of options and bonus shares to these same individuals. To this end, the Committee may request copies of any agreements concluded with these individuals and of any accounting information relating to payments made.

The Committee is also entitled to receive information on procedures relating to the payment of external contractors' fees and the reimbursement of their expenses, issuing any recommendations deemed necessary on this subject.

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 during the 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 who received and exercised the most options.

3. Operating procedures of the Committee

A Director's agreement to serve on the Committee implies that he/she will devote the necessary time and energy to his/her duties on the Committee.

The Committee shall meet whenever necessary, at the initiative of either its Chairman, the Chairman of the Board of Directors, the Director serving as Chief Executive Officer, or two Committee members.

The Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director shall not participate in the Committee's work relating to their compensation.

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.

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. 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.

Rules of procedure of the Ethics and Sustainable Development Committee

The Board of Directors has established a specialized committee with responsibility for ethics and sustainable development, acting under the responsibility of the Board.

1. Structure of the Committee

The Ethics and Sustainable Development Committee shall consist of at least three Directors and/or Advisory Board members. 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 performing the duties of Chief Executive Officer or Group 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/she is a member of the Board of Directors of a company within which an LVMH Director serves on an equivalent committee.

2. Role of the Committee

The Ethics and Sustainable Development Committee shall ensure compliance with (i) the individual and shared values on which the LVMH group bases its actions and (ii) the rules of conduct that must be observed by all employees.

The duties of the Committee are to:

- ensure compliance with the rules and values laid down in the LVMH Code of Conduct as well as other codes and charters resulting from that code (including but not limited to LVMH's Supplier Code of Conduct and Environmental Charter);
- contribute to the definition of rules of conduct or principles for action on which the Group's executives and employees must base their behavior in line with ethical standards as well as the Group's approach to corporate social responsibility;
- review the ethical, environmental, workforce-related and social responsibility issues faced by the Group;

- review the environmental, workforce-related and social information contained in the "*Management Report of the Board of Directors*" and submit its opinion on this information to the Board;
- monitor the functioning of whistle-blowing systems put in place within the Group.

3. Operating procedures of the Committee

A Director's agreement to serve on the Committee implies that he/she will devote the necessary time and energy to his/her duties on the Committee.

The Committee shall meet as often as necessary, and in any event at least once a year, at the initiative of its Chairman, the Chairman of the Board of Directors, the Director serving as Chief Executive Officer, or any two Committee members.

The Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director shall not participate in the Committee's work.

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.

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.

The Committee may request any and all accounting, legal or financial documents it deems necessary to carry out its responsibilities.

The Committee may at any time call upon the Company's employees responsible for compliance, human resources, internal audit, risk management, sustainable development and legal affairs, as well as on the Statutory Auditors and any other persons it deems beneficial to hear from in the performance of its duties. Such meetings may take place in the absence of heads of the functions concerned.

After having notified the Chairman of the Board of Directors, the Committee may seek assistance from outside experts if it considers this necessary or beneficial to the performance of its duties.

5. Compensation of Committee members

The members and Chairman of the Committee may receive special directors' fees, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

Bylaws

The Bylaws set out below take into account the amendments proposed at the Shareholders' Meeting of April 12, 2018.

Article 1 – Legal form

The Company, which was formed on April 19, 1962 by way of conversion of a "*Société à responsabilité limitée*" to a "*Société Anonyme*", has been converted to a European Company (Societas Europaea or "SE") by decision of the Extraordinary Shareholders' Meeting of April 10, 2014. It is governed by the European Community and national provisions in effect, and by these Bylaws.

Article 2 – Corporate purpose

1. Acquisition of interests, through a direct or indirect equity investment, contribution, merger, spin-off or joint venture, in any company or group in existence or yet to be formed, conducting any commercial, industrial, agricultural, property, real estate or financial business, including in particular:

- 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, articles of clothing, and accessories, as well as high-quality branded articles or products;
- the operation of vineyards, horticultural and arboricultural estates, as well as the development of related biotechnology processes;
- the management of real estate;
- the management of any trademark, signature, model, design and, more generally, any industrial, literary or artistic property right.

2. More generally, to directly conduct commercial, industrial, agricultural, winegrowing, property, land, real estate, financial, management or service business in any of the fields described in Item 1 above.

Article 3 – Corporate name

The name of the Company is:
LVMH Moët Hennessy - Louis Vuitton

All deeds and documents issued by the Company and addressed to third parties, including in particular letters, invoices, advertisements and publications of all kinds, must indicate the company name, immediately preceded or followed by the words "*Société Européenne*" or "Societas Europaea" or the initials "SE", which must appear legibly, together with the amount of share capital, the place at which the company is registered in the Commercial and Companies Register, and the number under which it is registered.

Article 4 – Registered office

The address of the Company's registered office is 22, avenue Montaigne – 75008 Paris (France).

It may be transferred to any other location in France by decision of the Board of Directors subject to such decision being ratified at the next Ordinary Shareholders' Meeting, and to any other location outside France pursuant to a resolution passed at an Extraordinary Shareholders' Meeting.

Article 5 – Term

The term of the Company, which came into existence on January 1, 1923, shall expire on December 31, 2115, except in the event of early dissolution or extension as provided by these Bylaws.

Article 6 – Capital

1. The share capital shall be set at 152,094,089.70 euros (one hundred fifty-two million, ninety-four thousand, eighty-nine euros and seventy cents) divided into 506,980,299 (five hundred six million, nine hundred eighty thousand, two hundred ninety-nine) 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.

18,037,011 shares with a nominal value of 0.30 euros were issued further to the contribution made by Paolo Bulgari, Nicola Bulgari and Francesco Trapani of 166,382,348 Bulgari shares, valued at 2,038,183,763 euros.

2. The share capital may be increased by a resolution passed at an Extraordinary Shareholders' Meeting. However, when the increase of the capital is completed by way of capitalization of reserves, profits or issue premiums, the shareholders at the Shareholders' Meeting shall vote subject to the quorum and majority conditions of the Ordinary Shareholders' Meetings. The shareholders may vote at an Extraordinary Shareholders' Meeting to delegate to the Board of Directors, in any manner authorized by legislation and regulations, the necessary authority and/or powers to decide on or carry out a capital increase or any other issue of securities.

3. The share capital may, pursuant to a resolution passed at an Extraordinary Shareholders' Meeting, be amortized by making an equal repayment for each share from earnings or reserves other than the legal reserve, without such amortization causing the share capital to decrease.

4. The share capital may also be reduced by a resolution passed at an Extraordinary Shareholders' Meeting, by reducing either the par value of each share or the number of shares.

Article 7 – Payment for 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, no later than five years from the date at which the increase in capital was completed.

Shareholders shall be informed of calls for funds at least 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 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.

Whenever a certain number of shares is required in order to exercise a given right, any shareholders who do not hold the required number shall be responsible for forming a group with a sufficient number of shares.

Article 9 – Form and transfer of 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 of 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 for by law, the Company shall be administered by a Board of Directors with between three and eighteen members, who may be individuals or legal entities, appointed by the shareholders voting at an 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. All members of the Board of Directors must own at least five hundred (500) shares of the Company throughout their term of office.

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 have a period of six months to purchase such number of shares, in default of which it shall be automatically deemed to have resigned.

3. No one over the age of seventy shall be appointed as a Director if, as a result of his/her appointment, the number of Directors over seventy would exceed one-third of the Board members. 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 of office of the oldest Director shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year during which the limit is exceeded.

4. Directors shall be appointed for a term of three years. The duties of a Director shall expire at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the preceding fiscal year and held in the year during which the term of office of that 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 dismissed 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 only be appointed a Director if his/her employment contract antedates such appointment and corresponds to an actual position held within the Company. 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 operating procedures 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, shall meet as often as is required by the interests of the Company, and in any event at least every three months.

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 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:

- if all serving Directors are present or represented; or
- if 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 another Director a proxy, by letter, cable, telex, or fax, to represent him/her at a Board meeting. However, each Director may only represent one proxy at any given Board meeting.

A meeting of the Board of Directors shall be valid if at least half of its members are present or represented.

Directors who participate in Board meetings by means of videoconferencing or other telecommunication methods under the conditions defined by the internal rules 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 parent company 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 Directors in attendance at each meeting of the Board of Directors.

4. In order to be valid, copies or abstracts of the minutes of meetings of the Board of Directors must be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Secretary, a Director temporarily delegated to perform the duties of Chairman or 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.

The Board of Directors shall exercise the powers defined by the law and regulations applicable in France, or delegated or authorized by a Shareholders' Meeting pursuant to said law and regulations; these powers shall include inter alia:

- Setting, annually, either an overall limit within which the Chief Executive Officer may enter into commitments on behalf of the Company in the form of sureties, endorsements, guarantees and undertakings involving an obligation of means, or a maximum amount for each of the above commitments. Any decision to exceed the overall limit or maximum amount established for a commitment must be made by the Board of Directors. The Chief Executive Officer may delegate all or part of the powers granted to him in accordance with law and regulations.
- The ability to set an annual limit on issues of bonds that may or may not entitle the holder to other bonds or existing equity securities, and to delegate to one or more of its members, the Chief Executive Officer or, with the latter's consent, one or more Group Managing Directors, the necessary powers to carry out and define the terms of bond issues within that limit. The Board of Directors must be notified of any use of such delegation of powers at its next meeting after a bond issue is launched.

Members of the Board of Directors shall be forbidden from divulging any information about the Company, even after their terms of office have ceased, where such disclosure may be prejudicial to the Company's interests, except where such disclosure is permitted by current law and regulations or for the public benefit.

The Board of Directors may adopt rules of procedure establishing, inter alia, its membership, duties and operating procedures and the responsibilities of its members.

The Board of Directors may also create special-purpose committees of Directors, which may be permanent or temporary. Such committees may include, but shall not be limited to, a special purpose committee that monitors the preparation and audit of accounting and financial information, a committee that oversees the compensation of Directors and a committee that oversees appointments; a single committee may oversee both compensation and appointments. Committee composition and responsibilities shall be set forth in internal regulations adopted by the Board of Directors.

Article 15 – Powers of the Chairman of the Board of Directors

1. The Chairman of the Board of Directors shall chair Board meetings, organize and direct the work of the Board, and report on the latter at Shareholders' Meetings. He/she shall ensure the proper operation of corporate bodies and, in particular, shall verify that the Directors are able to perform their duties.

2. In the event of temporary incapacity or death of the Chairman, the Board may delegate a Director to perform the duties of 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 from among the Directors. The Board sets his term of office as well as his compensation. The age limit for serving as 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/she 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.

Provisions of the Bylaws and decisions of the Board of Directors limiting the powers of the Chief Executive Officer shall not be binding upon third parties.

3. Group 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 Group Managing Director, for whom it shall set the compensation.

There may not be more than five Group Managing Directors serving in this capacity at the same time.

Group 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/her duties or is prevented from doing so, the Group 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 Group 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 seventy years. Should a Group 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 Group Managing Directors may, at their discretion, consent to partial delegations of authority to third parties.

Article 18 – Agreements subject to authorization

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 Group 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 concluded within the normal course of the Company's operations and at arm's length. The same shall hold for agreements entered into by two companies, one of which directly or indirectly holds all of the other company's share capital, where applicable less the minimum number of shares needed to meet the requirements of Article L.225-1 of the French Commercial Code.

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 Group 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 – Compensation of the Directors

1. Shareholders voting at an Ordinary Shareholders' Meeting may allocate to the Directors, in consideration of their services, a fixed annual sum in the form of attendance fees, the amount of which shall be charged to the Company's operating expenses.

The Board shall divide the amount of these attendance fees among its members as it deems fit.

2. The Board may authorize the reimbursement of travel expenses and other expenses incurred by the Directors in the Company's interest.

3. The Board may allocate special compensation to any Director for duties assigned or delegated to him/her pursuant to the provisions of Article 17 of these Bylaws. Such compensation, which shall be charged to the Company's operating expenses, shall be subject to the provisions of Article 18 of these Bylaws.

4. Apart from the amounts provided for under the previous three paragraphs, as well as the salaries of Directors legally bound to the Company by an employment contract and compensation, whether fixed or proportional, paid to the Chairman, any Director temporarily delegated to perform the duties of Chairman, the Chief Executive Officer and, where applicable, the Group Managing Directors, no other compensation, whether permanent or temporary, may be allocated to the Directors.

Article 21 – Advisory Board

The Shareholders' Meeting may, upon proposal of the Board of Directors, appoint Advisory Board members, the number of whom shall not exceed nine.

In the event of the death or resignation of one or more Advisory Board members, the Board of Directors may make provisional appointments, subject to their ratification at the next Ordinary Shareholders' Meeting.

The Advisory Board members, who are chosen among the shareholders on the strength of their skills, shall constitute an Advisory Board.

Advisory Board members are appointed for a three-year term 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.

Advisory Board members are invited to meetings of the Board of Directors and are consulted for decision-making purposes, though their absence does not affect the validity of the Board of Directors' proceedings.

Advisory Board members may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally, on any issues relating to the Company's organization and development. The Committee Chairmen may also solicit their opinion on matters falling within their respective areas of expertise.

The Board of Directors may allocate fees to the Advisory Board members, 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 alternate Statutory Auditors, who may be called on to replace the principal Statutory Auditors in the event of their death, disability, resignation or refusal to perform their duties, shall be appointed by the shareholders at an Ordinary Shareholders' Meeting.

Article 23 – Shareholders' Meetings

1. Shareholders' Meetings shall be convened and held as provided laid down in law. The agenda of a Shareholders' Meeting shall be stated on the convening notice and letters; it shall be determined by the person issuing the notice.

One or more shareholders who together hold at least 10% of the Company's subscribed share capital may also request that the Board of Directors convene a Shareholders' Meeting, and draw up its agenda.

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 ten 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 accounts in the name of the shareholder or intermediary authorized to act on his/her behalf as of 00:00 (midnight), Paris time, two business days prior to the meeting, 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 registration of bearer shares in the accounts 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 another shareholder, his/her spouse, the partner with whom he/she has entered into a "*pacte civil de solidarité*" (PACS, the French civil union contract), or any other private individual or legal entity of his/her choice. Written notice must be sent to the Company of the appointment of any proxy, and where applicable the rescindment of this appointment.

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 Scrutinizers. 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. Voting rights attached to shares are proportional to the share of capital represented by those shares. Assuming they have the same par value, each capital share and dividend share (*action de jouissance*) entitles its holder 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 which can be shown to have been registered to the same shareholder for at least three years;
- to registered shares allocated to a shareholder, in the event of an increase in the share capital by way of capitalization of reserves, earnings or additional paid-in capital, on the basis of shares already held that bear such entitlement.

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. The same shall also apply to any transfer, following the merger or spin-off of a shareholding company, to the absorbing company or the company benefiting from the spin-off, or, as the case may be, to the new company created as a result of the merger or spin-off.

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 shareholders representing at least one-quarter of the share capital, subject to their request having been made in writing and addressed to the Board of Directors or the corporate body that convened the Meeting at least two clear days before the Meeting.

3. All decisions not amending the Bylaws shall be made at Ordinary Shareholders' Meetings.

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 validly cast votes. Votes cast do not include votes attaching to shares in respect of which the shareholder has not taken part in the vote, has abstained, or has returned an uncompleted or invalid voting paper.

4. Only decisions reached at an Extraordinary Shareholders' Meeting may amend the Bylaws. However, under no circumstances may decisions reached at an Extraordinary Shareholders' Meeting increase the shareholders' commitment except in the case of transactions resulting from a properly conducted reverse share split.

The shareholders may vote at an Extraordinary Shareholders' Meeting to delegate to the Board of Directors the power to make necessary amendments to the Bylaws to harmonize them with legal and regulatory requirements, subject to any such amendments being ratified at the next Extraordinary Shareholders' Meeting.

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 are approved by a two-thirds majority of validly cast votes. Votes cast do not include votes attaching to shares in respect of which the shareholder has not taken part in the vote, has abstained, or has returned an uncompleted or invalid voting paper.

5. In order to be valid, copies or abstracts of the minutes of Meetings must be 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. At founding Extraordinary Shareholders' Meetings, i.e. those called to approve contributions in kind or the granting of a particular benefit, neither the contributor nor the recipient may vote, on his/her own behalf or as a proxy.

7. Where there is more than one class of shares, rights attached to any one class may not be amended without both a proper vote at an Extraordinary Shareholders' Meeting open to all shareholders and a proper vote at a Special Shareholders' Meeting consisting solely of the owners of shares in 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 are approved by a two-thirds majority of validly cast votes. Votes cast do not include votes attaching to shares in respect of which the shareholder has not taken part in the vote, has abstained, or has returned an uncompleted or invalid voting paper.

Article 24 – Information on the ownership of share capital

Any individual or legal entity who becomes the owner of a fraction of capital of at least one percent shall notify the Company of the total number of shares it holds. Such notice must 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 percent. 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, for a fee that it shall pay which shall not exceed the maximum set by France's Minister of the Economy, 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 lasts one year, beginning on the first day of January and ending on the thirty-first day of December.

Article 27 – Annual accounts

The Board of Directors shall keep regular accounts of the Company's operations and shall draw up the annual accounts in conformity with the law and normal 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 may vote at a Shareholders' Meeting to distribute amounts appropriated from reserves, either to provide or supplement an ordinary dividend, or by way of an extraordinary dividend. 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.

In addition, the Shareholders' Meeting may decide to distribute assets recorded in the balance sheet of the Company and, in particular, securities by taking sums from the profits, retained earnings, reserves or premiums. The Shareholders' Meeting may decide that rights forming fractional shares shall be neither tradable nor assignable, notwithstanding the provisions of the final paragraph of Article 8 of the Bylaws. The Shareholders' Meeting may notably decide that, when the portion of the distribution to which the shareholder is entitled does not correspond to a whole number in the unit of measure used for the distribution, the shareholder shall receive the whole number, in the unit of measure, immediately below that amount, together with an equalization payment in cash.

When a balance sheet, drawn up during or at the end of the fiscal year and certified by a Statutory Auditor, shows that the Company, since the close of the preceding fiscal year, after having made the necessary charges to depreciation, amortization and provisions, and after deduction of prior losses, if any, as well as of the amounts which are to be allocated to the reserves provided by law or by these Bylaws, and taking into account profits carried forward, if any, has available earnings, the Board of Directors may resolve to distribute interim dividends prior to the approval of the financial statements of the fiscal year, and may determine the terms thereof notably with regard to the amount and date. These interim dividends may be distributed in cash or in kind, notably in the form of assets from the Company's balance sheet (which may include securities). In the event of an interim distribution in kind, the Board of Directors may decide that rights forming fractional shares shall neither be tradable nor assignable, notwithstanding the provisions of the final paragraph of Article 8 of the Bylaws. The Board of Directors may notably decide that, when the portion of the distribution to which the shareholder is entitled does not correspond to a whole number in the unit of measure used for the distribution, the shareholder shall receive the whole number, in the unit of measure, immediately below that amount, together with an equalization payment in cash. The amount of such interim dividends cannot exceed the amount of available earnings 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.

The Shareholders' Meeting convened to approve the fiscal year's financial statements may grant each shareholder the option to receive all or a portion of his/her dividend payment (whether interim or final) either in cash or in shares.

Requests for dividend payments in shares must be received within a time period to be set by the Shareholders' Meeting, with the understanding that this period may not be longer than three months after the date of said Shareholders' Meeting.

No repayment of the dividend may be demanded from shareholders, unless the following two conditions are met:

- the dividend was paid in violation of legal requirements;
- the Company has established that the recipients were aware, or, given the circumstances, could not have failed to be aware, that the payment was unlawful at the time it was made.

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 set 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 a Shareholders' Meeting or in the event that 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 and any Advisory Board members.

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 conclusion of the liquidation 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.

BOARD OF DIRECTORS' REPORT ON THE DRAFT RESOLUTIONS

1. APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AND OF RELATED-PARTY AGREEMENTS AND COMMITMENTS

The first items of business relate to:

- approval of the financial statements: you will be asked to vote to approve the financial statements of the parent company LVMH SE (**first resolution**) as well as the Group's consolidated financial statements (**second resolution**);
- the appropriation of net profit (**third resolution**): the dividend to be paid out will amount to 5.00 euros per share. Taking into account the interim dividend of 1.60 euros per share paid on December 7, 2017, the balance of 3.40 euros will be paid on April 19, 2018;
- approval of related-party agreements and commitments (**fourth resolution**): details of these agreements and commitments are set out in the Statutory Auditors' special report.

2. STRUCTURE OF THE BOARD OF DIRECTORS

It is proposed that you renew the terms of office as Director of Antoine Arnault, Nicolas Bazire, Charles de Croisset, Yves-Thibault de Silguy and Lord Powell of Bayswater (**fifth to ninth resolutions**) for three years ending at the close of the Ordinary Shareholders' Meeting to be convened in 2021 to approve the financial statements for the previous fiscal year. Their backgrounds are presented in §1.4.1.2 of the *Board of Directors' report on corporate governance*.

3. COMPENSATION OF SENIOR EXECUTIVE OFFICERS

3.1. Compensation paid or awarded in respect of 2017

Pursuant to Article L.225-100 of the French Commercial Code, you are hereby asked to approve the components of the total compensation paid or awarded to Bernard Arnault and Antonio Belloni in respect of the fiscal year ended December 31, 2017 (**tenth and eleventh resolutions**). See also §2.2 of the *Board of Directors' report on corporate governance*.

Summary of compensation paid to each senior executive officer

Bernard Arnault [(a)]

Gross compensation *(EUR)*	Amounts awarded/ paid in respect of fiscal year 2017	Description
Fixed compensation	1,139,947	Compensation payable to the Chairman and Chief Executive Officer includes a fixed component, which it has been decided to keep stable.
Variable compensation	2,200,000	Compensation paid to the Chairman and Chief Executive Officer also includes a variable annual component based on the achievement of quantifiable and qualitative targets in equal measure. The quantifiable criteria are financial in nature and relate to growth in the Group's revenue, operating profit and cash flow relative to budget, with each of these three components accounting for one-third of the total determination. The qualitative criteria have been precisely established but are not made public for reasons of confidentiality. The method used for assessing performance has been reviewed by the Nominations and Compensation Committee. Given the choice made to keep fixed compensation amounts steady, the variable portion is capped at 250% of the fixed portion for the Chairman and Chief Executive Officer. Payment to the Chairman and Chief Executive Officer of the annual variable component of his compensation is now subject to prior approval of the amount at an Ordinary Shareholders' Meeting.
Multi-year variable compensation	-	
Exceptional compensation	-	
Bonus performance shares	4,482,312	October 25, 2017 plan. Number of performance shares allocated: 19,745. Performance shares only vest if LVMH's consolidated financial statements for each fiscal year Y+1 and Y+2 show a positive change compared to the fiscal year in which the plan was set up (fiscal year Y) in relation to one or more of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, or current operating margin.
Directors' fees	116,413	
Benefits in kind	37,807	Company car
Severance payment	-	
Non-compete payment	-	
Supplementary pension plan	-	The members of the Group's Executive Committee who are employees or senior executive officers of French subsidiaries, and who have been members of the Committee for at least six years, are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group. This is not required however, if they leave the Group at the latter's request after the age of 55 and resume no other professional activity until their external pension plans are liquidated. This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,372,980 euros as of December 31, 2017). The annual supplementary retirement benefit is equal to the difference between 60% of the reference remuneration amount (capped where appropriate) and all pension payments made in France (under the general social security plan and the ARRCO and AGIRC supplementary plans) and abroad. As of December 31, 2017, the total amount of pensions and the supplementary pension may not exceed 823,788 euros per year. As a result of the aforementioned system, on the basis of compensation paid to Bernard Arnault in 2017, the supplementary pension payable to him would not exceed 45% of the amount of his last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed. Given the characteristics of the plan put in place by the Company and his personal circumstances, the supplementary pension for which Bernard Arnault may qualify no longer gives rise to the annual vesting of additional benefits, or, consequently, to a correlative increase in the Company's financial commitment.

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, in addition to compensation 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.

Antonio Belloni [a]

Gross compensation *(EUR)*	Amounts awarded/ paid in respect of fiscal year 2017	Description
Fixed compensation	3,241,552	Compensation payable to the Group Managing Director includes a fixed component, which it has been decided to keep stable.
Variable compensation	2,315,250	Compensation paid to the Group Managing Director includes a variable annual component based on the achievement of quantifiable targets (weighted two-thirds) and qualitative targets (weighted one-third). The quantifiable criteria are financial in nature and relate to growth in the Group's revenue, profit from operations and cash flow relative to budget, with each of these three components accounting for one-third of the total. The qualitative criteria have been precisely established but are not made public for reasons of confidentiality. The method used for assessing performance has been reviewed by the Nominations and Compensation Committee. Given the choice made to keep fixed compensation amounts steady, the variable portion is capped at 150% of the fixed portion for the Group Managing Director. Payment to the Group Managing Director of the annual variable component of his compensation is now subject to prior approval of the amount at an Ordinary Shareholders' Meeting.
Multi-year variable compensation	-	
Exceptional compensation	-	
Bonus performance shares	2,021,297	October 25, 2017 plan. Number of performance shares allocated: 8,904. Performance shares only vest if LVMH's consolidated financial statements for each fiscal year Y+1 and Y+2 show a positive change compared to the fiscal year in which the plan was set up (fiscal year Y) in relation to one or more of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, or current operating margin.
Directors' fees	87,245	
Benefits in kind	10,188	Company car
Severance payment	-	
Non-compete payment	-	Employment contract suspended for the duration of the term of Group Managing Director. Covenant not to compete for a twelve-month period included in the employment contract providing for the monthly payment during its application of a compensation equal to the monthly compensation on the termination date of his functions, supplemented by one-twelfth of the last bonus received.
Supplementary pension plan	-	The members of the Group's Executive Committee who are employees or senior executive officers of French subsidiaries, and who have been members of the Committee for at least six years, are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group. This is not required however, if they leave the Group at the latter's request after the age of 55 and resume no other professional activity until their external pension plans are liquidated. This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,372,980 euros as of December 31, 2017). The annual supplementary retirement benefit is equal to the difference between 60% of the reference remuneration amount (capped where appropriate) and all pension payments made in France (under the general social security plan and the ARRCO and AGIRC supplementary plans) and abroad. As of December 31, 2017, the total amount of pensions and the supplementary pension may not exceed 823,788 euros per year. As a result of the aforementioned system, on the basis of compensation paid to Antonio Belloni in 2017, the supplementary pension payable to him would not exceed 45% of the amount of his last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed. Given the characteristics of the plan put in place by the Company and his personal circumstances, the supplementary pension for which Antonio Belloni may qualify no longer gives rise to the annual vesting of additional benefits, or, consequently, to a correlative increase in the Company's financial commitment.

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, in addition to compensation 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.

3.2. Compensation policy

In accordance with Article L.225-37-2 of the French Commercial Code, it is proposed that you approve the principles and criteria used to determine, allocate and award the fixed and variable components of the total compensation and benefits in kind payable to Bernard Arnault and Antonio Belloni for performing their duties during the 2018 fiscal year and constituting the compensation policy applicable to them (**twelfth resolution**).

These principles and criteria approved by the Board of Directors at its meeting on January 25, 2018, on the recommendation of the Nominations and Compensation Committee of January 25, 2018, are set out in §2.1.1 of the *Board of Directors' report on corporate governance* provided for by the aforementioned article. Payment to the Chairman and Chief Executive Officer and Group Managing Director of the annual variable portion of their compensation is subject to prior approval of the amount at the Ordinary Shareholders' Meeting under the conditions provided by Article L.225-100 of the French Commercial Code.

4. AUTHORIZATIONS PROPOSED AT THE SHAREHOLDERS' MEETING

4.1. Share repurchase program (L.225-209 *et seq.* of the French Commercial Code)

Table summarizing the resolutions to be submitted at the Shareholders' Meeting of April 12, 2018.

Type	Resolution	Duration	Amount authorized
Share repurchase program Maximum purchase price: 400 euros	13th	18 months	10% of the share capital [a]
Reduction of capital through the retirement of shares purchased under the repurchase program	14th	18 months	10% of the share capital per 24-month period [a]

(a) As a guide, this equates to 50,698,029 shares on the basis of the authorized share capital as of December 31, 2017.

It is proposed that the Board of Directors be authorized to purchase the Company's shares for a period of 18 months from the date of this Shareholders' Meeting. These acquisitions may be carried out to meet any objective compatible with provisions in force at the time, and in particular to (i) provide market liquidity, (ii) allocate shares in order to cover stock option plans, bonus share allocations or any other employee share ownership operations, (iii) cover securities conferring entitlement to the Company's shares, (iv) retire them, or (v) hold them for subsequent exchange or payment in connection with any external growth transactions (further details on transactions carried out under the previous program are set out in §6.1 in the "Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the *Management Report of the Board of Directors*). Unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not use this authorization as from the date at which a third party files a proposal for a tender offer for the Company's shares; this restriction shall hold until the end of the offer period.

The purchase price at which the Company may acquire its own shares may not exceed 400 euros per share, with the understanding that the Company may not purchase shares at a price greater than the higher of the following two values: the last quoted share price resulting from the execution of a transaction in which the Company was not a stakeholder, or the highest current independent purchase offer on the trading platform where the purchase is to take place.

This authorization renders null and void the delegation of authority granted by the Shareholders' Meeting of April 13, 2017 in its 17th resolution.

It is also proposed that the Board of Directors be authorized for a period of 18 months with effect from this Shareholders' Meeting to reduce the Company's share capital through the retirement of some or all of the shares acquired or to be acquired by the Company itself, subject to an upper limit of 10% of the share capital per 24-month period. The authorization to reduce the share capital through the retirement of shares acquired under the share repurchase program may be used in particular to offset the dilution resulting from the exercise of share subscription options. This authorization renders null and void the delegation of authority granted by the Shareholders' Meeting of April 13, 2017 in its 19th resolution.

4.2. Employee share ownership

Resolution submitted at the Shareholders' Meeting of April 12, 2018

Type	Resolution	Duration	Amount authorized	Issue price determination method
Bonus share allotment (L.225-197-1 *et seq.*)	15th	26 months	1% of the share capital [a]	Not applicable

(a) As a guide, this equates to 5,069,802 shares on the basis of the authorized share capital as of December 31, 2017. Up to the overall maximum of 50 million euros referred to in the 29th resolution of the Shareholders' Meeting of April 13, 2017, or, as appropriate, any upper limit set by a resolution of the same kind that may supersede it during the period of validity of this delegation.

It is proposed that the Board of Directors be authorized to proceed with a bonus allotment of existing or new shares to employees and/or senior executive officers of the Company or related entities, subject to an upper limit of 1% of the share capital (**fifteenth resolution**).

This delegation of authority would be granted for a period of 26 months with effect from the Shareholders' Meeting of April 12, 2018 and would render null and void with effect from said Shareholders' Meeting the unused portion of the authorization granted by the Shareholders' Meeting of April 14, 2016 in its 19th resolution. If a bonus allotment of shares is to be made, the maximum amount of the resulting increase in capital will count against the overall maximum of 50 million euros adopted by the 29th resolution at the Shareholders' Meeting of April 13, 2017, or, as appropriate, any upper limit set by a resolution of the same kind that may supersede it during the period of validity of this delegation of authority.

5. AMENDMENTS TO THE BYLAWS

It is proposed that Article 16.3 of the Bylaws be amended to increase the age limit applicable to the Group Managing Director from 65 to 70 years.

It is also proposed that you amend Article 21 of the Bylaws (Advisory Board) to specify the remit and powers with which the Advisory Board members may be entrusted.

FINANCIAL STATEMENTS

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

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

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Notes	2017	2016	2015
Brands and other intangible assets	3	13,714	13,335	13,572
Goodwill	4	16,514	10,401	10,122
Property, plant and equipment	6	13,206	12,139	11,157
Investments in joint ventures and associates	7	639	770	729
Non-current available for sale financial assets	8	789	744	574
Other non-current assets	9	868	777	552
Deferred tax	27	1,738	2,058	1,945
Non-current assets		**47,468**	**40,224**	**38,651**
Inventories and work in progress	10	10,908	10,546	10,096
Trade accounts receivable	11	2,737	2,685	2,521
Income taxes		780	280	384
Other current assets	12	2,919	2,343	2,355
Cash and cash equivalents	14	3,738	3,544	3,594
Current assets		**21,082**	**19,398**	**18,950**
Total assets		**68,550**	**59,622**	**57,601**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2017	2016	2015
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		8,113	6,904	6,384
Income/(loss) and dividends from joint ventures and associates	7	25	18	27
Net increase in depreciation, amortization and provisions		2,375	2,143	2,081
Other computed expenses		(43)	(177)	(456)
Other adjustments		(66)	(155)	(91)
Cash from operations before changes in working capital		**10,404**	**8,733**	**7,945**
Cost of net financial debt: interest paid		(70)	(59)	(75)
Tax paid		(2,790)	(1,923)	(1,807)
Net cash from operating activities before changes in working capital		**7,544**	**6,751**	**6,063**
Change in working capital	14.3	(514)	(512)	(429)
Net cash from operating activities		**7,030**	**6,239**	**5,634**
Operating investments	14.4	(2,276)	(2,265)	(1,955)
Net cash from operating activities and operating investments (free cash flow)		**4,754**	**3,974**	**3,679**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets[a]	8, 13	(125)	(28)	(78)
Proceeds from sale of non-current available for sale financial assets	8	87	91	68
Dividends received	8	13	6	4
Tax paid related to non-current available for sale financial assets and consolidated investments		-	(461)	(265)
Impact of purchase and sale of consolidated investments	2.4	(6,306)	310	(240)
Net cash from (used in) financial investments		**(6,331)**	**(82)**	**(511)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH SE	15.1	53	64	35
Capital increases of subsidiaries subscribed by minority interests	17	44	41	81
Acquisition and disposals of treasury shares and LVMH share-settled derivatives	15.2	(67)	(352)	1
Interim and final dividends paid by LVMH SE	15.3	(2,110)	(1,810)	(1,671)
Tax paid related to interim and final dividends paid		388	(145)	(304)
Interim and final dividends paid to minority interests in consolidated subsidiaries	17	(259)	(267)	(228)
Purchase and proceeds from sale of minority interests	2.4	(153)	(95)	(4)
Net cash from (used in) transactions relating to equity		**(2,104)**	**(2,564)**	**(2,090)**
Change in cash before financing activities		**(3,681)**	**1,328**	**1,078**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings	14.2	5,753	913	1,008
Repayment of borrowings	14.2	(1,766)	(2,134)	(2,443)
Purchase and proceeds from sale of current available for sale financial assets	8, 13	89	(113)[a]	(3)
Net cash from (used in) financing activities	14.2	**4,076**	**(1,334)**	**(1,438)**
V. EFFECT OF EXCHANGE RATE CHANGES		**(114)**	**(47)**	**(33)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**281**	**(53)**	**(393)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14.1	**3,337**	**3,390**	**3,783**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14.1	**3,618**	**3,337**	**3,390**
TOTAL TAX PAID		**(2,402)**	**(2,529)**	**(2,376)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. General framework and environment

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

1.2. Changes in the accounting framework applicable to LVMH

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

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

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

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

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

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

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

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

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

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

1.3. First-time adoption of IFRS

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

- business combinations: the exemption from retrospective application was not applied. The recognition of the merger of Moët Hennessy and Louis Vuitton in 1987 and all subsequent acquisitions were restated in accordance with IFRS 3; IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of that date;
- foreign currency translation of the financial statements of subsidiaries outside the eurozone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

1.4. Presentation of the financial statements

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

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

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

Cash flow statement

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

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

1.5. Use of estimates

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

1.6. Methods of consolidation

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

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

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

The consolidation on an individual or collective basis of companies that are not consolidated (see "Companies not included in the scope of consolidation") would not have a significant impact on the Group's main aggregates.

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

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

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

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

1.8. Foreign currency transactions and hedging of exchange rate risks

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

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

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

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

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

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

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

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

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

1.9. Fair value measurement

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

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

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

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

1.10. Brands and other intangible assets

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

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

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

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

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

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

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

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

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

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

1.11. Changes in ownership interests in consolidated entities

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

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

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

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

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

1.12. Purchase commitments for minority interests' shares

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

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

- the value of the commitment at the balance sheet date appears in "Other non-current liabilities", or in "Other current liabilities" if the minority shareholder has provided notice of exercising its put option before the fiscal year-end";
- the corresponding minority interests are cancelled;
- for commitments granted prior to January 1, 2010, the difference between the amount of the commitments and cancelled minority interests is maintained as an asset on the balance sheet under goodwill, as well as subsequent changes in this difference. For commitments granted as from January 1, 2010, the difference between the amount of the commitments and minority interests is recorded in equity, under "Other reserves".

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

1.13. Property, plant and equipment

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

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

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

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

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

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

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

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

1.14. Impairment testing of fixed assets

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

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

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

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

1.15. Available for sale financial assets

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

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

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

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

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

1.16. Inventories and work in progress

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

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

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

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

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

1.17. Trade accounts receivable, loans and other receivables

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

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

1.18. Cash and cash equivalents

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

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

1.19. Provisions

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

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

1.20. Borrowings

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

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

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

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

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

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

1.21. Derivatives

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

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

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

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

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

1.22. Treasury shares and LVMH share-settled derivatives

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

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

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

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

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

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

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

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

1.24. Current and deferred tax

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

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

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

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

Deferred tax assets and liabilities are not discounted.

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

1.25. Revenue recognition

Definition of revenue

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

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

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

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

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

Provisions for product returns

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

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

Businesses undertaken in partnership with Diageo

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

1.26. Advertising and promotion expenses

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

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

1.27. Stock option and similar plans

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

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

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

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

1.28. Earnings per share

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

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

2. CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

2.1. Fiscal year 2017

2.1.1. Fashion and Leather Goods

Rimowa

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

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

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

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

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

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

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

Loro Piana

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

Christian Dior Couture

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

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

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

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

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

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

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

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

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

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

See also Note 32.

2.1.2. Other activities

See Note 32.1.

2.2. Fiscal year 2016

2.2.1. Fashion and Leather Goods

Donna Karan

On December 1, 2016, pursuant to the agreement signed on July 22, 2016, LVMH sold Donna Karan International to G-III Apparel Group. The sale was made based on an enterprise value of 650 million US dollars, translating to a provisional sale price of 542 million US dollars after adjustments and deducting Donna Karan's borrowings with LVMH. LVMH granted G-III Apparel Group a vendor loan for 125 million US dollars (recorded under Other non-current assets; see Note 9) and received the equivalent of 75 million US dollars in G-III shares (recorded under Non-current available for sale financial assets; see Note 8). In addition, the 129 million US dollars in financing granted to Donna Karan by LVMH was repaid by G-III Apparel Group. In 2016, the impact of the sale of Donna Karan International on the Group's net profit was a gain of 44 million euros.

LVMH Métiers d'Arts

In December 2016, following the exercise of the put option held by its partner, LVMH Métiers d'Arts acquired an additional 35% stake in the Heng Long tannery (Singapore), bringing its percentage holding to 100%. The difference between the acquisition price and minority interests was deducted from equity.

2.2.2. Selective Retailing

In November 2016, following the exercise of the put option held by its partner, Sephora acquired an additional 35% stake in Ile de Beauté (Russia), bringing its percentage holding to 100%. The difference between the acquisition price and minority interests was deducted from equity.

2.3. Fiscal year 2015

2.3.1. Selective Retailing

In July 2015, Sephora acquired a 95% equity interest in the e-commerce site Luxola, which is present in nine countries of Southeast Asia.

2.3.2. Other activities

In October 2015, LVMH acquired a 100% equity interest in the daily newspaper Le Parisien-Aujourd'hui en France. The acquisition comprised the publishing, printing and sales activities of this daily newspaper and the weekly Le Parisien Magazine.

See also Note 7 regarding the ownership interests in joint ventures and associates.

2.4. Impact on cash and cash equivalents of changes in ownership interests in consolidated entities

(EUR millions)	2017	2016	2015
Purchase price of consolidated investments and of minority interests' shares	(6,971)	(254)	(308)
Positive cash balance/(net overdraft) of companies acquired	251	5	33
Proceeds from sale of consolidated investments	80	354	31
(Positive cash balance)/net overdraft of companies sold	181	110	-
Impact of changes in the ownership interests in consolidated entities on net cash and cash equivalents	**(6,459)**	**215**	**(244)**
Of which: purchase and sale of consolidated investments	*(6,306)*	*310*	*(240)*
purchase and proceeds from sale of minority interests	*(153)*	*(95)*	*(4)*

In 2017, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the acquisition of Christian Dior for 5,782 million euros, and of Rimowa for 615 million euros.

In 2016, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the sale of Donna Karan International for 435 million euros.

In 2015, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities was mainly related to the acquisition of the daily newspaper Le Parisien-Aujourd'hui en France, the 95% stake acquired by Sephora in the e-commerce site Luxola and the investments in Repossi and L Catterton Management (see Note 7), as well as various payments in respect of performance clauses provided for during past acquisitions.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

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

3.1. Movements in the fiscal year

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

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

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

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

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

3.2. Movements in prior fiscal years

Carrying amount (EUR millions)	Brands	Trade names	Software and websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2014	**9,957**	**2,155**	**278**	**344**	**297**	**13,031**
Acquisitions	-	-	119	36	161	316
Disposals and retirements	-	-	-	(14)	1	(13)
Changes in the scope of consolidation	26	-	3	4	5	38
Amortization expense	(19)	(1)	(133)	(40)	(104)	(297)
Impairment expense	-	-	(1)	(3)	-	(4)
Translation adjustment	240	216	10	6	13	485
Reclassifications	-	-	43	1	(28)	16
As of December 31, 2015	**10,204**	**2,370**	**319**	**334**	**345**	**13,572**
Acquisitions	-	-	136	47	257	440
Disposals and retirements	-	-	(1)	(1)	-	(2)
Changes in the scope of consolidation	(364)	-	(2)	(5)	14	(357)
Amortization expense	(23)	(1)	(155)	(39)	(130)	(348)
Impairment expense	(34)	-	-	(2)	-	(36)
Translation adjustment	(10)	71	5	(1)	2	67
Reclassifications	-	-	60	5	(66)	(1)
As of December 31, 2016	**9,773**	**2,440**	**362**	**338**	**422**	**13,335**

3.3. Brands and trade names

The breakdown of brands and trade names by business group is as follows:

(EUR millions)	2017			2016	2015
	Gross	Amortization and impairment	Net	Net	Net
Wines and Spirits	850	(135)	715	752	803
Fashion and Leather Goods	5,560	(364)	5,196	4,470	4,899
Perfumes and Cosmetics	676	(34)	642	656	605
Watches and Jewelry	3,578	(71)	3,507	3,682	3,687
Selective Retailing	3,645	(1,469)	2,176	2,440	2,403
Other activities	324	(112)	212	213	177
Brands and trade names	**14,633**	**(2,185)**	**12,448**	**12,213**	**12,574**

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2017, the principal acquired brands and trade names were:

- Wines and Spirits: Veuve Clicquot, Krug, Château d'Yquem, Belvedere, Glenmorangie, Newton Vineyards and Numanthia Termes;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Céline, Loewe, Givenchy, Kenzo, Thomas Pink, Berluti, Pucci, Loro Piana, Rimowa and Christian Dior Couture;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up For Ever, Benefit Cosmetics, Fresh, Acqua di Parma, KVD Beauty, Fenty and Ole Henriksen;
- Watches and Jewelry: Bvlgari, TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora, Le Bon Marché and Ile de Beauté;
- Other activities: the publications of the media group Les Échos-Investir, the daily newspaper Le Parisien-Aujourd'hui en France, the Royal Van Lent-Feadship brand, La Samaritaine and the Cova pastry shop 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 market value as of the closing date for the Group's consolidated financial statements. This is notably the case for the brands Louis Vuitton, Veuve Clicquot and Parfums Christian Dior, and the trade name Sephora, with the understanding that this list must not be considered exhaustive.

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

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

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

Changes in the scope of consolidation in 2017 were mainly attributable to the acquisition of Christian Dior Couture and Rimowa.

The impact of changes in the scope of consolidation in 2016 mainly arose from the sale of Donna Karan International.

Changes in the scope of consolidation in fiscal year 2015 were mainly related to the acquisition of the daily newspaper Le Parisien-Aujourd'hui en France and the 95% stake in Luxola.

Please refer also to Note 2 for the impact of changes in the scope of consolidation and to Note 20 for goodwill arising on purchase commitments for minority interests' shares.

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition are tested for impairment at least once a year. No significant impairment expense was recognized in respect of these items during the course of fiscal year 2017. As described in Note 1.14, 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 each fiscal year. The main assumptions used to determine these forecast cash flows are as follows:

(as %)				2017			2016			2015
	Discount rate		Annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan
	Post-tax	Pre-tax								
Wines and Spirits	6.5 to 11.0	9.7 to 16.4	5.9	2.0	6.5 to 11.0	6.0	2.0	6.2 to 9.9	6.3	2.0
Fashion and Leather Goods	8.0 to 10.5	11.9 to 15.7	6.6	2.0	9.3 to 10.5	6.8	2.0	8.0 to 12.0	8.9	2.0
Perfumes and Cosmetics	7.4 to 10.1	11.0 to 15.1	9.3	2.0	7.4 to 10.1	9.6	2.0	7.4	8.9	2.0
Watches and Jewelry	9.0 to 10.4	13.4 to 15.5	6.9	2.0	9.0 to 10.4	9.9	2.0	8.1 to 8.5	7.1	2.0
Selective Retailing	7.3 to 8.3	10.9 to 12.4	8.2	2.0	7.3 to 9.4	7.7	2.0	7.3 to 8.5	8.3	2.0
Other	6.5 to 7.3	9.7 to 10.9	8.4	2.0	6.5 to 7.5	4.4	2.0	5.5 to 7.1	5.8	2.0

Plans generally cover a five-year period, but may be prolonged up to ten years in the case of brands for which the production cycle exceeds five years or brands undergoing strategic repositioning. The annual growth rate for revenue and the improvement in profit margins over plan periods are comparable to the growth achieved in the previous four fiscal years, except for brands undergoing strategic repositioning, for which the improvements projected are greater than historical performance due to the expected effects of the repositioning measures implemented.

Annual 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, 2017, the intangible assets with indefinite useful lives that are the most significant in terms of their carrying amounts and the criteria used for impairment testing are as follows:

(EUR millions)	Brands and trade names	Goodwill	Total	Post-tax discount rate *(as %)*	Growth rate for the period after the plan *(as %)*	Period covered by the forecast cash flows
Christian Dior	257 [b]	4,855 [b]	5,112	n.a.	n.a.	n.a.
Louis Vuitton	2,058	477	2,535	8.0	2.0	5 years
Loro Piana [a]	1,300	1,047	2,347	n.a.	n.a.	n.a.
Fendi	713	404	1,117	9.3	2.0	5 years
Bvlgari	2,100	1,547	3,647	9.0	2.0	5 years
TAG Heuer	1,060	201	1,261	9.0	2.0	5 years
DFS Galleria	1,908	14	1,922	9.4	2.0	5 years

(a) For impairment testing purposes, the fair value of Loro Piana was determined by applying the share price multiples of comparable companies to Loro Piana's consolidated operating results. The change in multiples resulting from a 10% decrease in the market capitalization of comparable companies or the operating profit of Loro Piana would not generate an impairment risk for Loro Piana's intangible assets.
(b) Provisional amounts. See Note 2.
n.a.: not applicable.

As of December 31, 2017, for the business segments listed above (with the exception of Lora Piana) a change of 0.5 points in the post-tax discount rate or in the growth rate for the period after the plan, compared to rates used as of December 31, 2017, or a reduction of 2 points in the annual growth rate for revenue over the period covered by the plans would result in the recognition of any impairment losses for these intangible assets of approximately 50 million euros. The Group considers that changes in excess of the limits mentioned above would entail assumptions at a level not deemed relevant in view of the current economic environment and medium- to long-term growth prospects for the business segments concerned.

With respect to the other business segments, four have disclosed intangible assets with a carrying amount close to their recoverable amount. Impairment tests relating to intangible assets with indefinite useful lives in these business segments have been carried out based on value in use. The amount of these intangible assets as of December 31, 2017 and the impairment loss that would result from a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, or from a reduction of 2 points in the compound annual growth rate for revenue compared to rates used as of December 31, 2017, break down as follows:

(EUR millions)	Amount of intangible assets concerned as of 12/31/2017	Amount of impairment if:		
		Post-tax discount rate increases by 0.5 points	Annual growth rate for revenue decreases by 2 points	Growth rate for the period after the plan decreases by 0.5 points
Watches and Jewelry	14	(4)	(2)	(2)
Other business groups	578	(50)	(35)	(38)
Total	**592**	**(54)**	**(37)**	**(40)**

As of December 31, 2017, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or impairment charges in 2017 were 546 million euros and 222 million euros, respectively (888 and 394 million euros as of December 31, 2016). See Note 25 regarding the amortization and impairment expense recorded during the fiscal year.

6. PROPERTY, PLANT AND EQUIPMENT

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

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

6.1. Movements in the fiscal year

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

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

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

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

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

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

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

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

The market value of investment property, according to appraisals by independent third parties, was at least of 0.9 billion euros as of December 31, 2017. The valuation methods used are based on market data.

6.2. Movements in prior fiscal years

Carrying amount *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other tangible fixed assets	Total
				Stores	Production, logistics	Other			
As of December 31, 2014	**2,364**	**2,534**	**632**	**1,973**	**641**	**400**	**684**	**1,159**	**10,387**
Acquisitions	5	241	5	474	102	97	602	213	1,739
Disposals and retirements	(2)	(1)	-	(3)	(1)	(2)	(1)	1	(9)
Depreciation expense	(6)	(160)	(3)	(787)	(128)	(118)	-	(64)	(1,266)
Impairment expense	-	(14)	-	(1)	-	-	(1)	-	(16)
Change in the market value of vineyard land	64	-	-	-	-	-	-	-	64
Changes in the scope of consolidation	-	-	-	1	1	2	(29)	-	(25)
Translation adjustment	-	101	26	105	9	16	34	6	297
Other movements, including transfers	16	220	(98)	409	42	(56)	(534)	(13)	(14)
As of December 31, 2015	**2,441**	**2,921**	**562**	**2,171**	**666**	**339**	**755**	**1,302**	**11,157**
Acquisitions	3	214	285	574	93	56	768	157	2,150
Disposals and retirements	-	(1)	-	(1)	(4)	(1)	(1)	2	(6)
Depreciation expense	(6)	(155)	(6)	(772)	(134)	(125)	-	(76)	(1,274)
Impairment expense	(1)	(2)	-	9	(1)	-	(4)	(2)	(1)
Change in the market value of vineyard land	30	-	-	-	-	-	-	-	30
Changes in the scope of consolidation	-	31	-	(14)	(4)	(2)	-	-	11
Translation adjustment	-	(27)	2	34	(3)	3	9	5	23
Other movements, including transfers	7	59	12	395	68	70	(577)	15	49
As of December 31, 2016	**2,474**	**3,040**	**855**	**2,396**	**681**	**340**	**950**	**1,403**	**12,139**

Purchases of property, plant and equipment in fiscal year 2015 included investments by Sephora, Louis Vuitton, DFS, and Bvlgari in their retail networks, investments by Parfums Christian Dior in new counters, and investments by the champagne houses and Hennessy in their production equipment, as well as investments in real estate for administrative use, sales operations or rental purposes.

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

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

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

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

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

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

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

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

Acquisitions in fiscal year 2016 included the 120 million euro impact of non-current available for sale financial assets used to hedge cash-settled convertible bonds issued during the period (see Note 18.1). The impact of changes in the scope of consolidation corresponded to the stake in G-III Apparel Group received as partial payment of the selling price of Donna Karan International (see Note 2).

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.8. See also Note 22.2 for the breakdown of these assets according to the measurement methods used. Impairment of non-current available for sale financial assets is determined in accordance with the accounting policies described in Note 1.15.

9. OTHER NON-CURRENT ASSETS

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

(a) See Note 22.

In fiscal year 2016, the increase in loans and receivables included the vendor loan granted to G-III Apparel Group as part of the sale of Donna Karan International (see Note 2).

10. INVENTORIES AND WORK IN PROGRESS

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

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

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

(a) See Note 1.25.

Changes in the scope of consolidation mainly related to the acquisition of Christian Dior Couture and Rimowa (see Note 2), as well as the disposal of a Royal Van Lent subsidiary (see Note 32.1).

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

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

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

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

11. TRADE ACCOUNTS RECEIVABLE

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

(a) See Note 1.25.

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

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

(a) See Note 1.25.

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

As of December 31, 2017, 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	Impairment	Net amount of receivables
Not due:	- less than 3 months	2,531	(15)	2,516
	- more than 3 months	85	(5)	80
		2,616	(20)	2,596
Overdue:	- less than 3 months	312	(6)	306
	- more than 3 months	152	(52)	100
		464	(58)	406
Total		**3,080**	**(78)**	**3,002**

For each of the fiscal years presented, no single customer accounted for more than 10% of the Group's consolidated revenue.

The present value of trade accounts receivable is identical to their carrying amount.

12. OTHER CURRENT ASSETS

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

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

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

13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

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

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

The market value of current available for sale financial assets is determined using the methods described in Note 1.9. See also Note 22.2 for the breakdown of these assets according to the measurement methods used and Note 1.15 for the method used to determine impairment losses on current available for sale financial assets.

14. CASH AND CHANGE IN CASH

14.1. Cash and cash equivalents

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

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

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

14.2. Net cash from (used in) financing activities

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

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

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

14.3. Change in working capital

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

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

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

14.4. Operating investments

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

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

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

15. EQUITY

15.1. Share capital and share premium account

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

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

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

15.2. LVMH treasury shares

The portfolio of LVMH treasury shares is allocated as follows:

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

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

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

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

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

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

15.3. Dividends paid by the parent company LVMH SE

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

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

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

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

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

15.4. Cumulative translation adjustment

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

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

(a) Including -130 million euros with respect to the US dollar (-169 million euros as of December 31, 2016 and -186 million euros as of December 31, 2015), -117 million euros with respect to the Hong Kong dollar (-135 million euros as of December 31, 2016 and -130 million euros as of December 31, 2015), and -180 million euros with respect to the Swiss franc (-214 million euros as of Decembrer 31, 2016 and -207 million euros as of December 31, 2015). These amounts include the tax impact.

15.5. Strategy relating to the Group's financial structure

The Group believes that the management of its financial structure, together with the development of the companies it owns and the management of its brand portfolio, helps create value for its shareholders. Maintaining a suitable-quality credit rating is a core objective for the Group, ensuring good access to markets under favorable conditions, allowing it to seize opportunities and procure the resources it needs to develop its business.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt (see Note 18) to equity;
- cash from operations before changes in working capital to net financial debt;
- net cash from operations before changes in working capital;
- net cash from operating activities and operating investments (free cash flow);
- long-term resources to fixed assets;
- 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.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through 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 of undrawn confirmed credit lines, intended to largely exceed the outstanding portion of its commercial paper program, while continuing to represent a reasonable cost for the Group.

16. STOCK OPTION AND SIMILAR PLANS

16.1. General characteristics of plans

Share purchase and subscription option plans

The Shareholders' Meeting of April 13, 2017 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2019, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 1% of the Company's share capital.

Each plan is valid for ten years and the options may be exercised after a four-year period. For all plans, one option entitles the holder to purchase one share.

No share subscription option plans have been set up since 2010.

Bonus share plans

The Shareholders' Meeting of April 14, 2016 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2018, 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.

For the plans set up between 2012 and 2015, if performance conditions are definitively met, bonus shares and performance shares vest to recipients who are French residents for tax purposes after a three-year period, which is followed by a two-year holding period during which the recipients may not sell their shares. They vest to recipients who are not French residents for tax purposes after a period of four years and become freely transferable at that time.

For the plans set up in 2016 and 2017, if performance conditions are met, bonus shares and performance shares vest to all recipients after a three-year period and are freely transferable once they have vested. However, exceptionally, the vesting period applicable to shares granted on April 13, 2017 has a duration of one year (which is followed by a two-year holding period during which the recipients may not sell their shares) and those applicable to certain shares granted on July 26 and October 25, 2017 have a duration of four and seven years, respectively.

Performance conditions

The majority of the Group's share subscription option plans and bonus share plans are subject to performance conditions that determine vesting. For these plans, performance shares/options vest only if LVMH's consolidated financial statements for the fiscal year following the reference fiscal year (and, where applicable, the second fiscal year following the reference fiscal year) show a positive change compared to the reference fiscal year with respect to one or more of the following indicators: profit from recurring operations, net cash from operating activities and operating investments, current operating margin. This concerns the following plans and fiscal years:

Plan commencement date	Type of plan	Shares/options awarded if there is a positive change in one of the indicators between fiscal years
May 14, 2009	Share subscription options	2009 and 2008; 2010 and 2008
July 25, 2013	Bonus shares	2013 and 2012; 2014 and 2013
October 23, 2014	"	2015 and 2014
April 16, 2015	"	2015 and 2014
October 22, 2015	"	2016 and 2015; 2017 and 2015
October 20, 2016	"	2017 and 2016; 2018 and 2016
April 13, 2017	"	2017 and 2016
October 25, 2017	"	2018 and 2017; 2019 and 2017

For bonus shares awarded under the plan set in place on July 26, 2017 as well as certain shares awarded under the plan set in place on October 25, 2017, shares vest if specific performance conditions are met relating to the revenue and profit from recurring operations of a subsidiary; qualitative criteria are also applied in the case of the award dated October 25, 2017.

Impact of the distribution of Hermès shares on stock option and similar plans

In order to protect the holders of share subscription options and bonus shares, the shareholders authorized the Board of Directors during the Shareholders' Meeting of November 25, 2014, to adjust the number and exercise price of share subscription options, as well as the number of bonus shares whose vesting period had not expired before December 17, 2014. Thus, the quantities of share subscription options and bonus shares concerned were increased by 11.1%, while the exercise price of these options was reduced by 9.98%. Since these adjustments only had the objective of maintaining the gain obtained by the recipients at the level attained prior to the distribution, they had no effect on the consolidated financial statements.

16.2. Share subscription option plans

The following table presents the main characteristics of the share subscription option plans and any changes that occurred during the fiscal year:

Plan commencement date	Number of options granted [a]	Exercise price [a] *(EUR)*	Vesting period of rights	Number of options exercised in 2017	Number of options expired in 2017	Number of options outstanding as of Dec. 31, 2017
May 10, 2007	1,764,203	77.53	4 years	(583,973)	(11,749)	-
May 15, 2008	1,708,542	65.26	"	(73,385)	(1,111)	708,613
"	78,469	65.44	"	-	-	4,277
May 14, 2009 [b]	1,333,097	50.86	"	(50,432)	(973)	450,777
"	37,106	50.88	"	(695)	-	17,025
Total	**4,921,417**			**(708,485)**	**(13,833)**	**1,180,692**

(a) After adjusting for the number of options outstanding as of December 17, 2014 in connection with the distribution in kind of Hermès shares. See Note 16.1.
(b) Plan subject to performance conditions; see Note 16.1 General characteristics of plans.

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

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

16.3. Bonus share plans

The following table presents the main characteristics of the bonus share plans and any changes that occurred during the fiscal year:

Plan commencement date	Number of shares awarded initially [a]	*Of which: performance shares* [a] [b]	*Conditions satisfied?*	Vesting period of rights	Shares expired in 2017	Shares vested in 2017	Non-vested shares as of Dec. 31, 2017
July 25, 2013	440,036	*440,036*	*yes*	3 [c] or 4 [d] years	(6,938)	(181,169)	-
July 24, 2014	67,764	-	-	3 [c] or 4 [d] years	-	(6,665)	61,099
October 23, 2014	341,678	*341,678*	*yes*	3 [c] or 4 [d] years	(14,085)	(147,598)	151,348
April 16, 2015	73,262	*73,262*	*yes*	3 [c] or 4 [d] years	-	-	73,262
October 22, 2015	315,532	*315,532*	*yes*	3 [c] or 4 [d] years	(10,008)	(70)	299,827
October 20, 2016	360,519	*310,509*	[e]	3 years	(5,890)	(65)	354,564
April 13, 2017	46,860	*46,860*	[e]	3 years	-	-	46,860
July 26, 2017	21,700	*21,700*	[e]	3 years	-	-	21,700
July 26, 2017	21,700	*21,700*	[e]	4 years	-	-	21,700
October 25, 2017	288,827	*270,325*	[e]	3 years	-	-	288,827
October 25, 2017	76,165	*76,165*	[e]	7 years [f]	-	-	76,164
Total	**2,054,043**	***1,917,767***			**(36,921)**	**(335,567)**	**1,395,351**

(a) After adjusting for the distribution in kind of Hermès shares. See Note 16.1.
(b) See Note 16.1 General characteristics of plans.
(c) Recipients with tax residence in France.
(d) Recipients with tax residence outside France.
(e) The performance conditions were considered to have been met for the purpose of determining the expense for fiscal year 2017, on the basis of budget data.
(f) Early award on June 30, 2023 under certain conditions.

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

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

Vested share allocations were settled in existing shares held.

16.4. Expense for the fiscal year

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

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

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

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

17. MINORITY INTERESTS

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

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

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

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

Dividends paid to Diageo during fiscal year 2017 in respect of fiscal year 2016 amounted to 150 million euros. Net profit attributable to Diageo for fiscal year 2017 was 340 million euros, and its share in minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,072 million euros as of December 31, 2017. As of that date, the condensed consolidated balance sheet of Moët Hennessy is as follows:

(EUR billions)	December 31, 2017
Tangible and intangible fixed assets	3.7
Other non-current assets	0.3
Non-current assets	**4.0**
Inventories	5.1
Other current assets	1.5
Cash and cash equivalents	2.2
Current assets	**8.8**
Assets	**12.8**

(EUR billions)	December 31, 2017
Total equity	9.0
Other non-current liabilities	0.9
Equity and non-current liabilities	**9.9**
Short term borrowings	1.1
Other current liabilities	1.8
Current liabilities	**2.9**
Liabilities and equity	**12.8**

Please refer also to Note 23 regarding the revenue, operating profit and main assets of the Wines and Spirits business group, which relate primarily to Moët Hennessy's business activities.

18. BORROWINGS

18.1. Net financial debt

(EUR millions)	2017	2016	2015
Long-term borrowings	7,046	3,932	4,511
Short-term borrowings	4,530	3,447	3,769
Gross borrowings	**11,576**	**7,379**	**8,280**
Interest rate risk derivatives	(28)	(65)	(66)
Gross borrowings after derivatives	**11,548**	**7,314**	**8,214**
Current available for sale financial assets [a]	(515)	(374)	(385)
Non-current available for sale financial assets used to hedge financial debt [b]	(117)	(131)	-
Cash and cash equivalents [c]	(3,738)	(3,544)	(3,594)
Net financial debt	**7,178**	**3,265**	**4,235**

(a) See Note 13.
(b) See Note 8.
(c) See Note 14.1.

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

(EUR millions)	Dec. 31, 2016	Impact on cash [a]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclass-ifications and Other	Dec. 31, 2017
Long-term borrowings	3,932	4,798	(203)	-	402	(1,883)	7,046
Short-term borrowings	3,447	(922)	(147)	(36)	303	1,885	4,530
Total gross borrowings	**7,379**	**3,876**	**(350)**	**(36)**	**705**	**2**	**11,576**
Interest rate risk derivatives	(65)	-	-	35	-	2	(28)
Gross borrowings after derivatives	**7,314**	**3,876**	**(350)**	**(1)**	**705**	**4**	**11,548**
Current available for sale financial assets	(374)	69	4	(156)	-	(58)	(515)
Non-current available for sale financial assets used to hedge financial debt	(131)	-	17	(3)	-	-	(117)
Cash and cash equivalents	(3,544)	(129)	190	-	(259)	4	(3,738)
Net financial debt	**3,265**	**3,816**	**(139)**	**(160)**	**446**	**(50)**	**7,178**

(a) See Note 14.2.

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

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

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

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

In February 2016, LVMH issued exclusively cash-settled five-year convertible bonds with a total face value of 600 million US dollars, supplemented by a 150 million US dollar tap issue carried out in April 2016. These bonds, which were issued at 103.00% and 104.27% of their face value respectively, are redeemable at par (if they are not converted) and do not bear interest. In addition to these issues, LVMH subscribed to financial instruments with the same maturity, enabling it to fully hedge its exposure to any positive or negative changes in the share price. This set of transactions, involving euro-denominated swaps, provides the Group with the equivalent of traditional euro-denominated bond financing at an advantageous cost.

As provided by applicable accounting policies, the optional components of convertible bonds and financial instruments subscribed for hedging purposes are recorded under "Derivatives" (see Note 22), with hedging instruments other than these optional components recorded under "Non-current available for sale financial assets" (see Note 8). Given their connection to the bonds issued, hedging instruments (except option components) are presented as deducted from gross financial debt in calculating net financial debt, and their impact on cash and cash equivalents is presented under "Financing activities" in the cash flow statement.

In 2016, LVMH redeemed a 650 million euro bond issued in 2013 and 2014.

In 2015, the 250 and 500 million euro bonds issued in 2009 and 2011 respectively, and the 200 million Swiss franc bond issued in 2008, were repaid.

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

18.2. Analysis of gross borrowings

(EUR millions)	2017	2016	2015
Bonds and Euro Medium Term Notes (EMTNs)	6,557	3,476	4,202
Finance and other long-term leases	296	342	131
Bank borrowings	193	114	178
Long-term borrowings	**7,046**	**3,932**	**4,511**
Bonds and Euro Medium Term Notes (EMTNs)	1,753	1,377	710
Finance and other long-term leases	21	10	6
Bank borrowings	340	291	263
Commercial paper	1,855	1,204	2,281
Other borrowings and credit facilities	408	330	277
Bank overdrafts	120	207	205
Accrued interest	33	28	27
Short-term borrowings	**4,530**	**3,447**	**3,769**
Total gross borrowings	**11,576**	**7,379**	**8,280**

The market value of gross borrowings, based on market data and commonly used valuation models, was 11,651 million euros as of December 31, 2017 (7,392 million euros as of December 31, 2016 and 8,396 million euros as of December 31, 2015), including 4,533 million euros in short-term borrowings (3,445 million euros as of December 31, 2016 and 3,905 million euros as of December 31, 2015) and 7,118 million euros in long-term borrowings (3,947 million euros as of December 31, 2016 and 4,491 million euros as of December 31, 2015).

As of December 31, 2017, December 31, 2016 and December 31, 2015, no financial debt was recognized using the fair value option. See Note 1.20.

18.3. Bonds and EMTNs

Nominal amount *(in currency)*	Date of issuance	Maturity	Initial effective interest rate [a] *(%)*	2017 *(EUR millions)*	2016	2015
EUR 1,200,000,000	2017	2024	0.82	1,192	-	-
EUR 800,000,000	2017	2022	0.46	796	-	-
GBP 400,000,000	2017	2022	1.09	445	-	-
EUR 1,250,000,000	2017	2020	0.13	1,246	-	-
EUR 1,250,000,000	2017	2018	floating	1,253	-	-
USD 750,000,000 [b]	2016	2021	1.92	603	682	-
EUR 650,000,000	2014	2021	1.12	663	670	659
AUD 150,000,000	2014	2019	3.68	100	103	102
EUR 300,000,000	2014	2019	floating	300	300	300
GBP 350,000,000	2014	2017	1.83	-	413	481
EUR 600,000,000	2013	2020	1.89	606	608	603
EUR 600,000,000 [c]	2013	2019	1.25	605	608	608
EUR 650,000,000 [d]	2013	2016	floating	-	-	650
USD 850,000,000	2012	2017	1.75	-	811	784
EUR 500,000,000	2011	2018	4.08	501	505	508
EUR 150,000,000	2009	2017	4.81	-	153	157
Private placements in foreign currencies				-	-	60
Total bonds and EMTNs				**8,310**	**4,853**	**4,912**

(a) Before the impact of interest-rate hedges implemented when or after the bonds were issued.
(b) Cumulative amounts and weighted average initial effective interest rate based on a 600 million US dollar bond issued in February 2016 at an initial effective interest rate of 1.96% and a 150 million US dollar tap issue carried out in April 2016 at an effective interest rate of 1.74%. These yields were determined excluding the option component.
(c) Cumulative amounts and weighted average initial effective interest rate based on a 500 million euro bond issued in 2013 at an initial effective interest rate of 1.38% and a 100 million euro tap issue carried out in 2014 at an effective interest rate of 0.62%.
(d) Cumulative amounts based on a 500 million euro floating-rate bond issued in 2013 and a 150 million euro floating-rate tap issue carried out in 2014.

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

(EUR millions)		Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	December 31, 2018	3,001	1,529	4,530	1	(4)	(3)	3,002	1,525	4,527
	December 31, 2019	747	314	1,061	(348)	340	(8)	399	654	1,053
	December 31, 2020	1,895	4	1,899	(401)	394	(7)	1,494	398	1,892
	December 31, 2021	1,289	4	1,293	(650)	634	(16)	639	638	1,277
	December 31, 2022	1,262	4	1,266	(313)	317	4	949	321	1,270
	December 31, 2023	17	3	20	-	-	-	17	3	20
	Thereafter	1,463	44	1,507	(300)	302	2	1,163	346	1,509
Total		**9,674**	**1,902**	**11,576**	**(2,011)**	**1,983**	**(28)**	**7,663**	**3,885**	**11,548**

See Note 22.4 for the market value of interest rate risk derivatives.

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

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

18.5. Analysis of gross borrowings by currency after derivatives

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

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

18.6. Sensitivity

On the basis of debt as of December 31, 2017:

- 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 39 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 181 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 39 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 181 million euros after hedging.

These changes would have no impact on the amount of equity as of December 31, 2017, due to the absence of hedging of future interest payments.

18.7. Covenants

In connection with certain loan agreements, the Group has undertaken to comply with certain financial covenants. As of December 31, 2017, no significant loan agreements are concerned by those covenants.

18.8. Undrawn confirmed credit lines

As of December 31, 2017, undrawn confirmed credit lines totaled 3.8 billion euros.

18.9. Guarantees and collateral

As of December 31, 2017, borrowings secured by collateral were less than 200 million euros.

19. PROVISIONS

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

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

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

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

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

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

Provisions for retirement benefit obligations, contribution to medical costs and other employee benefit commitments are analyzed in Note 29.

20. OTHER NON-CURRENT LIABILITIES

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

(a) See Note 22.

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

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

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

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

21. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

21.1. Trade accounts payable

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

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

21.2. Other current liabilities

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

(a) See Note 22.

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

22. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

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

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

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

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

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

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

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

22.2. Financial assets and liabilities recognized at fair value by measurement method

(EUR millions)	2017			2016			2015		
	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money-market funds)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money-market funds)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money-market funds)
Valuation [a] based on:									
Published price quotations	772	-	3,738	721	-	3,544	514	-	3,594
Valuation model based on market data	331	742	-	204	429	-	194	357	-
Private quotations	201	-	-	193	-	-	251	-	-
Assets	**1,304**	**742**	**3,738**	**1,118**	**429**	**3,544**	**959**	**357**	**3,594**
Valuation [a] based on:									
Published price quotations	-	-	-	-	-	-	-	-	-
Valuation model based on market data	-	274	-	-	341	-	-	187	-
Private quotations	-	-	-	-	-	-	-	-	-
Liabilities	**-**	**274**	**-**	**-**	**341**	**-**	**-**	**187**	**-**

(a) See Note 1.9 for information on the valuation approaches used.

Derivatives used by the Group are measured at fair value according to commonly used valuation models and based on market data. The counterparty risk associated with these derivatives (i.e. the credit valuation adjustment) is assessed on the basis of credit spreads from observable market data, as well as on the basis of the derivatives' market value adjusted by flat-rate add-ons depending on the type of underlying and the maturity of the derivative. It was not significant as of December 31, 2017, December 31, 2016 and December 31, 2015.

The amount of financial assets valued on the basis of private quotations changed as follows in 2017:

(EUR millions)	2017
As of January 1	**193**
Acquisitions	74
Disposals (at net realized value)	(15)
Gains and losses recognized in income statement	(6)
Gains and losses recognized in equity	21
Reclassifications	(66)
As of December 31	**201**

22.3. Summary of derivatives

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

(EUR millions)			Notes	2017	2016	2015
Interest rate risk	Assets:	non-current		33	53	57
		current		9	17	14
	Liabilities:	non-current		(8)	-	-
		current		(6)	(5)	(5)
			22.4	**28**	**65**	**66**
Foreign exchange risk	Assets:	non-current		34	46	3
		current		485	244	283
	Liabilities:	non-current		(29)	(65)	(2)
		current		(52)	(199)	(178)
			22.5	**438**	**26**	**106**
Other risks	Assets:	non-current		179	69	-
		current		2	-	-
	Liabilities:	non-current		(179)	(69)	-
		current		-	(3)	(2)
			22.6	**2**	**(3)**	**(2)**
Total	Assets:	non-current	9	246	168	60
		current	12	496	261	297
	Liabilities:	non-current	20	(216)	(134)	(2)
		current	21	(58)	(207)	(185)
				468	**88**	**170**

22.4. Derivatives used to manage interest rate risk

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

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

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

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

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

22.5. Derivatives used to manage foreign exchange risk

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

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

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

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

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

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

The impact on the income statement of gains and losses on hedges of future cash flows, as well as the future cash flows hedged using these instruments, will mainly be recognized in 2018; the amount will depend on exchange rates at that date. The impact on the net profit for fiscal year 2017 of a 10% change in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro, including impact of foreign exchange derivatives outstanding during the period, compared with the rates applying to transactions in 2017, would have been as follows:

(EUR millions)	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Impact of:								
- change in exchange rates of cash receipts in respect of foreign currency-denominated sales	192	(39)	39	(10)	-	-	-	-
- conversion of net profit of entities outside the eurozone	38	(38)	18	(18)	10	(10)	28	(28)
Impact on net profit	**230**	**(77)**	**57**	**(28)**	**10**	**(10)**	**28**	**(28)**

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2017, mainly comprising options and collars.

As of December 31, 2017, forecast cash collections for 2018 in US dollars and Japanese yen are 76% hedged.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2017 is assessed by measuring the impact of a 10% change in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro compared to the rates applying as of the same date:

(EUR millions)	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Conversion of foreign currency-denominated net assets	307	(307)	31	(31)	278	(278)	99	(99)
Change in market value of net investment hedges, after tax	(215)	279	(44)	56	(43)	35	(16)	13
Net impact on equity, excluding net profit	**92**	**(28)**	**(13)**	**25**	**235**	**(243)**	**83**	**(86)**

22.6. Financial instruments used to manage other risks

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

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

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

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

22.7. 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, i.e. 4.5 billion euros, which is virtually entirely covered by the 4.4 billion euros balance of cash and cash equivalents, or in relation to the outstanding amount of its commercial paper program, i.e. 1.9 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.

The Group's liquidity is based on the amount of its investments, its capacity to raise long-term borrowings, the diversity of its investor base (short-term paper and bonds), 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, 2017, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2018	2019	2020	2021	2022	Over 5 years	Total
Bonds and EMTNs	1,814	1,042	1,884	1,298	1,267	1,218	8,523
Bank borrowings	350	37	27	7	-	128	549
Other borrowings and credit facilities	447	-	-	-	-	-	447
Finance and other long-term leases	28	28	28	28	29	669	810
Commercial paper	1,855	-	-	-	-	-	1,855
Bank overdrafts	120	-	-	-	-	-	120
Gross borrowings	**4,614**	**1,107**	**1,939**	**1,333**	**1,296**	**2,015**	**12,304**
Other liabilities, current and non-current[(a)]	4,453	79	19	20	18	97	4,686
Trade accounts payable	4,540	-	-	-	-	-	4,540
Other financial liabilities	**8,993**	**79**	**19**	**20**	**18**	**97**	**9,226**
Total financial liabilities	**13,607**	**1,186**	**1,958**	**1,353**	**1,314**	**2,112**	**21,530**

(a) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 4,453 million euros and to "Other non-current liabilities" (excluding derivatives, purchase commitments for minority interests and deferred income of 255 million euros as of December 31, 2017) for 233 million euros.

See Note 30.3 regarding contractual maturity dates of collateral and other guarantee commitments. See Notes 18.5 and 22.5 regarding foreign exchange derivatives and Note 22.4 regarding interest rate risk derivatives.

23. SEGMENT INFORMATION

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

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

23.1. Information by business group

Fiscal year 2017

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

Fiscal year 2016

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

Fiscal year 2015

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

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

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

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

Operating investments by geographic region are as follows:

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

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

23.3. Quarterly information

Quarterly revenue by business group break down as follows:

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

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

24. REVENUE AND EXPENSES BY NATURE

24.1. Analysis of revenue

Revenue consists of the following:

(EUR millions)	2017	2016	2015
Revenue generated by brands and trade names	42,218	37,184	35,134
Royalties and license revenue	96	102	146
Income from investment property	32	31	33
Other revenue	290	283	351
Total	**42,636**	**37,600**	**35,664**

The portion of total revenue generated by the Group at its own stores, including sales through e-commerce websites, was approximately 69% in 2017 (65% in 2016 and 2015), i.e. 29,534 million euros in 2017 (24,321 million euros in 2016 and 23,051 million euros in 2015).

24.2. Expenses by nature

Profit from recurring operations includes the following expenses:

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

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

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

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

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

Personal costs consist of the following elements:

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

(a) See Note 29.
(b) See Note 16.4.

In 2017, the average workforce as full-time equivalent broke down as follows by professional category:

(in number and as %)	2017	%	2016	%	2015	%
Executives and managers	25,898	20%	22,810	20%	21,020	19%
Technicians and supervisors	13,455	10%	12,614	11%	11,828	11%
Administrative and sales employees	72,981	57%	65,788	56%	62,548	57%
Production workers	16,303	13%	15,574	13%	14,412	13%
Total	**128,637**	**100%**	**116,786**	**100%**	**109,808**	**100%**

24.3. Fees received by Statutory Auditors

The amount of fees paid to the Statutory Auditors of LVMH SE and members of their networks recorded in the consolidated income statement for the 2017 fiscal year breaks down as follows:

(EUR millions, excluding VAT)			2017
	ERNST & YOUNG Audit	MAZARS	Total
Certification of the consolidated and individual financial statements	10	6	16
Other services related to the certification assignment	n.s.	n.s.	n.s.
Audit-related fees	**10**	**6**	**16**
Tax services	3	n.s.	3
Other	1	n.s.	1
Non-audit-related service fees	**4**	**n.s.**	**4**
Total	**14**	**6**	**20**

n.s.: non-significant.

In addition to tax services, which are mainly performed outside France to ensure that the Group's subsidiaries and expatriates meet their local tax filing obligations, non-audit-related services include various types of certifications, mainly those required by landlords concerning the revenue of certain stores, and specific checks run at the Group's request.

25. OTHER OPERATING INCOME AND EXPENSES

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

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

In 2016, net gains (losses) on disposals included the gain related to the sale of Donna Karan International to G-III Apparel Group (see Note 2).

26. NET FINANCIAL INCOME/(EXPENSE)

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

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

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

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

(EUR millions)	2017	2016	2015
Hedged financial debt	27	(10)	6
Hedging instruments	(30)	9	(4)
Unallocated derivatives	17	(16)	(2)
Fair value adjustment of borrowings and interest rate hedges	**14**	**(17)**	**-**

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

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

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

27. INCOME TAXES

27.1. Analysis of the income tax expense

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

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

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

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

In 2015, this impact resulted from the reduction in the tax rate in Italy starting in 2017, which was applied to deferred taxes, mainly deferred taxes related to acquired brands. See Note 27.4.

27.2. Analysis of net deferred tax on the balance sheet

Net deferred taxes on the balance sheet include the following assets and liabilities:

(EUR millions)	2017	2016	2015
Deferred tax assets	1,738	2,058	1,945
Deferred tax liabilities	(3,910)	(4,137)	(4,685)
Net deferred tax asset (liability)	**(2,172)**	**(2,079)**	**(2,740)**

27.3. Analysis of the difference between the theoretical and effective income tax rates

The effective tax rate is as follows:

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

The theoretical income tax rate, defined as the rate applicable in law to the Group's French companies, including the 3.3% social contribution, may be reconciled as follows to the effective income tax rate disclosed in the consolidated financial statements:

(as % of income before tax)	2017	2016	2015
French statutory tax rate	**34.4**	**34.4**	**34.4**
Changes in tax rates [a]	(0.6)	(4.4)	(1.8)
Differences in tax rates for foreign companies	(6.4)	(5.5)	(4.2)
Tax losses and tax loss carry forwards, and other changes in deferred tax	0.7	0.5	1.2
Differences between consolidated and taxable income, and income taxable at reduced rates	2.8	5.2	1.6
Tax on dividend payments applicable to French companies, net of the exceptional surtax [a]	(2.8)	0.9	0.9
Other taxes on distribution [b]	1.1	1.5	0.9
Effective tax rate of the Group	**29.2**	**32.6**	**33.0**

(a) See Note 27.1.
(b) Tax on distribution is mainly related to intercompany dividends.

27.4. Sources of deferred taxes

In the income statement [a]

(EUR millions)	2017	2016	2015
Valuation of brands	216	407	148
Other revaluation adjustments	46	53	15
Gains and losses on available for sale financial assets	6	-	-
Gains and losses on hedges of future foreign currency cash flows	(31)	43	(6)
Provisions for contingencies and losses	(74)	45	100
Intercompany margin included in inventories	(38)	14	(15)
Other consolidation adjustments	(17)	(29)	-
Losses carried forward	(24)	27	2
Total	**84**	**560**	**244**

(a) Income/(Expenses).

In equity [a]

(EUR millions)	2017	2016	2015
Fair value adjustment of vineyard land	81	108	(21)
Gains and losses on available for sale financial assets	(57)	(2)	22
Gains and losses on hedges of future foreign currency cash flows	(77)	(2)	3
Gains and losses on employee benefit commitments	(22)	17	(16)
Total	**(75)**	**121**	**(12)**

(a) Gains/(Losses).

In the balance sheet [a]

(EUR millions)	2017	2016	2015
Valuation of brands	(2,968)	(3,114)	(3,523)
Fair value adjustment of vineyard land	(565)	(650)	(758)
Other revaluation adjustments	(287)	(320)	(358)
Gains and losses on available for sale financial assets	(55)	(3)	(2)
Gains and losses on hedges of future foreign currency cash flows	(53)	55	32
Provisions for contingencies and losses	596	732	603
Intercompany margin included in inventories	707	727	710
Other consolidation adjustments	428	434	525
Losses carried forward	25	60	31
Total	**(2,172)**	**(2,079)**	**(2,740)**

(a) Asset/(Liability).

27.5. Losses carried forward

As of December 31, 2017, unused tax loss carryforwards and tax credits for which no assets were recognized (deferred tax assets or receivables), had a potential positive impact on the future tax expense of 446 million euros (331 million euros in 2016 and 2015).

27.6. Tax consolidation

- Tax consolidation agreements in France allow virtually all 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 an increase in the current tax expense of 6 million euros in 2017 (decrease of 37 million euros in 2016; decrease of 125 million euros in 2015).
- The application of other tax consolidation agreements, notably in the United States, generated current tax savings of 85 million euros in 2017 (99 million euros in 2016; 77 million euros in 2015).

28. EARNINGS PER SHARE

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

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

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

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

29.1. Expense for the fiscal year

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

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

29.2. Net recognized commitment

(EUR millions)	Notes	2017	2016	2015
Benefits covered by plan assets		1,490	1,523	1,362
Benefits not covered by plan assets		179	193	183
Defined-benefit obligation		**1,669**	**1,716**	**1,545**
Market value of plan assets		**(1,077)**	**(1,038)**	**(940)**
Net recognized commitment		**592**	**678**	**605**
Of which:				
Non-current provisions	19	625	698	632
Current provisions	19	4	4	4
Other assets		(37)	(24)	(31)
Total		**592**	**678**	**605**

29.3. Analysis of the change in net recognized commitment

(EUR millions)	Defined-benefit obligation	Market value of plan assets	Net recognized commitment
As of December 31, 2016	**1,716**	**(1,038)**	**678**
Service cost	110	-	110
Net interest cost	30	(18)	12
Payments to recipients	(111)	86	(25)
Contributions to plan assets	-	(110)	(110)
Contributions of employees	8	(8)	-
Changes in scope and reclassifications	23	(7)	16
Changes in plans	(10)	-	(10)
Actuarial gains and losses	(9)	(49)	(58)
Of which: experience adjustments[a]	*4*	*(49)*	*(45)*
changes in demographic assumptions[a]	*(6)*	-	*(6)*
changes in financial assumptions[a]	*(7)*	-	*(7)*
Translation adjustment	(88)	67	(21)
As of December 31, 2017	**1,669**	**(1,077)**	**592**

(a) (Gains)/Losses.

Actuarial gains and losses resulting from experience adjustments related to fiscal years 2013 to 2016 were as follows:

(EUR millions)	2013	2014	2015	2016
Experience adjustments on the defined-benefit obligation	1	3	(11)	(1)
Experience adjustments on the market value of plan assets	(35)	(28)	(12)	(25)
Actuarial gains and losses resulting from experience adjustments[a]	**(34)**	**(25)**	**(23)**	**(26)**

(a) (Gains)/Losses.

The actuarial assumptions applied to estimate commitments as of December 31, 2017 in the main countries where such commitments have been undertaken were as follows:

(as %)	2017					2016					2015				
	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland
Discount rate[a]	1.50	3.70	2.60	0.50	0.65	1.30	3.92	2.80	0.50	0.11	2.00	4.01	3.74	1.00	0.75
Future rate of increase of salaries	2.68	1.70	3.53	2.00	1.69	2.75	4.88	4.00	2.00	1.77	2.75	4.90	3.92	2.00	1.90

(a) Discount rates were determined with reference to market yields of AA-rated corporate bonds at the period-end in the countries concerned. Bonds with maturities comparable to those of the commitments were used.

The assumed rate of increase of medical expenses in the United States is 6.60% for 2018, after which it is assumed to decline progressively to reach 4.50% in 2037.

A rise of 0.5 points in the discount rate would result in a reduction of 102 million euros in the amount of the defined-benefit obligation as of December 31, 2017; a decrease of 0.5 points in the discount rate would result in a rise of 105 million euros.

29.4. Analysis of benefits

The breakdown of the defined-benefit obligation by type of benefit plan is as follows:

(EUR millions)	2017	2016	2015
Supplementary pensions	1,279	1,335	1,203
Retirement and other indemnities	311	299	265
Medical costs of retirees	45	53	50
Jubilee awards	25	24	23
Other	9	5	4
Defined-benefit obligation	**1,669**	**1,716**	**1,545**

The geographic breakdown of the defined-benefit obligation is as follows:

(EUR millions)	2017	2016	2015
France	579	566	484
Europe (Excluding France)	569	618	583
United States	344	347	315
Japan	125	130	108
Asia (excluding Japan)	44	48	49
Other countries	8	7	6
Defined-benefit obligation	**1,669**	**1,716**	**1,545**

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2017 are as follows:

- in France, these commitments include the commitment to members of the Group's Executive Committee and senior executives, who are covered by a supplementary pension plan after a certain number of years of service, the amount of which is determined on the basis of the average of their three highest amounts of annual remuneration; they also include retirement indemnities and jubilee awards, the payment of which is determined by French law and collective bargaining agreements, respectively upon retirement or after a certain number of years of service;
- in Europe (excluding France), the main commitments concern defined-benefit pension plans, set up in the United Kingdom by certain Group companies; in Switzerland, participation by Group companies in the mandatory Swiss occupational pension plan, the LPP (*Loi pour la Prévoyance Professionnelle*); and 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;
- in the United States, the commitment relates to defined-benefit pension plans or systems for the reimbursement of medical expenses of retirees set up by certain Group companies.

29.5. Analysis of related plan assets

The breakdown of the market value of plan assets by type of investment is as follows:

(as % of market value of related plan assets)	2017	2016	2015
Shares	25	28	26
Bonds			
- private issues	36	34	38
- public issues	6	8	10
Cash, investment funds, real estate and other assets	33	30	26
Total	**100**	**100**	**100**

These assets do not include debt securities issued by Group companies, or any LVMH shares for significant amounts. The Group plans to increase the related plan assets in 2018 by paying in approximately 118 million euros.

30. OFF-BALANCE SHEET COMMITMENTS

30.1. Purchase commitments

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

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

As of December 31, 2016, purchase commitments for shares and non-current available for sale financial assets included the amount related to the acquisition of Rimowa. See Note 2.

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

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

30.2. Lease and similar commitments

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

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

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

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

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

30.3. Collateral and other guarantees

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

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

The maturity dates of these commitments are as follows:

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

30.4. Other commitments

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

31. EXCEPTIONAL EVENTS AND LITIGATION

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

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

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

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

32. RELATED-PARTY TRANSACTIONS

32.1. Relations of LVMH with Christian Dior and Groupe Arnault

Relations of LVMH with Groupe Arnault and its subsidiaries

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

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

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

Transactions between LVMH and Groupe Arnault and its subsidiaries may be summarized as follows:

(EUR millions)	2017	2016	2015
Amounts billed by Groupe Arnault SE, Financière Agache and Christian Dior SE to LVMH	(6)	(6)	(6)
Amount payable outstanding as of December 31	(2)	(2)	(2)
Amounts billed by LVMH to Groupe Arnault SE, Financière Agache and Christian Dior SE	5	5	7
Amount receivable outstanding as of December 31	1	4	5

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

Relations of LVMH with Christian Dior

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

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

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

32.2. Relations with Diageo

Moët Hennessy SAS and Moët Hennessy International SAS (hereinafter referred to as "Moët Hennessy") are the holding companies for LVMH's Wines and Spirits businesses, with the exception of Château d'Yquem, Château Cheval Blanc, Domaine du Clos des Lambrays and certain champagne vineyards. Diageo holds a 34% stake in Moët Hennessy. When that holding was acquired in 1994, an agreement was entered into between Diageo and LVMH for the apportionment of shared holding company expenses between Moët Hennessy and the other holding companies of the LVMH group.

Under this agreement, Moët Hennessy assumed 16% of shared expenses in 2017 (17% in 2016 and 2015) and billed the related excess costs to LVMH SE, after which the amount of the costs assumed by Moët Hennessy was 19 million euros in 2017 (21 million euros in 2016; 16 million euros in 2015).

32.3. Relations with the Fondation Louis Vuitton

In October 2014, the Fondation Louis Vuitton opened a modern and contemporary art museum in Paris. The LVMH group provides financing to the Fondation Louis Vuitton as part of its corporate sponsorship activities. Its net contributions to this project are included in "Property, plant and equipment" and are depreciated from the time the museum opened (October 2014) over the remaining duration of the public property use agreement awarded by the City of Paris.

The Fondation Louis Vuitton also obtains external financing guaranteed by LVMH. These guarantees are part of LVMH's off-balance sheet commitments (see Note 30.3).

32.4. 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)	**2017**	**2016**	**2015**
Gross compensation, employers' charges and benefits in kind	63	62	58
Post-employment benefits	17	16	15
Other long-term benefits	2	11	5
End of contract indemnities	12	-	-
Stock option and similar plans	14	14	8
Total	**108**	**103**	**86**

The commitment recognized as of December 31, 2017 for post-employment benefits net of related financial assets was 68 million euros (72 million euros as of December 31, 2016 and 63 million euros as of December 31, 2015).

33. SUBSEQUENT EVENTS

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

CONSOLIDATED COMPANIES

Companies	Registered office	Method of consolidation	Ownership interest
WINES AND SPIRITS			
MHCS	Épernay, France	FC	66%
Champagne Des Moutiers	Épernay, France	FC	66%
Société Viticole de Reims	Épernay, France	FC	66%
Compagnie Française du Champagne et du Luxe	Épernay, France	FC	66%
Chamfipar	Épernay, France	FC	66%
GIE MHIS	Épernay, France	FC	66%
Moët Hennessy Entreprise Adaptée	Épernay, France	FC	66%
Champagne Bernard Breuzon	Colombé-le-Sec, France	FC	66%
Champagne De Mansin	Gyé-sur-Seine, France	FC	66%
Société Civile des Crus de Champagne	Reims, France	FC	66%
Moët Hennessy Italia SpA	Milan, Italy	FC	66%
Moët Hennessy UK	London, United Kingdom	FC	66%
Moët Hennessy España	Barcelona, Spain	FC	66%
Moët Hennessy (Suisse)	Geneva, Switzerland	FC	66%
Moët Hennessy Deutschland GmbH	Munich, Germany	FC	66%
Moët Hennessy de Mexico	Mexico City, Mexico	FC	66%
Moët Hennessy Belux	Brussels, Belgium	FC	66%
Moët Hennessy Österreich	Vienna, Austria	FC	66%
Moët Hennessy Suomi	Helsinki, Finland	FC	66%
Moët Hennessy Polska	Warsaw, Poland	FC	66%
Moët Hennessy Czech Republic	Prague, Czech Republic	FC	66%
Moët Hennessy Sverige	Stockholm, Sweden	FC	66%
Moët Hennessy Norge	Sandvika, Norway	FC	66%
Moët Hennessy Danmark	Copenhagen, Denmark	FC	66%
Moët Hennessy Nederland	Baarn, Netherlands	FC	66%
Moët Hennessy USA	New York, USA	FC	66%
Moët Hennessy Turkey	Istanbul, Turkey	FC	66%
Moët Hennessy South Africa Pty Ltd	Johannesburg, South Africa	FC	66%
MH Champagnes and Wines Korea Ltd	Icheon, South Korea	FC	66%
MHD Moët Hennessy Diageo	Courbevoie, France	JV	66%
Cheval des Andes SA	Buenos Aires, Argentina	EM	33%
Domaine Chandon	California, USA	FC	66%
Cape Mentelle Vineyards	Margaret River, Australia	FC	66%
Veuve Clicquot Properties	Margaret River, Australia	FC	66%
Moët Hennessy Do Brasil – Vinhos E Destilados	São Paulo, Brazil	FC	66%
Cloudy Bay Vineyards	Blenheim, New Zealand	FC	66%
Bodegas Chandon Argentina	Buenos Aires, Argentina	FC	66%
Domaine Chandon Australia	Coldstream, Victoria, Australia	FC	66%
Newton Vineyards	California, USA	FC	59%
Domaine Chandon (Ningxia) Moët Hennessy Co.	Yinchuan, China	FC	66%
Moët Hennessy Chandon (Ningxia) Vineyards Co.	Yinchuan, China	FC	40%
SA Du Château d'Yquem	Sauternes, France	FC	96%
SC Du Château d'Yquem	Sauternes, France	FC	96%
Société Civile Cheval Blanc (SCCB)	Saint-Émilion, France	EM	50%
Colgin Cellars LLC	Saint Helena, USA	FC	60%
Moët Hennessy Shangri-La (Deqin) Winery Company	Deqin, China	FC	53%
Jas Hennessy & Co.	Cognac, France	FC	65%
Distillerie de la Groie	Cognac, France	FC	65%
SICA de Bagnolet	Cognac, France	FC	3%
Sodepa	Cognac, France	FC	65%
Diageo Moët Hennessy BV	Amsterdam, Netherlands	JV	66%
Hennessy Dublin	Dublin, Ireland	FC	66%
Edward Dillon & Co. Ltd	Dublin, Ireland	EM	26%
Hennessy Far East	Hong Kong, China	FC	65%
Moët Hennessy Diageo Hong Kong	Hong Kong, China	JV	66%
Moët Hennessy Diageo Macau	Macao, China	JV	66%
Riche Monde (China)	Hong Kong, China	JV	66%
Moët Hennessy Diageo Singapore Pte	Singapore	JV	66%
Moët Hennessy Cambodia Co.	Phnom Penh, Cambodia	FC	34%
Moët Hennessy Philippines	Makati, Philippines	FC	49%
Société du Domaine des Lambrays	Morey-Saint-Denis, France	FC	100%
Moët Hennessy Services UK	London, United Kingdom	FC	66%
Moët Hennessy Services Singapore Pte Ltd	Singapore	FC	66%
Moët Hennessy Diageo Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	JV	66%
Diageo Moët Hennessy Thailand	Bangkok, Thailand	JV	66%
Moët Hennessy Shanghai	Shanghai, China	FC	66%
Moët Hennessy India	Mumbai, India	FC	66%
Jas Hennessy Taiwan	Taipei, Taiwan	FC	65%
Moët Hennessy Diageo China Company	Shanghai, China	JV	66%
Moët Hennessy Distribution Rus	Moscow, Russia	FC	66%
Moët Hennessy Vietnam Importation Co.	Ho Chi Minh City, Vietnam	FC	65%
Moët Hennessy Vietnam Distribution Shareholding Co.	Ho Chi Minh City, Vietnam	FC	33%
Moët Hennessy Rus	Moscow, Russia	FC	66%
MHD Moët Hennessy Diageo	Tokyo, Japan	JV	66%
Moët Hennessy Asia Pacific Pte Ltd	Singapore	FC	65%
Moët Hennessy Australia	Mascot, Australia	FC	65%
Polmos Zyrardow Sp. z o.o.	Zyrardow, Poland	FC	66%
The Glenmorangie Company	Edinburgh, United Kingdom	FC	66%
Macdonald & Muir Ltd	Edinburgh, United Kingdom	FC	66%
Alistair Graham Limited	Edinburgh, United Kingdom	FC	66%
Ardbeg Distillery Limited	Edinburgh, United Kingdom	FC	66%
Ardbeg Ltd	Edinburgh, United Kingdom	FC	66%
Bonding and Transport Co. Ltd	Edinburgh, United Kingdom	FC	66%
Charles Muirhead & Son Limited	Edinburgh, United Kingdom	FC	66%
Douglas Macniven & Company Ltd	Edinburgh, United Kingdom	FC	66%
Glenmorangie Distillery Co. Ltd	Edinburgh, United Kingdom	FC	66%
Glenmorangie Spring Water	Edinburgh, United Kingdom	FC	66%
James Martin & Company Ltd	Edinburgh, United Kingdom	FC	66%
Macdonald Martin Distilleries	Edinburgh, United Kingdom	FC	66%
Morangie Mineral Water Company	Edinburgh, United Kingdom	FC	66%
Morangie Springs Limited	Edinburgh, United Kingdom	FC	66%
Nicol Anderson & Co. Ltd	Edinburgh, United Kingdom	FC	66%
Tarlogie Springs Limited	Edinburgh, United Kingdom	FC	66%
Woodinville Whiskey Company LLC	Woodinville, USA	FC	66%
Volcan Azul	El Arenal, Mexico	EM	33%
FASHION AND LEATHER GOODS			
Louis Vuitton Malletier	Paris, France	FC	100%
Manufacture de Souliers Louis Vuitton	Fiesso d'Artico, Italy	FC	100%
Louis Vuitton Saint-Barthélemy	Saint-Barthélemy, French Antilles	FC	100%
Louis Vuitton Cantacilik Ticaret	Istanbul, Turkey	FC	100%
Louis Vuitton Editeur	Paris, France	FC	100%
Louis Vuitton International	Paris, France	FC	100%
Louis Vuitton India Holding & Services	Bangalore, India	FC	100%
Société des Ateliers Louis Vuitton	Paris, France	FC	100%
Manufacture des Accessoires Louis Vuitton	Fiesso d'Artico, Italy	FC	100%
Louis Vuitton Bahrain WLL	Manama, Bahrain	FC	65%
Société Louis Vuitton Services	Paris, France	FC	100%
Louis Vuitton Qatar	Doha, Qatar	FC	63%
Société des Magasins Louis Vuitton France	Paris, France	FC	100%
Belle Jardinière	Paris, France	FC	100%
La Fabrique du Temps Louis Vuitton	Meyrin, Switzerland	FC	100%
Les Ateliers Joailliers Louis Vuitton	Paris, France	FC	100%
Louis Vuitton Monaco	Monaco	FC	100%
ELV	Paris, France	FC	100%
Louis Vuitton Services Europe	Brussels, Belgium	FC	100%
Louis Vuitton UK	London, United Kingdom	FC	100%
Louis Vuitton Ireland	Dublin, Ireland	FC	100%
Louis Vuitton Deutschland	Munich, Germany	FC	100%
Louis Vuitton Ukraine	Kiev, Ukraine	FC	100%
Sociedad de Catalana Talleres Artesanos Louis Vuitton	Barcelona, Spain	FC	100%
Sociedad de Talleres de Accesorios en Cuero LV	Barcelona, Spain	FC	100%
La Fabrique de Maroquinerie Louis Vuitton	Paris, France	FC	100%
Louis Vuitton	Amsterdam, Netherlands	FC	100%
Louis Vuitton Belgium	Brussels, Belgium	FC	100%
Louis Vuitton Luxembourg	Luxembourg	FC	100%
Louis Vuitton Hellas	Athens, Greece	FC	100%
Louis Vuitton Portugal Maleiro	Lisbon, Portugal	FC	100%
Louis Vuitton Ltd	Tel Aviv, Israel	FC	100%
Louis Vuitton Danmark	Copenhagen, Denmark	FC	100%
Louis Vuitton Aktiebolag	Stockholm, Sweden	FC	100%
Louis Vuitton Suisse	Meyrin, Switzerland	FC	100%
Louis Vuitton Polska Sp. z o.o.	Warsaw, Poland	FC	100%
Louis Vuitton Ceska	Prague, Czech Republic	FC	100%
Louis Vuitton Österreich	Vienna, Austria	FC	100%
Louis Vuitton Kazakhstan	Almaty, Kazakhstan	FC	100%
Louis Vuitton US Manufacturing	San Dimas, USA	FC	100%
Louis Vuitton Hawaii	New York, USA	FC	100%
Louis Vuitton Guam	Tamuning, Guam	FC	100%
Louis Vuitton Saipan Inc.	Saipan, Northern Mariana Islands	FC	100%
Louis Vuitton Norge	Oslo, Norway	FC	100%
San Dimas Luggage Company	San Dimas, USA	FC	100%
Louis Vuitton North America	New York, USA	FC	100%
Louis Vuitton USA	New York, USA	FC	100%
Louis Vuitton Liban Retail SAL	Beirut, Lebanon	FC	95%
Louis Vuitton Vietnam Company Limited	Hanoi, Vietnam	FC	100%
Louis Vuitton Suomi	Helsinki, Finland	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
Louis Vuitton Romania	Bucharest, Romania	FC	100%
LVMH Fashion Group Brasil	São Paulo, Brazil	FC	100%
Louis Vuitton Panama	Panama City, Panama	FC	100%
Louis Vuitton Mexico	Mexico City, Mexico	FC	100%
Operadora Louis Vuitton Mexico	Mexico City, Mexico	FC	100%
Louis Vuitton Uruguay	Montevideo, Uruguay	FC	100%
Louis Vuitton Chile	Santiago de Chile, Chile	FC	100%
Louis Vuitton (Aruba)	Oranjestad, Aruba	FC	100%
Louis Vuitton Republica Dominicana	Santo Domingo, Dominican Republic	FC	100%
Louis Vuitton Pacific	Hong Kong, China	FC	100%
Louis Vuitton Kuwait WLL	Kuwait City, Kuwait	FC	32%
Louis Vuitton Hong Kong Limited	Hong Kong, China	FC	100%
Louis Vuitton (Philippines) Inc.	Makati, Philippines	FC	100%
Louis Vuitton Singapore Pte Ltd	Singapore	FC	100%
LV Information & Operation Services Pte Ltd	Singapore	FC	100%
PT Louis Vuitton Indonesia	Jakarta, Indonesia	FC	98%
Louis Vuitton (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Louis Vuitton (Thailand) Société Anonyme	Bangkok, Thailand	FC	100%
Louis Vuitton Taiwan	Taipei, Taiwan	FC	100%
Louis Vuitton Australia Pty Ltd	Sydney, Australia	FC	100%
Louis Vuitton (China) Co.	Shanghai, China	FC	100%
Mon Moda Luxe LLC	Ulaanbaatar, Mongolia	FC	100%
Louis Vuitton New Zealand	Auckland, New Zealand	FC	100%
Louis Vuitton India Retail Pte Ltd	Gurgaon, India	FC	100%
Louis Vuitton EAU	Dubai, United Arab Emirates	FC	52%
Louis Vuitton Saudi Arabia	Jeddah, Saudi Arabia	FC	55%
Louis Vuitton Middle East	Dubai, United Arab Emirates	FC	65%
Louis Vuitton – Jordan PSC	Amman, Jordan	FC	95%
Louis Vuitton Orient	Emirate of Ras al-Khaimah, United Arab Emirates	FC	65%
Louis Vuitton Korea Ltd	Seoul, South Korea	FC	100%
LVMH Fashion Group Trading Korea Ltd	Seoul, South Korea	FC	100%
Louis Vuitton Hungaria	Budapest, Hungary	FC	100%
Louis Vuitton Vostok	Moscow, Russia	FC	100%
LV Colombia	Santa Fé de Bogotá, Colombia	FC	100%
Louis Vuitton Maroc	Casablanca, Morocco	FC	100%
Louis Vuitton South Africa	Johannesburg, South Africa	FC	100%
Louis Vuitton Macau Company	Macao, China	FC	100%
LVMH Fashion (Shanghai) Trading Co.	Shanghai, China	FC	100%
Louis Vuitton Japan KK	Tokyo, Japan	FC	99%
Louis Vuitton Services KK	Tokyo, Japan	FC	99%
Louis Vuitton Canada	Toronto, Canada	FC	100%
Louis Vuitton (Barbados)	Saint Michael, Barbados	FC	100%
Atepeli – Ateliers de Ponte de Lima	Calvelo, Portugal	FC	100%
Somarest	Sibiu, Romania	FC	100%
LVMH Métiers D'Art	Paris, France	FC	100%
Tanneries Roux	Romans-sur-Isère, France	FC	100%
HLI Holding Pte Ltd	Singapore	FC	100%
Heng Long International Ltd	Singapore	FC	100%
Heng Long Leather Co. (Pte) Ltd	Singapore	FC	100%
Heng Long Leather (Guangzhou) Co. Ltd	Guangzhou, China	FC	100%
HL Australia Proprietary Ltd	Sydney, Australia	FC	100%
Starke Holding	Delaware, USA	FC	100%
Cypress Creek Farms	Delaware, USA	FC	100%
The Florida Alligator Company	Delaware, USA	FC	100%
Pellefina	Starke, USA	FC	100%
Thélios SpA	Longarone, Italy	FC	51%
Thélios France	Paris, France	FC	51%
Thélios USA Inc.	Somerville, USA	FC	51%
Marc Jacobs International	Delaware, USA	FC	80%
Marc Jacobs International (UK)	London, United Kingdom	FC	80%
Marc Jacobs Trademark	Delaware, USA	FC	80%
Marc Jacobs Japan	Tokyo, Japan	FC	80%
Marc Jacobs International Italia	Milan, Italy	FC	80%
Marc Jacobs International France	Paris, France	FC	80%
Marc Jacobs Commercial and Trading (Shanghai) Co.	Shanghai, China	FC	80%
Marc Jacobs Hong Kong	Hong Kong, China	FC	80%
Marc Jacobs Holdings	Delaware, USA	FC	80%
Marc Jacobs Hong Kong Distribution Company	Hong Kong, China	FC	80%
Marc Jacobs Macau Distribution Company	Macao, China	FC	80%
Loewe	Madrid, Spain	FC	100%
Loewe Hermanos	Madrid, Spain	FC	100%
Manufacturas Loewe	Madrid, Spain	FC	100%
LVMH Fashion Group France	Paris, France	FC	100%
Loewe Hermanos UK	London, United Kingdom	FC	100%
Loewe Hong Kong	Hong Kong, China	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
Loewe Commercial and Trading (Shanghai) Co.	Shanghai, China	FC	100%
Loewe Fashion	Singapore	FC	100%
Loewe Taiwan	Taipei, Taiwan	FC	100%
Loewe Macau Company	Macao, China	FC	100%
Loewe Italy	Milan, Italy	FC	100%
Loewe Alemania	Frankfurt, Germany	FC	100%
Loewe LLC	New York, USA	FC	100%
LVMH Fashion Group Support	Paris, France	FC	100%
Berluti SA	Paris, France	FC	100%
Manifattura Berluti Srl	Ferrara, Italy	FC	100%
Berluti LLC	New York, USA	FC	100%
Berluti UK Limited (Company)	London, United Kingdom	FC	100%
Berluti Macau Company Limited	Macao, China	FC	100%
Berluti (Shanghai) Company Limited	Shanghai, China	FC	100%
Berluti Hong Kong Company Limited	Hong Kong, China	FC	100%
Berluti Deutschland GmbH	Munich, Germany	FC	100%
Berluti Singapore Pte Ltd	Singapore	FC	100%
Berluti Japan KK	Tokyo, Japan	FC	99%
Berluti Orient FZ LLC	Emirate of Ras Al Khaimah, United Arab Emirates	FC	65%
Berluti EAU LLC	Dubai, United Arab Emirates	FC	65%
Berluti Taiwan Ltd	Taipei, Taiwan	FC	100%
Berluti Korea Company Limited	Seoul, South Korea	FC	65%
Berluti Australia Pty Ltd	Sydney, Australia	FC	100%
Rossimoda	Vigonza, Italy	FC	100%
Rossimoda Romania	Cluj-Napoca, Romania	FC	100%
LVMH Fashion Group Services	Paris, France	FC	100%
Montaigne	Tokyo, Japan	FC	99%
Interlux Company	Hong Kong, China	FC	100%
Rimowa GmbH	Cologne, Germany	FC	80%
Rimowa GmbH & Co Distribution KG GmbH	Cologne, Germany	FC	80%
Rimowa Electronic Tag GmbH	Hamburg, Germany	FC	80%
Rimowa CZ spol s r.o.	Pelhřimov, Czech Republic	FC	80%
Rimowa America Do Sul Malas De Viagem Ltda	São Paulo, Brazil	FC	80%
Rimowa North America Inc.	Cambridge, Canada	FC	80%
Rimowa Inc.	Delaware, USA	FC	80%
Rimowa Distribution Inc.	Delaware, USA	FC	80%
Rimowa Far East Limited	Hong Kong, China	FC	80%
Rimowa Macau Limited	Macao, China	FC	80%
Rimowa Japan Co. Ltd	Tokyo, Japan	FC	80%
Rimowa France SARL	Paris, France	FC	80%
Rimowa Italy Srl	Milan, Italy	FC	80%
Rimowa Netherlands BV	Amsterdam, Netherlands	FC	80%
Rimowa Spain S.L.U.	Madrid, Spain	FC	80%
Rimowa Great Britain Limited	London, United Kingdom	FC	80%
Rimowa Chile SpA	Santiago de Chile, Chile	FC	80%
110 Vondrau Holdings Inc.	Cambridge, Canada	FC	80%
Christian Dior Couture Korea Ltd	Seoul, South Korea	FC	100%
Christian Dior KK (Kabushiki Kaisha)	Tokyo, Japan	FC	100%
Christian Dior Inc.	New York, USA	FC	100%
Christian Dior Far East Ltd	Hong Kong, China	FC	100%
Christian Dior Hong Kong Ltd	Hong Kong, China	FC	100%
Christian Dior Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Christian Dior Singapore Pte Ltd	Singapore	FC	100%
Christian Dior Australia Pty Ltd	Sydney, Australia	FC	100%
Christian Dior New Zealand Ltd	Auckland, New Zealand	FC	100%
Christian Dior Taiwan Limited	Hong Kong, China	FC	90%
Christian Dior (Thailand) Co. Ltd	Bangkok, Thailand	FC	100%
Christian Dior Saipan Ltd	Saipan, Northern Mariana Islands	FC	100%
Christian Dior Guam Ltd	Tumon Bay, Guam	FC	100%
Christian Dior Espanola S.L.	Madrid, Spain	FC	100%
Christian Dior Puerto Banus S.L.	Madrid, Spain	FC	75%
Christian Dior UK Limited	London, United Kingdom	FC	100%
Christian Dior Italia Srl	Milan, Italy	FC	100%
Christian Dior Suisse SA	Geneva, Switzerland	FC	100%
Christian Dior GmbH	Pforzheim, Germany	FC	100%
Christian Dior Fourrure M.C.S.A.M.	Monaco	FC	100%
Christian Dior do Brasil Ltda	São Paulo, Brazil	FC	100%
Christian Dior Belgique SA	Brussels, Belgium	FC	100%
Bopel Srl	Lugagnano Val d'Arda, Italy	FC	85%
Christian Dior Couture CZ s.r.o.	Prague, Czech Republic	FC	100%
Ateliers AS	Pierre-Bénite, France	EM	25%
Christian Dior Couture SA	Paris, France	FC	100%
Christian Dior Couture FZE	Dubai, United Arab Emirates	FC	100%
Christian Dior Couture Maroc SA	Casablanca, Morocco	FC	100%
Christian Dior Macau Single Shareholder Company Limited	Macao, China	FC	100%
Christian Dior S. de R.L. de C.V.	Lomas de Chapultepec, Mexico	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
Les Ateliers Bijoux GmbH	Pforzheim, Germany	FC	100%
Christian Dior Commercial (Shanghai) Co. Ltd	Shanghai, China	FC	100%
Christian Dior Trading India Pte Ltd	Mumbai, India	FC	51%
Christian Dior Couture Stoleshnikov LLC	Moscow, Russia	FC	100%
Ateliers Modèles SAS	Paris, France	FC	100%
CDCH SA	Luxembourg	FC	75%
CDC Abu-Dhabi LLC Couture	Abu Dhabi, United Arab Emirates	FC	75%
Dior Grèce Société Anonyme Garments Trading	Athens, Greece	FC	100%
CDC General Trading LLC	Dubai, United Arab Emirates	FC	80%
Christian Dior Istanbul Magazacilik Anonim Sirketi	Istanbul, Turkey	FC	51%
John Galliano SA	Paris, France	FC	100%
Christian Dior Couture Qatar LLC	Doha, Qatar	FC	82%
Christian Dior Couture Bahrain W.L.L.	Manama, Bahrain	FC	84%
PT Fashion Indonesia Trading Company	Jakarta, Indonesia	FC	100%
Christian Dior Couture Ukraine SARL	Kiev, Ukraine	FC	100%
CDCG FZCO	Dubai, United Arab Emirates	FC	85%
COU.BO Srl	Arzano, Italy	FC	85%
Christian Dior Netherlands BV	Amsterdam, Netherlands	FC	100%
Christian Dior Vietnam LLC	Hanoi, Vietnam	FC	100%
Vermont SAS	Paris, France	FC	100%
Christian Dior Couture Kazakhstan LLP	Almaty, Kazakhstan	FC	100%
Christian Dior Austria GmbH	Vienna, Austria	FC	100%
Manufactures Dior Srl	Milan, Italy	FC	100%
Christian Dior Couture Azerbaijan LLC	Baku, Azerbaijan	FC	100%
Draupnir SA	Luxembourg	FC	100%
Myolnir SA	Luxembourg	FC	100%
Christian Dior Couture Luxembourg SA	Luxembourg	FC	100%
Les Ateliers Horlogers Dior SA	La Chaux-de-Fonds, Switzerland	FC	100%
Dior Montres SARL	Paris, France	FC	100%
Christian Dior Couture Canada Inc.	Ottawa, Canada	FC	100%
Christian Dior Couture Panama Inc.	Panama City, Panama	FC	100%
IDMC Manufacture SAS	Paris, France	FC	52%
GINZA SA	Luxembourg	FC	100%
GFEC. Srl	Casoria, Italy	FC	100%
CD Kuwait Fashion Accessories With Limited Liability	Koweit City, Koweit	FC	85%
Aurelia Solutions Srl	Milan, Italy	FC	100%
Grandville SA	Luxembourg	FC	100%
Céline SA	Paris, France	FC	99%
Avenue M International SCA	Paris, France	FC	99%
Enilec Gestion SARL	Paris, France	FC	99%
Céline Montaigne SAS	Paris, France	FC	99%
Céline Monte-Carlo SA	Monaco	FC	99%
Céline Germany GmbH	Berlin, Germany	FC	99%
Céline Production Srl	Florence, Italy	FC	99%
Céline Suisse SA	Geneva, Switzerland	FC	99%
Céline UK Ltd	London, United Kingdom	FC	99%
Céline Inc.	Delaware, USA	FC	100%
Céline (Hong Kong) Limited	Hong Kong, China	FC	99%
Céline Commercial and Trading (Shanghai) Co. Ltd	Shanghai, China	FC	99%
Céline Boutique Taiwan Co. Ltd	Taipei, Taiwan	FC	100%
CPC Macau Company Limited	Macao, China	FC	99%
LVMH FG Services UK	London, United Kingdom	FC	100%
Céline Distribution Spain S.L.U.	Madrid, Spain	FC	99%
Céline Distribution Singapore	Singapore	FC	99%
RC Diffusion Rive Droite SARL	Paris, France	FC	99%
C EAU LLC	Dubai, United Arab Emirates	FC	52%
Céline Netherlands BV	Baarn, Netherlands	FC	99%
Céline Australia Ltd Co.	Sydney, Australia	FC	99%
Céline Sweden AB	Stockholm, Sweden	FC	99%
Céline Czech Republic s.r.o.	Prague, Czech Republic	FC	99%
Céline Middle East	Dubai, United Arab Emirates	FC	65%
Kenzo SA	Paris, France	FC	100%
Kenzo Belgique SA	Brussels, Belgium	FC	100%
Kenzo UK Limited	London, United Kingdom	FC	100%
Kenzo Italia Srl	Milan, Italy	FC	100%
Kenzo Seta Srl	Grandate, Italy	FC	51%
Kenzo Paris Japan KK	Tokyo, Japan	FC	100%
Kenzo Paris Singapore	Singapore	FC	100%
Kenzo Paris Hong Kong Company	Hong Kong, China	FC	100%
Kenzo Paris USA LLC	New York, USA	FC	100%
Givenchy SA	Paris, France	FC	100%
Givenchy Corporation	New York, USA	FC	100%
Givenchy China Co.	Hong Kong, China	FC	100%
Givenchy (Shanghai) Commercial and Trading Co.	Shanghai, China	FC	100%
GCCL Macau Co.	Macao, China	FC	100%
Givenchy Italia Srl	Florence, Italy	FC	100%
LVMH Fashion Group Japan KK	Tokyo, Japan	FC	99%
Givenchy Couture Ltd	London, United Kingdom	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
Givenchy Taiwan	Taipei, Taiwan	FC	100%
Givenchy Trading WLL	Doha, Qatar	FC	56%
Givenchy Middle-East FZ LLC	Dubai, United Arab Emirates	FC	70%
George V EAU LLC	Dubai, United Arab Emirates	FC	56%
Givenchy Paris Singapore Pte Ltd	Singapore	FC	100%
Givenchy Korea Ltd	Seoul, South Korea	FC	100%
Fendi Prague s.r.o.	Prague, Czech Republic	FC	100%
Luxury Kuwait for Ready Wear Company WLL	Kuwait City, Kuwait	FC	58%
Fendi Canada Inc.	Toronto, Canada	FC	100%
Fendi Private Suites Srl	Rome, Italy	FC	100%
Fun Fashion Qatar LLC	Doha, Qatar	FC	80%
Fendi International SAS	Paris, France	FC	100%
Fun Fashion Emirates LLC	Dubai, United Arab Emirates	FC	58%
Fendi SA	Luxembourg	FC	100%
Fun Fashion Bahrain Co. WLL	Manama, Bahrain	FC	58%
Fendi Srl	Rome, Italy	FC	100%
Fendi Dis Ticaret Ltd Sti	Istanbul, Turkey	FC	100%
Fendi Italia Srl	Rome, Italy	FC	100%
Fendi UK Ltd	London, United Kingdom	FC	100%
Fendi France SAS	Paris, France	FC	100%
Fendi North America Inc.	Delaware, USA	FC	100%
Fendi (Thailand) Company Limited	Bangkok, Thailand	FC	100%
Fendi Asia Pacific Limited	Hong Kong, China	FC	100%
Fendi Korea Ltd	Seoul, South Korea	FC	100%
Fendi Taiwan Ltd	Taipei, Taiwan	FC	100%
Fendi Hong Kong Limited	Hong Kong, China	FC	100%
Fendi China Boutiques Limited	Hong Kong, China	FC	100%
Fendi (Singapore) Pte Ltd	Singapore	FC	100%
Fendi Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Fendi Switzerland SA	Mendrisio, Switzerland	FC	100%
Fendi Kids SA	Mendrisio, Switzerland	FC	100%
Fun Fashion FZCO	Dubai, United Arab Emirates	FC	73%
Fendi Macau Company Limited	Macao, China	FC	100%
Fendi Germany GmbH	Munich, Germany	FC	100%
Fendi Austria GmbH	Vienna, Austria	FC	100%
Fendi (Shanghai) Co. Ltd	Shanghai, China	FC	100%
Fun Fashion India Pte Ltd	Mumbai, India	FC	73%
Interservices & Trading SA	Mendrisio, Switzerland	FC	100%
Fendi Silk SA	Mendrisio, Switzerland	FC	100%
Outshine Mexico S. de R.L. de C.V.	Mexico City, Mexico	FC	100%
Fendi Timepieces USA Inc.	New Jersey, USA	FC	100%
Fendi Timepieces Service Inc.	New Jersey, USA	FC	100%
Fendi Timepieces SA	Neuchâtel, Switzerland	FC	100%
Support Retail Mexico S de R.L. de C.V.	Mexico City, Mexico	FC	100%
Fendi Netherlands BV	Baarn, Netherlands	FC	100%
Fendi Brasil – Comercio de Artigos de Luxo	São Paulo, Brazil	FC	100%
Fendi RU LLC	Moscow, Russia	FC	100%
Fendi Australia Pty Ltd	Sydney, Australia	FC	100%
Fendi Doha	Doha, Qatar	FC	47%
Fendi Denmark ApS	Copenhagen, Denmark	FC	100%
Fendi Japan KK	Tokyo, Japan	FC	99%
Emilio Pucci Srl	Florence, Italy	FC	100%
Emilio Pucci International	Baarn, Netherlands	FC	67%
Emilio Pucci Ltd	New York, USA	FC	100%
Emilio Pucci Hong Kong Company Limited	Hong Kong, China	FC	100%
Emilio Pucci (Shanghai) Company Limited	Shanghai, China	FC	100%
Emilio Pucci UK Limited	London, United Kingdom	FC	100%
Emilio Pucci (Singapore) Pte Ltd	Singapore	FC	100%
Emilio Pucci France	Paris, France	FC	100%
Thomas Pink Holdings	London, United Kingdom	FC	100%
Thomas Pink	London, United Kingdom	FC	100%
Thomas Pink	Amsterdam, Netherlands	FC	100%
Thomas Pink	Delaware, USA	FC	100%
Thomas Pink Ireland	Dublin, Ireland	FC	100%
Thomas Pink France	Paris, France	FC	100%
Thomas Pink Canada	Toronto, Canada	FC	100%
Edun Apparel Ltd	Dublin, Ireland	EM	49%
Edun Americas Inc.	North Carolina, USA	EM	49%
Loro Piana	Quarona, Italy	FC	85%
Loro Piana Switzerland	Lugano, Switzerland	FC	85%
Loro Piana France	Paris, France	FC	85%
Loro Piana	Munich, Germany	FC	85%
Loro Piana GB	London, United Kingdom	FC	85%
Warren Corporation	Hartford, Connecticut, USA	FC	85%
Loro Piana & C.	New York, USA	FC	85%
Loro Piana USA	New York, USA	FC	85%
Loro Piana (HK)	Hong Kong, China	FC	85%
Loro Piana (Shanghai) Commercial Co.	Shanghai, China	FC	85%
Loro Piana (Shanghai) Textile Trading Co.	Shanghai, China	FC	85%
Loro Piana Mongolia	Ulaanbaatar, Mongolia	FC	85%
Loro Piana Korea Co.	Seoul, South Korea	FC	85%
Loro Piana (Macau)	Macao, China	FC	85%
Loro Piana Monaco	Monaco	FC	85%

Companies	Registered office	Method of consolidation	Ownership interest
Loro Piana España	Madrid, Spain	FC	85%
Loro Piana Japan Co.	Tokyo, Japan	FC	85%
Loro Piana Far East	Singapore	FC	85%
Loro Piana Peru	Lucanas, Ayacucho, Peru	FC	85%
Manifattura Loro Piana	Sillavengo, Italy	FC	85%
Fibre Nobili	Verona, Italy	FC	85%
Loro Piana Oesterreich	Vienna, Austria	FC	85%
Loro Piana Nederland	Amsterdam, Netherlands	FC	85%
Loro Piana Czech Republic	Prague, Czech Republic	FC	85%
Loro Piana Belgique	Brussels, Belgium	FC	85%
Sanin	Rawson, Argentina	FC	51%
Loro Piana Canada Inc.	Toronto, Canada	FC	85%
Cashmere Lifestyle Luxury Trading LLC	Dubai, United Arab Emirates	FC	51%
Nicholas Kirkwood Ltd	London, United Kingdom	FC	52%
Nicholas Kirkwood (USA) Corp.	New York, USA	FC	52%
NK Washington LLC	New York, USA	FC	52%
Nicholas Kirkwood LLC	New York, USA	FC	52%
NK WLV LLC	New York, USA	FC	52%
JW Anderson Limited	London, United Kingdom	EM	46%
Marco de Vincenzo Srl	Rome, Italy	EM	45%

PERFUMES AND COSMETICS

Companies	Registered office	Method of consolidation	Ownership interest
Parfums Christian Dior	Paris, France	FC	100%
LVMH P&C Thailand Co.	Bangkok, Thailand	FC	49%
LVMH P&C Do Brasil	São Paulo, Brazil	FC	100%
France Argentine Cosmetic	Buenos Aires, Argentina	FC	100%
LVMH P&C (Shanghai) Co.	Shanghai, China	FC	100%
Parfums Christian Dior Finland	Helsinki, Finland	FC	100%
SNC du 33 Avenue Hoche	Paris, France	FC	100%
LVMH Fragrances and Cosmetics (Singapore)	Singapore	FC	100%
Parfums Christian Dior Orient Co.	Dubai, United Arab Emirates	FC	60%
Parfums Christian Dior Emirates	Dubai, United Arab Emirates	FC	48%
LVMH Cosmetics	Tokyo, Japan	FC	100%
Parfums Christian Dior Arabia	Jeddah, Saudi Arabia	FC	45%
EPCD	Warsaw, Poland	FC	100%
EPCD CZ & SK	Prague, Czech Republic	FC	100%
EPCD RO Distribution	Bucharest, Romania	FC	100%
Parfums Christian Dior UK	London, United Kingdom	FC	100%
Parfums Christian Dior	Rotterdam, Netherlands	FC	100%
Iparkos	Amsterdam, Netherlands	FC	100%
Parfums Christian Dior S.A.B.	Brussels, Belgium	FC	100%
Parfums Christian Dior (Ireland)	Dublin, Ireland	FC	100%
Parfums Christian Dior Hellas	Athens, Greece	FC	100%
Parfums Christian Dior	Zurich, Switzerland	FC	100%
Christian Dior Perfumes	New York, USA	FC	100%
Parfums Christian Dior Canada	Montreal, Canada	FC	100%
LVMH P&C de Mexico	Mexico City, Mexico	FC	100%
Parfums Christian Dior Japon	Tokyo, Japan	FC	100%
Parfums Christian Dior (Singapore)	Singapore	FC	100%
Inalux	Luxembourg	FC	100%
LVMH P&C Asia Pacific	Hong Kong, China	FC	100%
Fa Hua Fragance & Cosmetic Co.	Hong Kong, China	FC	100%
Fa Hua Frag. & Cosm. Taiwan	Taipei, Taiwan	FC	100%
Parfums Christian Dior China Co.	Shanghai, China	FC	100%
LVMH P&C Korea	Seoul, South Korea	FC	100%
Parfums Christian Dior Hong Kong	Hong Kong, China	FC	100%
LVMH P&C Malaysia Sdn. Bhd.	Petaling Jaya, Malaysia	FC	100%
Pardior	Mexico City, Mexico	FC	100%
Parfums Christian Dior Hong Kong	Copenhagen, Denmark	FC	100%
LVMH Perfumes & Cosmetics Group	Sydney, Australia	FC	100%
Parfums Christian Dior	Sandvika, Norway	FC	100%
Parfums Christian Dior	Stockholm, Sweden	FC	100%
LVMH Perfumes & Cosmetics (New Zealand)	Auckland, New Zealand	FC	100%
Parfums Christian Dior Austria	Vienna, Austria	FC	100%
L Beauty Luxury Asia	Taguig City, Philippines	FC	51%
SCI Annabell	Paris, France	FC	100%
PT L Beauty Brands	Jakarta, Indonesia	FC	51%
L Beauty Pte	Singapore	FC	51%
L Beauty Vietnam	Ho Chi Minh City, Vietnam	FC	51%
SCI Rose Blue	Paris, France	FC	100%
PCD St Honoré	Paris, France	FC	100%
LVMH Perfumes & Cosmetics Macau	Macao, China	FC	100%
DP Seldico	Kiev, Ukraine	FC	100%
OOO Seldico	Moscow, Russia	FC	100%
LVMH P&C Kazakhstan	Almaty, Kazakhstan	FC	100%
PCD Dubai General Trading	Dubai, United Arab Emirates	FC	29%
PCD Doha Perfumes & Cosmetics	Doha, Qatar	FC	14%
Cosmetics of France	Florida, USA	FC	100%
LVMH Recherche	Saint-Jean-de-Braye, France	FC	100%
PCIS	Levallois-Perret, France	FC	100%
Cristale	Paris, France	FC	100%
Perfumes Loewe SA	Madrid, Spain	FC	100%
Acqua di Parma	Milan, Italy	FC	100%
Acqua di Parma	New York, USA	FC	100%
Acqua di Parma	London, United Kingdom	FC	100%
Acqua di Parma Canada Inc.	Toronto, Canada	FC	100%
Cha Ling	Paris, France	FC	100%
Cha Ling Hong Kong	Hong Kong, China	FC	100%
Guerlain SA	Paris, France	FC	100%
LVMH Parfums & Kosmetik Deutschland GmbH	Düsseldorf, Germany	FC	100%
Guerlain GmbH	Vienna, Austria	FC	100%
Guerlain Benelux SA	Brussels, Belgium	FC	100%
Guerlain Ltd	London, United Kingdom	FC	100%
LVMH Perfumes e Cosmética	Lisbon, Portugal	FC	100%
PC Parfums Cosmétiques SA	Zurich, Switzerland	FC	100%
Guerlain Inc.	New York, USA	FC	100%
Guerlain (Canada) Ltd	Saint-Jean, Canada	FC	100%
Guerlain de Mexico	Mexico City, Mexico	FC	100%
Guerlain Asia Pacific	Hong Kong, China	FC	100%
Guerlain KK	Tokyo, Japan	FC	100%
Guerlain KSA SAS	Levallois-Perret, France	FC	80%
Guerlain Orient DMCC	Dubai, United Arab Emirates	FC	100%
Guerlain Saudi Limited	Jeddah, Saudi Arabia	FC	60%
Guerlain Oceania Australia Pty Ltd	Botany, Australia	FC	100%
PT Guerlain Cosmetics Indonesia	Jakarta, Indonesia	FC	51%
Make Up For Ever	Paris, France	FC	100%
SCI Edison	Paris, France	FC	100%
Make Up For Ever	Delaware, USA	FC	100%
Make Up For Ever Canada	Montreal, Canada	FC	100%
Make Up For Ever (Shanghai) Co. Ltd	Shanghai, China	FC	100%
Make Up For Ever UK Limited	London, United Kingdom	FC	100%
LVMH Fragrance Brands	Levallois-Perret, France	FC	100%
LVMH Fragrance Brands	London, United Kingdom	FC	100%
LVMH Fragrance Brands	Düsseldorf, Germany	FC	100%
LVMH Fragrance Brands	Delaware, USA	FC	100%
LVMH Fragrance Brands Canada	Toronto, Canada	FC	100%
LVMH Fragrance Brands	Tokyo, Japan	FC	100%
LVMH Fragrance Brands WHD	Delaware, USA	FC	100%
LVMH Fragrance Brands Hong Kong	Hong Kong, China	FC	100%
LVMH Fragrance Brands Singapore	Singapore	FC	100%
Benefit Cosmetics LLC	California, USA	FC	100%
Benefit Cosmetics Ireland Ltd	Dublin, Ireland	FC	100%
Benefit Cosmetics UK Ltd	Chelmsford, United Kingdom	FC	100%
Benefit Cosmetics Services Canada Inc.	Toronto, Canada	FC	100%
Benefit Cosmetics Korea	Seoul, South Korea	FC	100%
Benefit Cosmetics SAS	Paris, France	FC	100%
Benefit Cosmetics Hong Kong Ltd	Hong Kong, China	FC	100%
L Beauty Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	51%
L Beauty (Thailand) Co. Ltd	Bangkok, Thailand	FC	48%
Fresh	New York, USA	FC	80%
Fresh	Paris, France	FC	100%
Fresh Cosmetics	London, United Kingdom	FC	80%
Fresh Hong Kong	Hong Kong, China	FC	80%
Fresh Korea	Seoul, South Korea	FC	80%
Fresh F21C Canada Inc.	Montreal, Canada	FC	80%
Kendo Holdings Inc.	California, USA	FC	100%
Ole Henriksen of Denmark Inc.	California, USA	FC	100%
SLF USA Inc.	San Francisco, USA	FC	100%
Susanne Lang Fragrance	Toronto, Canada	FC	100%
BHUS Inc.	Delaware, USA	FC	100%
KVD Beauty LLC	San Francisco, USA	FC	70%
Fenty Beauty LLC	California, USA	FC	50%
Kendo Brands Limited	Bicester, United Kingdom	FC	100%
Kendo Brands	Paris, France	FC	100%
Parfums Francis Kurkdjian SAS	Paris, France	FC	61%
Parfums Francis Kurkdjian LLC	New York, USA	FC	61%

WATCHES AND JEWELRY

Companies	Registered office	Method of consolidation	Ownership interest
TAG Heuer International	Luxembourg	FC	100%
LVMH Relojeria y Joyeria España SA	Madrid, Spain	FC	100%
LVMH Montres & Joaillerie France	Paris, France	FC	100%
TAG Heuer Limited	Manchester, United Kingdom	FC	100%
Duval Ltd	Manchester, United Kingdom	FC	100%
LVMH Watch & Jewelry Central Europe	Oberursel, Germany	FC	100%
TAG Heuer Boutique Outlet Store Roermond	Roermond, Netherlands	FC	100%
LVMH Watch & Jewelry UK	Manchester, United Kingdom	FC	100%
Duvatec Limited	Manchester, United Kingdom	FC	100%
Heuer Ltd	Manchester, United Kingdom	FC	100%
LVMH Watch & Jewelry USA	Springfield, USA	FC	100%
LVMH Watch & Jewelry Canada	Richmond, Canada	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
LVMH Watch & Jewelry Far East Ltd	Hong Kong, China	FC	100%
LVMH Watch & Jewelry Singapore	Singapore	FC	100%
LVMH Watch & Jewelry Malaysia	Kuala Lumpur, Malaysia	FC	100%
LVMH Watch & Jewelry Capital	Singapore	FC	100%
LVMH Watch & Jewelry Japan	Tokyo, Japan	FC	100%
LVMH Watch & Jewelry Australia Pty Ltd	Melbourne, Australia	FC	100%
LVMH Watch & Jewelry Hong Kong	Hong Kong, China	FC	100%
LVMH Watch & Jewelry Taiwan	Taipei, Taiwan	FC	100%
LVMH Watch & Jewelry India	New Delhi, India	FC	100%
LVMH Watch & Jewelry (Shanghai) Commercial Co.	Shanghai, China	FC	100%
LVMH Watch & Jewelry Russia LLC	Moscow, Russia	FC	100%
Timecrown	Manchester, United Kingdom	FC	100%
ArteCad	Tramelan, Switzerland	FC	100%
Alpha Time Corp.	Hong Kong, China	FC	100%
Dream Tech (Shanghai) Co.	Shanghai, China	FC	100%
Dream Tech Int. Trading Co.	Shanghai, China	FC	100%
Chaumet International	Paris, France	FC	100%
Chaumet London	London, United Kingdom	FC	100%
Chaumet Horlogerie	Nyon, Switzerland	FC	100%
Chaumet Korea Yuhan Hoesa	Seoul, South Korea	FC	100%
Chaumet Middle East	Dubai, United Arab Emirates	FC	60%
Chaumet UAE	Dubai, United Arab Emirates	FC	60%
Chaumet Australia Pty Ltd	Sydney, Australia	FC	100%
Chaumet Iberia SL	Madrid, Spain	FC	100%
LVMH Watch & Jewelry Macau Company	Macao, China	FC	100%
LVMH Swiss Manufactures	La Chaux-de-Fonds, Switzerland	FC	100%
Zenith Time Company	Manchester, United Kingdom	FC	100%
LVMH Watch & Jewelry Italy SpA	Milan, Italy	FC	100%
Delano	La Chaux-de-Fonds, Switzerland	FC	100%
Fred Paris	Neuilly-sur-Seine, France	FC	100%
Joaillerie de Monaco	Monaco	FC	100%
Fred	Delaware, USA	FC	100%
Fred Londres	London, United Kingdom	FC	100%
Hublot	Nyon, Switzerland	FC	100%
Bentim International	Luxembourg	FC	100%
Hublot SA Genève	Geneva, Switzerland	FC	100%
Hublot of America	Fort Lauderdale, USA	FC	100%
Nyon	Fort Lauderdale, USA	FC	100%
Nyon Services	Delaware, USA	FC	100%
Atlanta Boutique	Fort Lauderdale, USA	FC	100%
Echidna Distribution Company	Fort Lauderdale, USA	FC	100%
Furioso	Fort Lauderdale, USA	FC	100%
Fusion World Dallas	Fort Lauderdale, USA	FC	100%
Fusion World Houston	Fort Lauderdale, USA	FC	100%
New World of Fusion	Delaware, USA	FC	100%
Fusion World DD LLC	Fort Lauderdale, USA	FC	100%
Benoit de Gorsky SA	Geneva, Switzerland	FC	100%
Bvlgari SpA	Rome, Italy	FC	100%
Bvlgari Italia	Rome, Italy	FC	100%
Bvlgari International Corporation (BIC)	Amsterdam, Netherlands	FC	100%
Bvlgari Corporation of America	New York, USA	FC	100%
Bvlgari SA	Geneva, Switzerland	FC	100%
Bvlgari Horlogerie	Neuchâtel, Switzerland	FC	100%
Bvlgari France	Paris, France	FC	100%
Bvlgari Montecarlo	Monaco	FC	100%
Bvlgari (Deutschland)	Munich, Germany	FC	100%
Bvlgari España	Madrid, Spain	FC	100%
Bvlgari South Asian Operations	Singapore	FC	100%
Bvlgari (UK) Ltd	London, United Kingdom	FC	100%
Bvlgari Belgium	Brussels, Belgium	FC	100%
Bvlgari Australia	Sydney, Australia	FC	100%
Bvlgari (Malaysia)	Kuala Lumpur, Malaysia	FC	100%
Bvlgari Global Operations	Neuchâtel, Switzerland	FC	100%
Bvlgari Asia Pacific	Hong Kong, China	FC	100%
Bvlgari (Taiwan)	Taipei, Taiwan	FC	100%
Bvlgari Korea	Seoul, South Korea	FC	100%
Bvlgari Saint Barth	Saint-Barthélemy, French Antilles	FC	100%
Bvlgari Gioielli	Valenza, Italy	FC	100%
Bvlgari Accessori	Florence, Italy	FC	100%
Bvlgari Holding (Thailand)	Bangkok, Thailand	FC	100%
Bvlgari (Thailand)	Bangkok, Thailand	FC	100%
Bvlgari Commercial (Shanghai) Co.	Shanghai, China	FC	100%
Bvlgari Japan	Tokyo, Japan	FC	100%
Bvlgari Panama	Panama City, Panama	FC	100%
Bvlgari Ireland	Dublin, Ireland	FC	100%
Bvlgari Qatar	Doha, Qatar	FC	49%
Bvlgari (Kuwait)	Kuwait City, Kuwait	FC	49%
Gulf Luxury Trading	Dubai, United Arab Emirates	FC	51%
Bvlgari do Brazil	São Paulo, Brazil	FC	100%
Bvlgari Hotels and Resorts Milano Srl	Rome, Italy	EM	50%
Lux Jewels Kuwait for Trading In Gold Jewelry and Precious Stones	Kuwait City, Kuwait	FC	80%
Lux Jewels Bahrain	Manama, Bahrain	FC	80%
India Luxco Retail	New Delhi, India	FC	100%
BK for Jewelry and Precious Metals and Stones Co.	Kuwait City, Kuwait	FC	80%
Bvlgari Turkey Lüks Ürün Ticareti	Istanbul, Turkey	FC	100%
Bvlgari Russia	Moscow, Russia	FC	100%
Bvlgari Prague	Prague, Czech Republic	FC	100%
Bvlgari Commercial Mexico	Mexico City, Mexico	FC	100%
Bvlgari Canada	Montreal, Canada	FC	100%
Bvlgari Portugal	Lisbon, Portugal	FC	100%
Actar International SA	Luxembourg	EM	42%

SELECTIVE RETAILING

Companies	Registered office	Method of consolidation	Ownership interest
LVMH Iberia SL	Madrid, Spain	FC	100%
LVMH Italia SpA	Milan, Italy	FC	100%
Sephora SAS	Neuilly-sur-Seine, France	FC	100%
Sephora Luxembourg SARL	Luxembourg	FC	100%
Sephora Portugal Perfumaria Lda	Lisbon, Portugal	FC	100%
Sephora Polska Sp. z o.o.	Warsaw, Poland	FC	100%
Sephora Greece SA	Athens, Greece	FC	100%
Sephora Cosmetics Romania SA	Bucharest, Romania	FC	100%
Sephora Switzerland SA	Geneva, Switzerland	FC	100%
Sephora s.r.o. (Czech Republic)	Prague, Czech Republic	FC	100%
Sephora Monaco SAM	Monaco	FC	99%
Sephora Cosmeticos España	Madrid, Spain	EM	50%
S+ SAS	Neuilly-sur-Seine, France	FC	100%
Sephora Bulgaria EOOD	Sofia, Bulgaria	FC	100%
Sephora Cyprus Limited	Nicosia, Cyprus	FC	100%
Sephora Kozmetik AS (Turkey)	Istanbul, Turkey	FC	100%
Perfumes & Cosmeticos Gran Via SL	Madrid, Spain	EM	45%
Sephora Cosmetics Ltd (Serbia)	Belgrade, Serbia	FC	100%
Sephora Danmark ApS	Copenhagen, Denmark	FC	100%
Sephora Sweden AB	Stockholm, Sweden	FC	100%
Sephora Germany GmbH	Düsseldorf, Germany	FC	100%
Sephora Moyen-Orient SA	Fribourg, Switzerland	FC	60%
Sephora Middle East FZE	Dubai, United Arab Emirates	FC	60%
Sephora Qatar WLL	Doha, Qatar	FC	54%
Sephora Arabia Limited	Jeddah, Saudi Arabia	FC	45%
Sephora Holding South Asia	Singapore	FC	100%
Sephora (Shanghai) Cosmetics Co. Ltd	Shanghai, China	FC	81%
Sephora (Beijing) Cosmetics Co. Ltd	Beijing, China	FC	81%
Sephora Xiangyang (Shanghai) Cosmetics Co. Ltd	Shanghai, China	FC	81%
Sephora Singapore Pte Ltd	Singapore	FC	100%
Sephora (Thailand) Company (Limited)	Bangkok, Thailand	FC	100%
Sephora Australia Pty Ltd	Sydney, Australia	FC	100%
Sephora Digital SEA Pte Ltd	Singapore	FC	95%
Luxola Trading Pte Ltd	Singapore	FC	95%
LX Holding Pte Ltd (Singapour)	Singapore	FC	95%
LXEDIT (Thailand) Ltd	Bangkok, Thailand	FC	95%
Luxola India Services Pvt. Ltd	Bangalore, India	FC	95%
PT Luxola Services Indonesia	Jakarta, Indonesia	FC	95%
LX Services Pte Ltd	Singapore	FC	95%
PT MU and SC Trading (Indonesia)	Jakarta, Indonesia	FC	95%
Luxola Sdn. Bhd. (Malaysia)	Petaling Jaya, Malaysia	FC	95%
Sephora Services Philippines (Branch)	Manila, Philippines	FC	95%
Sephora Digital (Thailand) Ltd	Bangkok, Thailand	FC	95%
Sephora USA Inc.	Delaware, USA	FC	100%
Sephora Cosmetics Pte Ltd (India)	New Delhi, India	FC	100%
Sephora Beauty Canada Inc.	California, USA	FC	100%
Sephora Puerto Rico LLC	California, USA	FC	100%
Sephora Mexico S. de R.L. de C.V.	Lomas de Chapultepec, Mexico	FC	100%
Servicios Ziphorah S. de R.L. de C.V.	Mexico City, Mexico	FC	100%
Sephora Emirates LLC	Dubai, United Arab Emirates	FC	48%
Sephora Bahrain WLL	Manama, Bahrain	FC	45%
PT Sephora Indonesia	Jakarta, Indonesia	FC	100%
Dotcom Group Comércio de Presentes SA	Rio de Janeiro, Brazil	FC	100%
LGCS Inc.	New York, USA	FC	100%
Avenue Hoche Varejista Limitada	São Paulo, Brazil	FC	100%
Galonta Holdings Limited	Nicosia, Cyprus	FC	100%
Joint Stock Company "Ile De Beauté"	Moscow, Russia	FC	100%
Beauty In Motion Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Le Bon Marché	Paris, France	FC	100%
SEGEP	Paris, France	FC	100%
Franck & Fils	Paris, France	FC	100%
DFS Holdings Limited	Hamilton, Bermuda	FC	61%
DFS Australia Pty Limited	Sydney, Australia	FC	61%
DFS Group Limited – USA	Delaware, USA	FC	61%
DFS Group Limited – HK	Hong Kong, China	FC	61%
TRS Hong Kong Limited	Hong Kong, China	EM	28%
DFS France SAS	Paris, France	FC	61%
DFS Okinawa KK	Okinawa, Japan	FC	61%

Companies	Registered office	Method of consolidation	Ownership interest
Travel Retails Shops Okinawa KK	Okinawa, Japan	EM	28%
JAL/DFS Co. Ltd	Chiba, Japan	EM	25%
DFS Korea Limited	Seoul, South Korea	FC	61%
DFS Seoul Limited	Incheon, South Korea	FC	61%
DFS Cotai Limitada	Macao, China	FC	61%
DFS Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	61%
DFS Middle East LLC	Abu Dhabi, United Arab Emirates	FC	61%
DFS Merchandising Limited	Delaware, USA	FC	61%
DFS New Zealand Limited	Auckland, New Zealand	FC	61%
TRS New Zealand Limited	Auckland, New Zealand	EM	28%
Commonwealth Investment Company Inc.	Saipan, Northern Mariana Islands	FC	58%
DFS Saipan Limited	Saipan, Northern Mariana Islands	FC	61%
Kinkai Saipan LP	Saipan, Northern Mariana Islands	FC	61%
DFS Business Consulting (Shanghai) Co. Ltd	Shanghai, China	FC	61%
DFS Retail (Hainan) Company Limited	Haikou, China	FC	61%
DFS Singapore (Pte) Limited	Singapore	FC	61%
DFS Venture Singapore (Pte) Limited	Singapore	FC	61%
TRS Singapore Pte Ltd	Singapore	EM	28%
DFS Vietnam (S) Pte Ltd	Singapore	FC	43%
New Asia Wave International (S) Pte Ltd	Singapore	FC	43%
Ipp Group (S) Pte Ltd	Singapore	FC	43%
DFS Group LP	Delaware, USA	FC	61%
LAX Duty Free Joint Venture 2000	California, USA	FC	46%
Royal Hawaiian Insurance Company Co.	Hawaii, USA	FC	61%
JFK Terminal 4 Joint Venture 2001	New York, USA	FC	49%
DFS Guam LP	Tamuning, Guam	FC	61%
DFS Liquor Retailing Limited	Delaware, USA	FC	61%
Twenty Seven – Twenty Eight Corp.	Delaware, USA	FC	61%
DFS Italia	Milan, Italy	FC	61%
DFS (Cambodia) Limited	Phnom Penh, Cambodia	FC	43%
TRS Hawaii LLC	Hawaii, USA	EM	28%
TRS Saipan Ltd	Saipan, Northern Mariana Islands	EM	28%
TRS Guam LLC	Tamuning, Guam	EM	28%
Tumon Entertainment	Tamuning, Guam	FC	100%
Comete Guam	Tamuning, Guam	FC	100%
Tumon Aquarium LLC	Tamuning, Guam	FC	97%
Comete Saipan	Saipan, Northern Mariana Islands	FC	100%
Tumon Games LLC	Tamuning, Guam	FC	100%
DFS Vietnam Limited Liability Company	Ho Chi Minh City, Vietnam	FC	61%
PT Sona Topas Tourism Industry Tbk	Jakarta, Indonesia	EM	28%
Cruise Line Holdings Co.	Miami, USA	FC	100%
Starboard Cruise Services	Delaware, USA	FC	100%
Starboard Holdings	Miami, USA	FC	100%
STB Servici Tecnici Per Bordo	Florence, Italy	FC	100%
On-Board Media Inc.	Doral, USA	FC	100%
Parazul LLC	Miami, USA	FC	100%
Onboard.com LLC	Doral, USA	FC	100%
Rhapsody	Paris, France	FC	100%

OTHER ACTIVITIES

Companies	Registered office	Method of consolidation	Ownership interest
Groupe Les Echos	Paris, France	FC	100%
Dematis	Paris, France	FC	80%
Les Echos Management	Paris, France	FC	100%
Régiepress	Paris, France	FC	100%
Les Echos Légal	Paris, France	FC	100%
Radio Classique	Paris, France	FC	100%
Les Echos Medias	Paris, France	FC	100%
SFPA	Paris, France	FC	100%
Les Echos	Paris, France	FC	100%
Investir Publications	Paris, France	FC	100%
Les Echos Solutions	Paris, France	FC	100%
Les Echos Publishing	Paris, France	FC	100%
Pelham Media	London, United Kingdom	FC	59%
WordAppeal	Paris, France	FC	59%
Pelham Media	Paris, France	FC	59%
L'Eclaireur	Paris, France	FC	59%
KCO Events	Paris, France	FC	59%
Pelham Media Production	Paris, France	FC	59%
Alto International	Paris, France	FC	35%
Happeningco	Paris, France	FC	75%
Magasins de La Samaritaine	Paris, France	FC	99%
Mongoual SA	Paris, France	EM	40%
Le Jardin d'Acclimatation	Paris, France	FC	80%
RVL Holding BV	Kaag, Netherlands	FC	99%
Royal Van Lent Shipyard BV	Kaag, Netherlands	FC	99%
Tower Holding BV	Kaag, Netherlands	FC	99%
Green Bell BV	Kaag, Netherlands	FC	99%
Gebr. Olie Beheer BV	Waddinxveen, Netherlands	FC	99%
Van der Loo Yachtinteriors BV	Waddinxveen, Netherlands	FC	99%
Red Bell BV	Kaag, Netherlands	FC	99%
De Voogt Naval Architects BV	Haarlem, Netherlands	EM	46%

Companies	Registered office	Method of consolidation	Ownership interest
Feadship Holland BV	Amsterdam, Netherlands	EM	46%
Feadship America Inc.	Florida, USA	EM	46%
OGMNL BV	Nieuw-Lekkerland, Netherlands	EM	46%
Firstship BV	Amsterdam, Netherlands	EM	46%
Probinvest	Paris, France	FC	100%
Ufipar	Paris, France	FC	100%
Sofidiv	Paris, France	FC	100%
LVMH Services	Paris, France	FC	85%
Moët Hennessy	Paris, France	FC	66%
LVMH Services Limited	London, United Kingdom	FC	100%
Ufip (Ireland)	Dublin, Ireland	FC	100%
Moët Hennessy Investissements	Paris, France	FC	66%
LV Group	Paris, France	FC	100%
Moët Hennessy International	Paris, France	FC	66%
Creare	Luxembourg	FC	100%
Creare Pte Ltd	Singapore	FC	100%
Bayard (Shanghai) Investment and Consultancy Co. Ltd	Shanghai, China	FC	100%
Villa Foscarini Srl	Milan, Italy	FC	100%
Liszt Invest	Luxembourg	FC	100%
Gorgias	Luxembourg	FC	100%
LC Investissements	Paris, France	FC	51%
LVMH Investissements	Paris, France	FC	100%
LVMH Canada	Toronto, Canada	FC	100%
Société Montaigne Jean Goujon	Paris, France	FC	100%
Delphine	Paris, France	FC	100%
LVMH Finance	Paris, France	FC	100%
Primae	Paris, France	FC	100%
Eutrope	Paris, France	FC	100%
Flavius Investissements	Paris, France	FC	100%
LBD Holding	Paris, France	FC	100%
LVMH Hotel Management	Paris, France	FC	100%
Ufinvest	Paris, France	FC	100%
Delta	Paris, France	FC	100%
White 1921 Courchevel Société d'Exploitation Hôtelière	Courchevel, France	FC	100%
Société Immobilière Paris Savoie Les Tovets	Courchevel, France	FC	100%
EUPALINOS 1850	Paris, France	FC	100%
Société d'Exploitation Hôtelière de La Samaritaine	Paris, France	FC	100%
Société d'Exploitation Hôtelière Isle de France	Saint-Barthélemy, French Antilles	FC	56%
Société d'Investissement Cheval Blanc Saint Barth Isle de France	Saint-Barthélemy, French Antilles	FC	56%
Hôtel de la Pinède	Saint-Tropez, France	FC	100%
Villa Jacquemone	Saint-Tropez, France	FC	100%
Moët Hennessy Inc.	Delaware, USA	FC	66%
One East 57th Street LLC	Delaware, USA	FC	100%
LVMH Moët Hennessy - Louis Vuitton Inc.	Delaware, USA	FC	100%
Folio St. Barths	New York, USA	FC	100%
Lafayette Art I LLC	New York, USA	FC	100%
LVMH Holdings Inc.	New York, USA	FC	100%
Sofidiv Art Trading Company	Delaware, USA	FC	100%
Sofidiv Inc.	Delaware, USA	FC	100%
598 Madison Leasing Corp.	Delaware, USA	FC	100%
1896 Corp.	Delaware, USA	FC	100%
313-317 N. Rodeo LLC	Los Angeles, USA	FC	100%
319-323 N. Rodeo LLC	Delaware, USA	FC	100%
420 N. Rodeo LLC	Los Angeles, USA	FC	100%
LVMH MJ Holdings Inc.	Delaware, USA	FC	100%
LVMH Perfumes & Cosmetics Inc.	New York, USA	FC	100%
Arbelos Insurance Inc.	New York, USA	FC	100%
Meadowland Florida LLC	New York, USA	FC	100%
P&C International	Paris, France	FC	100%
LVMH Participations BV	Baarn, Netherlands	FC	100%
LVMH Moët Hennessy - Louis Vuitton BV	Baarn, Netherlands	FC	100%
LVP Holding BV	Baarn, Netherlands	FC	100%
LVMH Services BV	Baarn, Netherlands	FC	100%
LVMH Finance Belgique	Brussels, Belgium	FC	100%
LVMH International	Brussels, Belgium	FC	100%
Marithé	Luxembourg	FC	100%
LVMH EU	Luxembourg	FC	100%
Ufilug	Luxembourg	FC	100%
Glacea	Luxembourg	FC	100%
Naxara	Luxembourg	FC	100%
Pronos	Luxembourg	FC	100%
Sofidil	Luxembourg	FC	100%
LVMH Publica	Brussels, Belgium	FC	100%
LVMH Germany GmbH	Cologne, Germany	FC	100%
Sofidiv UK Limited	London, United Kingdom	FC	100%
LVMH Moët Hennessy - Louis Vuitton	Tokyo, Japan	FC	100%
Osaka Fudosan Company	Tokyo, Japan	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
LVMH Asia Pacific	Hong Kong, China	FC	100%
LVMH (Shanghai) Management & Consultancy Co. Ltd	Shanghai, China	FC	100%
LVMH South & South East Asia Pte Ltd	Singapore	FC	100%
LVMH Korea Ltd	Seoul, South Korea	FC	100%
Vicuna Holding	Milan, Italy	FC	100%
Pasticceria Confetteria Cova	Milan, Italy	FC	80%
Cova Montenapoleone	Milan, Italy	FC	80%
Investissement Hôtelier Saint Barth Plage des Flamands	Saint-Barthélemy, French Antilles	FC	56%
Alderande	Paris, France	FC	56%
LVMH Client Services	Paris, France	FC	100%
Le Parisien Libéré	Paris, France	FC	100%
Team Diffusion	Saint-Ouen, France	FC	100%
Team Media	Paris, France	FC	100%
Société Nouvelle SICAVIC	Paris, France	FC	100%
L.P.M.	Paris, France	FC	100%
Proximy	Saint-Ouen, France	FC	75%
Media Presse	Saint-Ouen, France	FC	75%
LP Management	Paris, France	FC	100%
Wagner Capital	Luxembourg	FC	51%
L Catterton Management Ltd	London, United Kingdom	EM	20%
LVMH Representações Ltda	São Paulo, Brazil	FC	100%
LVMH Moët Hennessy - Louis Vuitton	Paris, France	Parent company	

FC: Fully consolidated.
EM: Accounted for using the equity method.
JV: Joint venture company with Diageo: only the Moët Hennessy activity is consolidated. See also Notes 1.6 and 1.25 for the revenue recognition policy for these companies.

COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

Companies	Registered office	Ownership interest
Société d'exploitation hôtelière de Saint-Tropez	Paris, France	100%
Société Nouvelle de Libraire et de l'Édition	Paris, France	100%
Ictinos 1850	Paris, France	100%
BRN Invest NV	Baarn, Netherlands	100%
Toiltech	La Chapelle-devant-Bruyères, France	90%
Bvlgari Austria Ltd	Vienna, Austria	100%
Montaigne Comercio Varejista Limitada	Rio de Janeiro, Brazil	100%
Sephora Macau Limited	Macao, China	100%
JP SAS	Paris, France	70%
Les Beaux Monts	Couternon, France	90%
Sofpar 116	Paris, France	100%
Sofpar 124	Paris, France	100%
Sofpar 125	Paris, France	100%
Sofpar 126	Paris, France	100%
Sofpar 127	Paris, France	100%
Sofpar 128	Paris, France	100%
Moët Hennessy Management	Paris, France	100%
Prolepsis	Brussels, Belgium	100%
Prolepsis Investment Ltd	London, United Kingdom	100%
Hennessy Management	Paris, France	66%
MHCS Management	Paris, France	66%
Innovacion en Marcas de Prestigio SA	Mexico City, Mexico	65%
Moët Hennessy Nigeria	Lagos, Nigeria	66%
MS 33 Expansion	Paris, France	100%
Shinsegae International Co. Ltd LLC	Seoul, South Korea	51%
Crystal Pumpkin	Luxembourg	99%
Rimowa Austria GmbH	Innsbruck, Austria	80%
Rimowa Schweiz AG	Zurich, Switzerland	80%
Loewe Nederland BV	Netherlands	100%
Groupement Forestier des Bois de la Celle	Cognac, France	65%

These companies, which are not included in the scope of consolidation, are either entities that are inactive and/or being liquidated, or entities whose individual or collective consolidation would not have a significant impact on the Group's main aggregates.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders' Meeting of LVMH Moët Hennessy - Louis Vuitton,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of LVMH Moët Hennessy - Louis Vuitton ("LVMH") for the year ended December 31, 2017.

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, 2017 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.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

Basis for our opinion

- **Audit framework**

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the section of our report entitled "Statutory Auditors' responsibilities for the audit of the consolidated financial statements".

- **Independence**

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report. We did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

- **Acquisition of Christian Dior Couture**

Risk identified

On July 3, 2017, LVMH acquired 100% of Christian Dior Couture from Christian Dior SE for 6 billion euros. A number of bond issues, in a total amount of 5 billion euros, together with commercial paper for the remainder, was used to fund this acquisition, as stated in Note 2.1.1 to the consolidated financial statements.

This purchase price of 6 billion euros reflects an enterprise value of 6.5 billion euros, determined using a multi-criteria approach, confirmed by independent experts, and approved by the Boards of Directors of LVMH SE and Christian Dior SE, after duly noting the opinions of their respective ad hoc committees, the valuation reports of independent experts and the work of their respective banking advisors. The acquisition contract contains the customary representations and warranties for this type of transaction. The payment was made during the course of July 2017, giving rise to the payment of financial interest in the amount of 4 million euros, as stated in Note 32.1 to the consolidated financial statements.

As of December 31, 2017, this transaction resulted in the recognition of provisional goodwill amounting to 4.9 billion euros, pending allocation of the purchase price to the assets and liabilities acquired. In accordance with IFRS 3, the final allocation of the purchase price must be finalized within a period of twelve months following the date on which control was obtained.

The initial consolidation of Christian Dior Couture is considered to be a key audit matter, in view of the following:

- the weight of this acquisition which has a significant impact in the financial statements (9% of the LVMH group's total balance sheet);
- the fact that the acquisition was performed with a related party.

Our response

Our audit work on this matter consisted in:

- obtaining an understanding of the acquisition contract and the work of the banking advisor;
- obtaining an understanding of the report of the independent expert appointed to express an opinion on the fairness of the financial terms of the acquisition and an understanding of the opinion of the ad hoc committee appointed by the Board of Directors to supervise the work of this independent expert;
- performing specific procedures on the consolidated balance sheet of the Christian Dior Couture business segment as of June 30, 2017;
- evaluating the method of initial consolidation and the determination of the value of provisional goodwill, it being specified that work on the allocation of the purchase price is in progress and will be completed in 2018;
- assessing the appropriateness of the financial information disclosed in the notes to the consolidated financial statements regarding this acquisition.

- **Valuation of fixed assets, in particular intangible assets**

Risk identified

As at December 31, 2017 the Group's fixed assets amounts to 43 billion euros, compared to a total of assets in the balance sheet amounting to 69 billion euros. These fixed assets mainly comprise brands, trade names and goodwill recognized on external growth transactions, as well as, to a lesser extent, property, plant and equipment, mainly composed of land, vineyard land, buildings and store fixtures and fittings.

We considered the valuation of these fixed assets to be a key audit matter, due to their significance in the Group's financial statements, and because the determination of their recoverable amount, which is usually based on discounted forecast cash flows, requires the use of hypothesis, estimates and other forms of judgment, as stated in Note 1.5 to the consolidated financial statements.

Our response

The Group tests these assets for impairment, as described in Notes 1.14 and 5 to the consolidated financial statements.

Within this context, we assessed the methods used to perform these impairment tests and focused our work primarily on Group companies for which the carrying amount of intangible assets represents a high multiple of profit from recurring operations. In particular, among the most significant intangible assets recognized by the Group disclosed in Note 5 to the consolidated financial statements, we paid special attention to recent acquisitions.

We assessed the reasonableness of the main estimates used, in particular forecast cash flows, long-term growth rates and the discount rates applied. We also analyzed the consistency of forecasts with past performance, the market outlook and the Group's historic performance, and we conducted impairment test sensitivity analyses. In addition, where the recoverable amount is estimated by comparison with recent similar transactions, we corroborated the analyses provided with available market data. All of these analyses were carried out with the support of our valuation experts.

Lastly, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

- **Valuation of inventories and work in progress**

Risk identified

The success of the Group's products, particularly in the Fashion and Leather Goods and the Watches and Jewelry business groups, depends among other factors on its ability to identify new trends and changes in behaviors and tastes, in order to offer products that meet consumers' expectations. The Group determines the amounts of the provisions for inventory impairment on the basis of sales prospects in its various markets or due to product obsolescence, as specified in Note 1.16 to the consolidated financial statements.

We considered this to be a key audit matter, as the aforementioned projections and any resulting provisions are intrinsically dependent on hypothesis, estimates or other forms of judgment made by the Group. Furthermore, inventories are present in a large number of subsidiaries and determining these provisions depends primarily on estimated returns and the monitoring of internal margins, which are eliminated in the consolidated financial statements unless and until inventories are sold to non-Group clients.

Our response

As part of our procedures, we analyzed sales prospects as estimated by the Group in the light of past performances and the most recent budgets in order to corroborate the resulting amounts of impairment. Where applicable, we assessed the assumptions made by the Group for the recognition of specific provisions. We also evaluated the consistency of internal margins eliminated in the consolidated financial statements, by assessing in particular the margins generated with the various distribution subsidiaries and checking that the elimination percentage applied is consistent.

- **Provisions for contingencies and losses**

Risk identified

The Group's activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Within this context, the Group's activities may lead to risks, disputes or litigation, and the Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations.

In particular, as stated in Note 19 to the consolidated financial statements, these rectification claims, together with any uncertain tax positions that have been identified but not yet officially verified, give rise to appropriate provisions, the amount of which is established in accordance with the criteria of IAS 37 Provisions and IAS 12 Income Taxes.

Lastly, as stated in Note 27.1 to the consolidated financial statements, the recent changes to French tax rules and the United States tax reform have significant consequences on the current and deferred tax positions.

We considered this to be a key audit matter due to the significance of the amounts at stake and the level of judgment required to monitor the current regulatory changes, in particular with regard to French and the United States tax rules, and to evaluate these provisions within a constantly evolving international regulatory context.

Our response

Within the context of our audit of the consolidated financial statements, our work consisted in particular in:

- assessing the procedures implemented by the Group in order to identify and evaluate all risks;
- obtaining an understanding of the risk analysis performed by the Group and the corresponding documentation and, where applicable, reviewing written confirmations received from external advisors;
- assessing with the support of our experts, in particular tax specialists, the main risks identified and assessing the reasonableness of the assumptions made by management to estimate the amount of the provisions;
- assessing the relevance of the analyses relating to the use of the provisions for contingencies and losses prepared by the Group;
- assessing with the support of our tax experts the evaluations prepared by the Group's Tax Department relating to the consequences of the tax reforms in France and the United States;
- assessing the appropriateness of the information relating to these risks disclosed in the notes to the consolidated financial statements.

Verification of the information pertaining to the Group presented in the Management Report

As required by law we also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the *Management Report of the Board of Directors*.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Report on other legal and regulatory requirements

- **Appointment of the Statutory Auditors**

We were appointed as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton by the Shareholders' Meeting held on April 14, 2016.

As of December 31, 2017, our audit firms were in the second consecutive year of their engagement, it being specified that Ernst & Young et Autres was previously Statutory Auditor.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, any matters related to going concern, and for using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the consolidated financial statements

- **Objectives and audit approach**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance as to whether the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on aggregate, they could reasonably be expected to influence the economic decisions of users that are taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our Statutory Audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified or adverse audit opinion;

- assesses the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these financial statements.

- **Report to the Performance Audit Committee**

We have submitted a report to the Performance Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Performance Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Courbevoie, February 8, 2018

The Statutory Auditors French original signed by

MAZARS		ERNST & YOUNG Audit	
Loïc Wallaert	Simon Beillevaire	Jeanne Boillet	Patrick Vincent-Genod

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 presented below is the audit opinion on the consolidated 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 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 group's 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

INCOME STATEMENT

Income/(Expense) *(EUR millions)*	Notes	**2017**	**2016**
Financial income from subsidiaries and investments		2,645.5	3,187.7
Investment portfolio: impairment and provisions		(75.0)	(126.8)
gains and losses on disposal		-	-
Income from managing subsidiaries and investments	4.1	**2,570.5**	**3,060.9**
Cost of net financial debt	4.2	(49.9)	(31.3)
Foreign exchange gains and losses	4.3	136.0	(57.7)
Other financial income and expenses	4.4	0.1	(2.7)
FINANCIAL INCOME/(EXPENSE)	4	**2,656.7**	**2,969.2**
Services provided and other income	5	267.3	253.6
Personnel costs	6	(120.3)	(119.1)
Other net management charges	7	(329.9)	(302.9)
OPERATING PROFIT/(LOSS)		**(182.9)**	**(168.4)**
RECURRING PROFIT BEFORE TAX		**2,473.8**	**2,800.8**
EXCEPTIONAL INCOME/(EXPENSE)	8	**-**	**-**
Income tax income/(expense)	9	379.4	(155.5)
NET PROFIT		**2,853.2**	**2,645.3**

BALANCE SHEET

ASSETS (EUR millions)	Notes	2017 Gross	2017 Depreciation, amortization and impairment	2017 Net	2016 Net
Intangible assets		15.6	(7.3)	8.3	10.4
Vineyard land		45.1	-	45.1	45.1
Other tangible fixed assets		23.7	(1.6)	22.1	8.3
Intangible assets and property, plant and equipment	10	**84.4**	**(8.9)**	**75.5**	**63.8**
Equity investments	11	26,670.1	(1,583.4)	25,086.7	18,385.6
LVMH treasury shares	12	385.6	-	385.6	414.7
Other non-current financial assets	13	126.0	-	126.0	143.1
Non-current financial assets		**27,181.7**	**(1,583.4)**	**25,598.3**	**18,943.4**
NON-CURRENT ASSETS		**27,266.1**	**(1,592.3)**	**25,673.8**	**19,007.2**
Receivables	14	1,080.7	-	1,080.7	1,526.5
LVMH treasury shares	12	144.9	-	144.9	105.2
Cash and cash equivalents		32.4	-	32.4	33.0
CURRENT ASSETS		**1,258.0**	**-**	**1,258.0**	**1,664.7**
Prepayments and accrued income	15	34.2	-	34.2	39.9
TOTAL ASSETS		**28,558.3**	**(1,592.3)**	**26,966.0**	**20,711.8**

LIABILITIES AND EQUITY (EUR millions)	Notes	2017 Before appropriation	2016 Before appropriation
Share capital (fully paid up)	16.1	152.1	152.1
Share premium account	16.2	2,614.1	2,601.2
Reserves and revaluation adjustments	17	388.0	388.0
Retained earnings		10,424.6	9,788.6
Interim dividends		(804.4)	(704.2)
Net profit		2,853.2	2,645.3
Regulated provisions		0.1	0.1
EQUITY	16.2	**15,627.7**	**14,871.1**
PROVISIONS FOR CONTINGENCIES AND LOSSES	18	**647.1**	**619.9**
Bonds	19	8,348.6	4,838.9
Other financial debt	19	1,951.8	0.7
Other debt	20	358.2	362.3
OTHER LIABILITIES		**10,658.6**	**5,201.9**
Accruals and deferred income	21	32.6	18.9
TOTAL LIABILITIES AND EQUITY		**26,966.0**	**20,711.8**

CASH FLOW STATEMENT

(EUR millions)	2017	2016
OPERATING ACTIVITIES		
Net profit	2,853.2	2,645.3
Depreciation, amortization and impairment of fixed assets	77.2	128.6
Change in other provisions	27.2	38.8
Gains or losses on sales of assets	17.0	31.8
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**2,974.6**	**2,844.5**
Change in intra-Group current accounts	2,212.1	(86.9)
Change in other receivables and payables	40.7	(323.3)
NET CASH FROM OPERATING ACTIVITIES	**5,227.4**	**2,434.3**
INVESTING ACTIVITIES		
Purchase of tangible and intangible fixed assets	(13.9)	(7.8)
Purchase of equity investments	(6,642.9)	-
Proceeds from sale of equity investments and similar transactions	-	-
Subscription to capital increases carried out by subsidiaries	(133.2)	(160.0)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**(6,790.0)**	**(167.8)**
FINANCING ACTIVITIES		
Capital increase	52.7	63.7
Acquisitions and disposals of LVMH treasury shares	(68.2)	(353.0)
Interim and final dividends paid during the fiscal year	(2,109.5)	(1,810.5)
Proceeds from issuance of financial debt	4,957.0	668.2
Repayments in respect of financial debt	(1,270.0)	(698.9)
(Acquisition)/Disposal of available for sale financial assets	-	(133.6)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**1,562.0**	**(2,264.1)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(0.6)**	**2.4**
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	**33.0**	**30.6**
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	**32.4**	**33.0**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. BUSINESS ACTIVITY AND KEY EVENTS DURING THE FISCAL YEAR

1.1. Business activity

In addition to managing its portfolio of investments in its capacity as the Group's holding company, LVMH Moët Hennessy - Louis Vuitton SE ("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.

1.2. Key events during the fiscal year

On January 23, 2017, pursuant to the provisions of the purchase agreement dated September 30, 2016, LVMH Germany GmbH, a wholly owned subsidiary of LVMH Moët Hennessy - Louis Vuitton SE, acquired a partnership interest representing 80% of the share capital and voting rights of Rimowa GmbH & Co. Distribution KG and 63% (80% after taking into account the Rimowa GmbH shares held by Rimowa GmbH & Co. Distribution KG) of the share capital and voting rights of Rimowa GmbH, the two German parent companies of the Rimowa group, the luggage and leather goods maker founded in Cologne in 1898 and known for its innovative, high-quality luggage. This acquisition, for a total price of 640 million euros, was financed by LVMH by contributing to a reserve account opened at LVMH Germany GmbH entitled "freie Kapitalrücklage". The 20% of the share capital that has not been acquired is covered by a put option granted by LVMH, exercisable from 2020.

On July 3, 2017, as part of the project aimed at simplifying the structures of the Christian Dior – LVMH group and in accordance with the terms of the memorandum of understanding signed with Christian Dior SE[(1)] on April 24, 2017, LVMH acquired 100% of the share capital and the voting rights of Grandville SA and its subsidiary Christian Dior Couture SA on a fully diluted basis from Christian Dior. This acquisition, which totaled 6 billion euros, was financed by LVMH by way of several bond issues for 5 billion euros and an intra-Group loan for the remainder (see Note 19). The acquisition costs of Grandville and its subsidiary Christian Dior Couture were recorded under "Other net management charges" in the amount of 6 million euros.

See also Note 23.4.

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 requirements, particularly Regulations 2014-03 and 2015-05 of the Autorité des Normes Comptables (the French accounting standards setter); it should be noted that the presentation of the income statement was modified in 2011.

The aim of Regulation 2015-05 is to specify how to account for forward financial instruments and hedging transactions. This regulation – the application of which is mandatory as of January 1, 2017 – does not have a significant impact on LVMH's parent company financial statements. The main change involves systematically recording in the balance sheet the fair value of derivatives not designated as hedging instruments, with provisions continuing to be recorded for unrealized losses (see Note 2.9).

The presentation used for the income statement is designed to clearly distinguish the Company's two categories of activities: its activities in asset management, related to its equity investments, and its activities in the management and coordination of the operational activities of all entities within the LVMH group, as described in Note 1.1.

The presentation of the income statement includes three main components of profit or loss: net financial income/expense, net operating income/expense and net exceptional income/expense. The total of net financial income/expense and net operating profit/loss corresponds to recurring profit before tax.

Net financial income includes net income from the management of subsidiaries and other investments, the cost of net financial debt relating, in essence, to the holding of these investments, as well as other items resulting from the management of subsidiaries or of financial debt, particularly gains or losses on foreign exchange or hedging instruments. Net income from the management of subsidiaries and other investments includes all portfolio management items: dividends, changes in impairment, changes in provisions for contingencies and losses related to the portfolio, and gains or losses arising on the disposal of investments.

Operating profit/loss includes costs related to the management of the Company and to the Group's operational management and coordination costs, personnel costs or other administrative costs, less the amount recharged to the subsidiaries, either via the invoicing of management support services or via the recharging of expenses paid by the Group on behalf of these entities.

Net financial income/expense and net operating profit/loss include items relating to the financial management of the Company or administrative operations, irrespective of their amounts or their occurrence. Net exceptional income/expense thus comprises only those transactions that, due to their nature, may not be included in net financial income/expense or operating profit/loss.

(1) Christian Dior SE directly and indirectly holds 41.0% of the share capital and 56.8% of the voting rights of LVMH.

2.2. Intangible assets and property, plant and equipment

Intangible assets, 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).

Intangible assets are composed of leasehold rights amortized over the duration of the underlying leases and of IT development costs amortized over 3 years.

Property, plant and equipment are depreciated, where applicable, on a straight-line basis over their estimated useful lives; the following useful lives are applied:

- vehicles	4 years;
- fixtures, furniture and leasehold improvements	5 to 15 years.

Vineyard land is not subject to depreciation.

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 income from managing subsidiaries and investments.

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. Treasury shares and LVMH share-settled derivatives; stock option and bonus share plans

2.6.1. LVMH treasury shares

Treasury shares acquired under share repurchase programs or under the terms of the liquidity contract are recorded as short-term investments. Shares held on a long-term basis, or intended to be cancelled or exchanged at a later date are recorded as Non-current financial assets.

Treasury shares held for share purchase option plans and bonus shares are allocated to these plans.

Treasury shares are recorded, on their date of delivery, at their acquisition cost excluding transaction costs.

The cost of disposals is determined by allocation category using the FIFO method, with the exception of shares held in share purchase option plans for which the calculation is performed for each plan individually using the weighted average cost method.

2.6.2. Impairment of LVMH treasury shares

If the market value of LVMH shares recorded in short-term investments, calculated in accordance with the method described in Note 2.5 above, falls below their acquisition cost, impairment in the amount of the difference is recognized and charged to "Net financial income/expense", under "Other financial income/expense".

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" under the heading "Personnel costs", is made in relation to the average price of all non-exercisable 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 Note 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 allocated on a straight-line basis over the vesting periods of the plans. It is recognized in the income statement under the heading "Personnel costs", offset by a provision for losses recorded in the balance sheet.

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.

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 the heading "Other financial income/expense"; this impairment is determined 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. Income from equity 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 exchange rates prevailing on the dates of transactions.

Foreign currency receivables and payables are revalued at year-end exchange rates. Any resulting unrealized gains and losses are recorded in the cumulative translation adjustment when the receivables and payables are not hedged. Provisions are recorded for unrealized foreign exchange losses at year-end, except for losses offset by unrealized gains in the same currency.

When the receivables and payables are hedged, the unrealized gains and losses arising on the revaluation are offset against unrealized gains and losses on the associated hedging transactions.

Year-end foreign exchange gains and losses on foreign currency cash and cash equivalents are recorded in the income statement.

2.9. Derivatives

Foreign exchange derivatives are accounted for based on the following principles:

- In the case of derivatives designated as hedging instruments:
  - they are remeasured at year-end exchange rates under "Other receivables" and "Other liabilities"; the unrealized gains and losses resulting from this remeasurement offset unrealized gains and losses on the assets and liabilities hedged by these instruments,
  - unrealized gains and losses are deferred if these instruments are allocated to future transactions,
  - gains and losses realized on maturity are recorded as an offset against gains and losses on the assets and liabilities hedged by these instruments.

The swap points are recognized on a pro rata basis over the term of the contracts under "Other financial income and expenses".

- In the case of derivatives not designated as hedging instruments (isolated open positions):
  - their market value is recorded in "Other receivables" and "Other liabilities", offsetting accruals and deferred income or prepayments and accrued income,
  - any unrealized gains resulting from their remeasurement at year-end exchange rates are deferred,
  - any unrealized losses give rise to a provision for losses, recognized within "Foreign exchange gains and losses",
  - realized gains and losses are recorded under "Foreign exchange gains and losses".

Interest rate derivatives designated as hedging instruments are recognized on a pro rata basis over the term of the contracts, without any impact on the face value of the debt whose rate is hedged.

Interest rate derivatives not designated as hedging instruments are remeasured at market value as of the balance sheet date. Any unrealized gains resulting from this remeasurement are deferred; any unrealized losses give rise to a provision for losses.

2.10. Bond issue premiums

Bond issue premiums are amortized over the life of bonds. Issue costs are expensed upon issuance.

2.11. Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Company, the amount of which may be reliably estimated.

2.12. Income tax: tax consolidation agreement

LVMH is the parent company of a tax group comprising most 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 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 recognized by each consolidated company and the tax resulting from the calculation of taxable income for the tax group – is recognized by LVMH.

3. SIGNIFICANT SUBSEQUENT EVENTS

There were no subsequent events as of January 25, 2018, the date at which the financial statements were approved for publication.

4. FINANCIAL INCOME/(EXPENSE)

4.1. Income from managing subsidiaries and investments

The income from managing subsidiaries and investments breaks down as follows:

(EUR millions)	2017	2016
Dividends received from French companies	2,456.8	2,649.8
Dividends received from foreign companies	188.9	135.3
Share of income from French flow-through entities	(0.2)	402.6
Financial income from subsidiaries and investments	**2,645.5**	**3,187.7**
Changes in impairment	(75.0)	(126.8)
Changes in provisions for contingencies and losses	-	-
Impairment and provisions related to subsidiaries and investments	**(75.0)**	**(126.8)**
Gains and losses on disposal	**-**	**-**
Income from managing subsidiaries and investments	**2,570.5**	**3,060.9**

See also Note 18 concerning the change in impairment and provisions.

4.2. Cost of net financial debt

The cost of net financial debt, including the impact of interest rate hedging instruments, breaks down as follows:

(EUR millions)	2017	2016
Interest and premiums on borrowings	(52.7)	(33.1)
Financial income and revenue	5.3	5.3
Cost of non-Group net financial debt	**(47.4)**	**(27.8)**
Intra-Group interest expense	(2.5)	(3.5)
Intra-Group interest income	-	-
Cost of intra-Group net financial debt	**(2.5)**	**(3.5)**
Cost of net financial debt	**(49.9)**	**(31.3)**

4.3. Foreign exchange gains and losses

Foreign exchange gains and losses comprise the following items:

(EUR millions)	2017	2016
Foreign exchange gains	240.0	168.7
Foreign exchange losses	(145.5)	(246.7)
Changes in provisions for unrealized foreign exchange losses	41.5	20.3
Foreign exchange gains and losses	**136.0**	**(57.7)**

See also Note 18 on changes in provisions.

Foreign exchange gains and losses correspond to those arising on the outstanding borrowings denominated in foreign currency and foreign exchange derivatives entered into for the purposes described in Note 22 (foreign currency net investment hedges of subsidiaries).

4.4. Other financial income and expenses

Other financial income and expenses break down as follows:

(EUR millions)	2017	2016
Income and expenses from LVMH shares	6.8	3.6
Other financial income	3.3	3.9
Other financial expenses	(10.0)	(10.5)
Changes in provisions	-	0.3
Other financial income and expenses	**0.1**	**(2.7)**

See also Note 18 on changes in provisions.

5. SERVICES PROVIDED AND OTHER INCOME

Services provided and other income break down as follows:

(EUR millions)	2017	2016
Services provided	167.2	147.9
Recharged expenses	92.7	98.5
Real estate revenue	7.4	7.2
Total	**267.3**	**253.6**

Services provided and other income relates exclusively to related companies:

- services provided consist of support services (see also Note 1.1);
- recharged expenses refer to expenses incurred by LVMH on account of related companies;
- real estate revenue is attributable to the lease of Champagne vineyards owned by LVMH.

6. PERSONNEL COSTS

In 2017, personnel costs included gross remuneration and employers' social charges, post-employment benefits, other long-term benefits and the cost of stock option and similar plans (see also Note 12.3.2).

6.1. Gross compensation

Due to the nature of the Company's business, as described in Note 1.1, "Business activity", a significant portion of this compensation is re-invoiced to Group companies in connection with management support services.

The total gross compensation paid to company officers and members of the Company's Executive Committee for 2017 amounted to 28 million euros, including 0.9 million euros in directors' fees.

6.2. Commitments given in respect of post-employment benefits: supplementary pensions and retirement benefits

These commitments mainly relate to members of the Executive Committee, who are covered by a supplementary pension plan after a certain number of years of service, the amount of which is determined on the basis of the average of their three highest amounts of annual remuneration.

As of December 31, 2017, 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 73.3 million euros.

The discount rate used to estimate this commitment was 1.50%.

The payments made to cover this commitment – 13.5 million euros in 2017 (13.5 million euros in 2016) – are recognized under the heading "Personnel costs".

6.3. Average headcount

In 2017, the Company had an average headcount of 18 (2016: 18; 2015: 19).

7. OTHER NET MANAGEMENT CHARGES

Management charges comprise in particular fees, communication expenses, insurance premiums and rents.

Due to the nature of the Company's business, as described in Note 1.1, "Business activity", a significant portion of other management charges are re-invoiced to Group companies, either in connection with management support services or with the rebilling of expenses incurred on their behalf.

Moreover, in 1994, at the time when Diageo acquired a stake in the Moët Hennessy group, an agreement was entered into between Diageo and LVMH for the apportionment of common holding company expenses between Moët Hennessy SAS and the other holding companies of the LVMH group. Pursuant to this agreement, the proportion of common holding company expenses re-invoiced by Moët Hennessy to LVMH amounted to 149 million euros.

Taxes, duties and similar levies recognized in "Other management charges" amounted to 3.7 million euros for fiscal year 2017 (3.9 million euros in 2016).

8. EXCEPTIONAL INCOME/(EXPENSE)

None.

9. INCOME TAXES

9.1. Breakdown of corporate income tax

Corporate income tax breaks down as follows:

(EUR millions)	Profit before tax	Tax (expense)/ income	Net profit
Recurring profit	2,473.8	11.7	2,485.5
Exceptional income/(expense)	-	-	-
	2,473.8	11.7	2,485.5
Tax in respect of prior years [a]	-	429.6	429.6
Provisions for general contingencies	-	(55.3)	(55.3)
Impact of tax consolidation	-	(6.6)	(6.6)
	2,473.8	**379.4**	**2,853.2**

(a) Net of reversals of related provisions.

For information on provisions for general contingencies, see also Note 18.

9.2. Tax consolidation agreement

As of December 31, 2017, under the tax consolidation agreement, the amount of tax losses that may be reclaimed from LVMH by subsidiaries totaled 4,234 million euros.

9.3. Deferred tax

Deferred taxes arising from temporary differences amount to a net debit balance of 10.9 million euros as of December 31, 2017, including 3.3 million euros relating to temporary differences that are expected to reverse in 2018.

10. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2017
Carrying amount of fixed assets as of December 31, 2016	**63.8**
Additions	13.9
Disposals and retirements	-
Net change in depreciation/amortization	(2.2)
Carrying amount of fixed assets as of December 31, 2017	**75.5**

11. EQUITY INVESTMENTS

(EUR millions)	2017	2016
Gross amount of equity investments	26,670.1	19,894.0
Impairment	(1,583.4)	(1,508.4)
Carrying amount of equity investments	**25,086.7**	**18,385.6**

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.

The change in impairment of investment portfolio is analyzed in Note 18.

See also Note 1.2.

12. TREASURY SHARES AND RELATED DERIVATIVES

12.1. LVMH treasury shares

The value of the treasury shares held was allocated as follows as of December 31, 2017:

(EUR millions)			2017	2016
	Gross	Impairment	Net	Net
Share subscription option plans	57.1	-	57.1	97.6
Pending retirement	328.5	-	328.5	317.1
Long-term investments	**385.6**	**-**	**385.6**	**414.7**
Bonus share plans	122.1	-	122.1	90.0
Liquidity contract	22.8	-	22.8	15.2
Short-term investments	**144.9**	**-**	**144.9**	**105.2**

Portfolio movements over the fiscal year were as follows:

Long-term investments (EUR millions)	Share subscription option plans		Pending retirement		Total	
	Number	Gross	Number	Gross	Number	Gross
As of January 1, 2017	**2,048,799**	**97.6**	**1,889,812**	**317.1**	**3,938,611**	**414.7**
Purchases	-	-	63,148	11.4	63,148	11.4
Transfers	(13,833)	(0.7)	-	-	(13,833)	(0.7)
Shares retired	(791,977)	(39.8)	-	-	(791,977)	(39.8)
As of December 31,2017	**1,242,989**	**57.1**	**1,952,960**	**328.5**	**3,195,949**	**385.6**

Short-term investments *(EUR millions)*	Other plans		Liquidity contract		Total	
	Number	Gross	Number	Gross	Number	Gross
As of January 1, 2017	**1,069,511**	**90.0**	**89,000**	**15.2**	**1,158,511**	**105.2**
Purchases	245,371	55.2	626,947	136.4	872,318	191.6
Sales	-	-	(623,947)	(128.8)	(623,947)	(128.8)
Transfers	13,833	0.7	-	-	13,833	0.7
Bonus share awards	(335,567)	(23.8)	-	-	(335,567)	(23.8)
As of December 31,2017	**993,148**	**122.1**	**92,000**	**22.8**	**1,085,148**	**144.9**

The net gain recognized on disposals under the liquidity contract amounted to 6.8 million euros. As of December 31, 2017, based on stock market quotes at that date, the value of shares held under this contract was 22.6 million euros.

12.2. Derivatives settled in shares

None.

12.3. Stock option and similar plans

12.3.1. Plan characteristics

Share subscription and purchase option plans

The Shareholders' Meeting of April 13, 2017 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2019, to grant share subscription or purchase options to Group company employees or senior executives, on one or more occasions, in an amount not to exceed 1% of the Company's share capital. This authorization has not been used.

The two plans currently in effect are valid for ten years and the options may be exercised after a four-year period. One option entitles the holder to purchase one share.

Bonus share plans

The Shareholders' Meeting of April 14, 2016 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2018, to grant existing or newly issued shares as bonus shares to Group company employees or senior executives, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

For the plans set up between 2013 and 2015, bonus shares granted to recipients who are French residents for tax purposes vest after a three-year period, which is followed by a two-year holding period during which the recipients may not sell their shares. Bonus shares awarded to recipients who are not French residents for tax purposes vest after a period of four years and become freely transferable at that time.

For the plans set up in 2016 and 2017 – except where otherwise stated – bonus shares and bonus performance shares (if performance conditions are met) vest to all recipients after a three-year period and are freely transferable once they have vested.

Performance conditions

The May 14, 2009 share subscription option plan and certain bonus share plans are subject to performance conditions that determine vesting.

For plans set up between 2009 and 2013, performance shares/options vest only if LVMH's consolidated financial statements both for the fiscal year in which the plan is set up (fiscal year "Y") and for fiscal year Y+1 show a positive change compared to fiscal year Y-1 with respect to one or more of the following indicators: profit from recurring operations, net cash from operating activities and operating investments, current operating margin.

For the October 23, 2014 plan and the April 16, 2015 plan, performance shares would only vest if LVMH's consolidated financial statements for the 2015 fiscal year showed a positive change compared to fiscal year 2014 with respect to one or more of the indicators mentioned above. This condition was satisfied.

For the plans set up on October 22, 2015 and October 20, 2016, performance shares will only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the aforementioned indicators relative to the fiscal year in which the plan was set up (fiscal year Y). For the plan set up on October 22, 2015, the performance condition was met in 2016 and 2017. For the plan set up on October 20, 2016, the performance condition was met in 2017.

For the plan set up on April 13, 2017, performance shares only vest if LVMH's consolidated financial statements for the fiscal year in which the plan was set up (fiscal year Y) show a positive change in one or more of the aforementioned indicators compared to fiscal year Y-1. Shares will vest on April 13, 2018 and will be subject to a two-year holding period.

For the plan set up on July 26, 2017, half of the bonus shares will vest on June 30, 2020 and the other half on June 30, 2021, each time provided the performance condition regarding revenue and profit from recurring operations for the subsidiary concerned has been met.

For bonus shares awarded under the plan set up on October 25, 2017 and subject to a condition relating to the performance of the LVMH group, shares only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the aforementioned indicators relative to the fiscal year in which the plan was set up (fiscal year Y). Shares awarded under the plan set up on October 25, 2017 – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2024 provided quantitative targets regarding revenue and profit from recurring operations, as well as qualitative targets, have been met, with vesting advanced to June 30, 2023 if said targets are met in 2022.

12.3.2. Movements relating to stock option and similar plans

Movements during the fiscal year relating to rights allocated under the various plans based on LVMH shares were as follows:

(number)	Share subscription option plans	Bonus share plans
Rights not exercised as of January 1, 2017	**1,903,010**	**1,312,587**
Provisional allocations for the period	-	455,252
Options and allocations expired in 2017	(13,833)	(36,921)
Options exercised and allocations vested in 2017	(708,485)	(335,567)
Rights not exercised as of December 31, 2017	**1,180,692**	**1,395,351**

Previously owned shares were remitted in settlement of the bonus shares vested.

The total expense recognized under "Personnel costs" in 2017 for stock option and similar plans was 37.2 million euros (2016: expense of 31.2 million euros; 2015: expense of 27.7 million euros).

The value used as the basis for calculating the 20% social security contribution, payable when the plans vest, was the LVMH closing share price on December 29, 2017, which was 245.40 euros.

13. OTHER NON-CURRENT FINANCIAL ASSETS

As of December 31, 2017, other non-current financial assets included 125.1 million euros of non-current available for sale financial assets used to hedge cash-settled convertible bonds subscribed in 2016.

14. RECEIVABLES

Receivables break down as follows:

(EUR millions)			2017	2016
	Gross	Impairment	Net	Net
Receivables from related companies	510.7	-	510.7	1,218.4
of which: financial current account	*395.2*	-	*395.2*	*656.2*
share of profit from flow-through subsidiaries to be received	-	-	-	*402.6*
tax consolidation current accounts	*61.0*	-	*61.0*	*115.1*
Receivables from the State	541.0	-	541.0	131.7
Other receivables	29.0	-	29.0	176.4
of which: currency revaluation of hedging derivatives	*18.4*	-	*18.4*	*160.6*
swap residual balance receivable	*4.8*	-	*4.8*	*9.6*
Total	**1,080.7**	**-**	**1,080.7**	**1,526.5**

All these receivables mature within one year.

15. PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income mainly consist of issue premiums on non-current available for sale financial assets.

16. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

16.1. Share capital

The Company's share capital comprises 507,042,596 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, 708,485 shares were issued as a result of the exercise of share subscription options and 791,977 shares were retired.

As of December 31, 2017, the Company's share capital broke down as follows:

	Number	%
Shares with double voting rights	229,656,385	45.29
Shares with single voting rights	273,105,114	53.86
	502,761,499	99.15
LVMH treasury shares	4,281,097	0.85
Total number of shares	**507,042,596**	**100.00**

16.2. Change in equity

The change in equity during the period broke down as follows:

(EUR millions)	Number of shares	Share capital	Share premium account	Other reserves and regulated provisions	Retained earnings	Interim dividend	Net profit	Total equity
As of December 31, 2016 before appropriation of net profit	**507,126,088**	**152.1**	**2,601.2**	**388.1**	**9,788.6**	**(704.2)**	**2,645.3**	**14,871.1**
Appropriation of net profit for 2016	-	-	-	-	2,645.3	-	(2,645.3)	-
2016 dividends	-	-	-	-	(2,027.8)	704.2	-	(1,323.6)
Impact of treasury shares	-	-	-	-	18.5	-	-	18.5
As of December 31, 2016 after appropriation of net profit	**507,126,088**	**152.1**	**2,601.2**	**388.1**	**10,424.6**	**-**	**-**	**13,566.0**
Exercise of subscription options	708,485	0.2	52.5	-	-	-	-	52.7
Retirement of shares	(791,977)	(0.2)	(39.6)	-	-	-	-	(39.8)
2017 interim dividend	-	-	-	-	-	(811.2)	-	(811.2)
Impact of treasury shares	-	-	-	-	-	6.8	-	6.8
Net profit for 2017	-	-	-	-	-	-	2,853.2	2,853.2
As of December 31, 2017 before appropriation of net profit	**507,042,596**	**152.1**	**2,614.1**	**388.1**	**10,424.6**	**(804.4)**	**2,853.2**	**15,627.7**

The appropriation of net profit for 2016 resulted from the resolutions of the Combined Shareholders' Meeting of April 13, 2017.

17. RESERVES AND REVALUATION ADJUSTMENTS

Reserves break down as follows:

(EUR millions)	2017	2016
Legal reserve	15.2	15.2
Regulated reserves	331.3	331.3
Revaluation reserves	41.5	41.5
Total	**388.0**	**388.0**

17.1. 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.

17.2. 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)	2017	2016
Vineyard land	17.9	17.9
Equity investments (Parfums Christian Dior)	23.6	23.6
Total	**41.5**	**41.5**

18. CHANGES IN IMPAIRMENT AND PROVISIONS

Changes in asset impairment and provisions break down as follows:

(EUR millions)	December 31, 2016	Increases	Amounts used	Amounts released	December 31, 2017
Equity investments	1,508.4	75.0	-	-	1,583.4
LVMH treasury shares	-	-	-	-	-
Other assets	-	-	-	-	-
Asset impairment	**1,508.4**	**75.0**	**-**	**-**	**1,583.4**
Stock option and similar plans	14.2	18.5	(5.1)	-	27.6
General contingencies	504.9	383.5	-	(328.2)	560.2
Unrealized forex losses	42.9	1.4	(42.9)	-	1.4
Other expenses	57.9	24.1	(21.1)	(3.0)	57.9
Provisions for contingencies and losses	**619.9**	**427.5**	**(69.1)**	**(331.2)**	**647.1**
Total	**2,128.3**	**502.5**	**(69.1)**	**(331.2)**	**2,230.5**
Of which: financial income/(expense)		76.4	(42.9)	-	
operating profit/(loss)		42.6	(26.2)	(3.0)	
of which personnel costs		*32.6*	*(26.2)*	*(3.0)*	
other		383.5	-	(328.2)	
		502.5	**(69.1)**	**(331.2)**	

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.

In particular, the Company may be subject to tax inspections and, in certain cases, to rectification claims from tax administrations. These rectification claims, together with any uncertain tax positions that have been identified but not yet officially verified, give rise to appropriate provisions, the amount of which is regularly reviewed in accordance with the criteria of Regulation 2014-03 of the Autorité des Normes Comptables (France's accounting standards authority). Changes in provisions mainly reflect the resolution of certain discussions with the tax authorities, customs or other administrations, both in France and abroad.

See also Notes 4, 9, 11 and 12.

19. GROSS BORROWINGS

Gross borrowings break down as follows:

(EUR millions)	2017	2016
Bonds	8,348.6	4,838.9
Bank loans and borrowings	-	0.1
Intra-Group financial debt	1,951.8	0.6
Other financial debt	1,951.8	0.7
Gross borrowings	**10,300.4**	**4,839.6**

19.1. Bonds

Bonds consist of the following:

	Nominal interest rate	Floating-rate swap	Issue price [a] *(as % of the par value)*	Maturity	Par value as of December 31, 2017 *(EUR millions)*	Accrued interest after swap *(EUR millions)*	Total *(EUR millions)*
EUR 1,200,000,000; 2017	0.750%	25.00%	99.542%	2024	1,200.0	5.2	1,205.2
EUR 800,000,000; 2017	0.375%	25.00%	99.585%	2022	800.0	1.7	801.7
GBP 400,000,000; 2017	1.000%	25.00%	99.583%	2022	450.9	0.7	451.6
EUR 1,250,000,000; 2017	-	-	99.609%	2020	1,250.0	-	1,250.0
EUR 1,250,000,000; 2017	floating	-	100.335%	2018	1,250.0	-	1,250.0
USD 750,000,000; 2016	-	-	102.806%	2021	625.4	-	625.4
EUR 650,000,000; 2014	1.000%	total	99.182%	2021	650.0	0.4	650.4
AUD 150,000,000; 2014	3.500%	total	99.177%	2019	97.7	0.1	97.8
EUR 300,000,000; 2014	floating	-	99.900%	2019	300.0	-	300.0
EUR 100,000,000; 2014	1.250%	-	103.152%	2019	100.0	0.2	100.2
EUR 500,000,000; 2013	1.250%	50.00%	99.198%	2019	500.0	0.5	500.5
EUR 600,000,000; 2013	1.750%	66.67%	99.119%	2020	600.0	1.0	601.0
EUR 500,000,000; 2011	4.000%	-	99.484%	2018	500.0	14.8	514.8
Total					**8,324.0**	**24.6**	**8,348.6**

(a) After fees.

Since May 2000, bond issues have mainly been made under a Euro Medium-Term Note (EMTN) program, the maximum issuable amount of which was 20 billion euros as of December 31, 2017.

Unless otherwise indicated, bonds are redeemable at par upon maturity.

The interest rate swaps presented in the table above were entered into either on the issue date of the bonds or as part of subsequent optimization transactions. All foreign currency-denominated bonds are covered by foreign exchange hedges (see Note 22.2).

In May 2017, LVMH carried out a bond issue divided into four tranches totaling 4.5 billion euros, comprised of 3.25 billion euros in fixed-rate bonds and 1.25 billion euros in floating-rate bonds. In addition, in June 2017, LVMH issued 400 million pounds sterling in fixed-rate bonds maturing in June 2022. At the time these bonds were issued, swaps were entered into that converted them into euro-denominated borrowings. These transactions occurred in connection with the acquisition of Christian Dior Couture, completed in July 2017.

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

19.2. Analysis of gross borrowings by payment date

The breakdown of gross borrowings by type and payment date, 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	8,348.6	1,774.6	6,574.0	-	*24.6*	-
Bank loans and borrowings	-	-	-	-	-	-
Intra-Group financial debt	1,951.8	1,951.1	0.7	-	*1.1*	*1,951.8*
Other financial debt	1,951.8	1,951.1	0.7	-	*1.1*	*1,951.8*
Gross borrowings	**10,300.4**	**3,725.7**	**6,574.7**	**-**	***25.7***	***1,951.8***

19.3. Intra-Group financial debt

Intra-Group financial debt mainly corresponds to a medium-term loan taken out with the Company that centralizes the Group's cash.

19.4. Covenants

In connection with certain credit lines, LVMH may undertake to comply with a net financial debt to equity ratio calculated based on consolidated data. As of December 31, 2017, no drawn or undrawn credit lines were concerned by this provision.

19.5. Guarantees and collateral

As of December 31, 2017, financial debt was not subject to any guarantees or collateral.

20. OTHER DEBT

The breakdown of other liabilities by type and payment date and the related accrued expenses is shown in the table below:

(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		
Trade accounts payable	148.6	148.6	-	-	*145.8*	*123.8*
Tax and social security liabilities	40.2	40.2	-	-	*29.1*	-
Other debt	169.4	169.4	-	-	-	*138.2*
of which tax consolidation current accounts	*137.3*	*137.3*	-	-	-	*137.3*
Other debt	**358.2**	**358.2**	**-**	**-**	***174.9***	***262.0***

21. ACCRUALS AND DEFERRED INCOME

The balance of accruals and deferred income mainly consists of issue premiums related to convertible bonds issued by the Company in 2016, and unrealized gains on derivatives that are not designated as hedging instruments (see Note 2.9).

22. MARKET RISK EXPOSURE

LVMH SE 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 hedged risk.

Given the role of LVMH within the Group, financial instruments designed to hedge net assets denominated in foreign currency may be used in the consolidated financial statements but not matched in the parent company financial statements; as such, they constitute isolated open positions.

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

22.1. Interest rate risk

The Company partially hedges against fluctuations in the value of fixed-rate bond debt (net of non-current available for sale financial assets used to hedge financial debt). Interest rate instruments are generally used to hedge borrowings falling due either at the same time as or after the instruments.

As of December 31, 2017, the Company's financial positions with respect to interest rate risk broke down as follows:

(EUR millions)	Fixed rate	Floating rate	Total [a]
Non-current financial assets (see Note 13)	125.1	-	125.1
Bond debt (see Note 19)	(6,774.0)	(1,550.0)	(8,324.0)
Total financial positions	(6,648.9)	(1,550.0)	(8,198.9)
Hedging instruments	2,006.0	(2,006.0)	-
Financial positions after hedging	**(4,642.9)**	**(3,556.0)**	**(8,198.9)**

(a) Asset/(Liability).

The types of instruments outstanding as of December 31, 2017, the underlying amounts broken down by expiration period and their fair value are as follows:

(EUR millions)	Nominal amount	Expiration period			Market value [a]
		Less than 1 year	From 1 to 5 years	More than 5 years	
Floating-rate payer swap	2,348.8	-	2,048.8	300.0	20.8
Fixed-rate payer swap	342.8	-	342.8	-	1.0
Other	-	-	-	-	-

(a) Gain/(Loss), excluding accrued coupons.

22.2. Foreign exchange derivatives

The foreign exchange risk related to operating activities is not significant.

The Company hedges the foreign exchange risk arising from its financial positions in foreign currency by using foreign exchange swaps or cross-currency swaps.

They broke down as follows as of December 31, 2017:

(EUR millions)	US dollar	Australian dollar	Pound sterling	Total [a]
Non-current financial assets (see Note 13)	125.1	-	-	125.1
Bond debt (see Note 19)	(625.4)	(97.7)	(450.9)	(1,174.0)
Total financial positions	(500.3)	(97.7)	(450.9)	(1,048.9)
Derivatives used to hedge financial positions	500.3	97.7	450.9	1,048.9
Net financial position	**-**	**-**	**-**	**-**

(a) Asset/(Liability).

The Company also hedges the foreign exchange risk related to the Group's net assets located outside the eurozone. Under Regulation 2015-05 of the Autorité des Normes Comptables (France's accounting standards authority), these instruments constitute isolated open positions in the Company's parent company accounts. The market values of isolated open positions break down as follows:

(EUR millions)	2017	2016
Other receivables	16.2	8.8
Other liabilities	-	(42.0)
Market value of isolated open positions	**16.2**	**(33.2)**

A provision is recorded for foreign exchange risk on unrealized losses.

The nominal values of hedges outstanding as of December 31, 2017, as well as their year-end market values, are as follows:

(EUR millions)	Nominal amount [a]	Expiration period			Market value [b]
		Less than 1 year	From 1 to 5 years	More than 5 years	
US dollar	500.3	-	500.3	-	(29.4)
Australian dollar	97.7	-	97.7	-	(6.2)
Pound sterling	450.9	-	450.9	-	(7.4)
Hedges of financial positions	**1,048.9**	**-**	**1,048.9**	**-**	**(43.0)**
US dollar	(375.2)	(375.2)	-	-	9.7
Hong Kong dollar	(188.5)	(188.5)	-	-	4.3
Swiss franc	(578.9)	(578.9)	-	-	1.5
Japanese yen	(42.2)	(42.2)	-	-	0.7
Isolated open positions	**(1,184.8)**	**(1,184.8)**	**-**	**-**	**16.2**

(a) Purchase/(Sale).
(b) Gain/(Loss).

23. OTHER INFORMATION

23.1. Share purchase commitments

Share purchase commitments amount to 9,248 million euros and represent the contractual commitments entered into by the Group to purchase minority interests' shares 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 SAS and Moët Hennessy International SAS, with six months' notice, for an amount equal to 80% of its market value at the exercise date of the commitment.

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

23.2. Other commitments given in favor of third parties

(EUR millions)	As of December 31, 2017
Guarantees and comfort letters granted to subsidiaries or other Group companies	8,301.3

23.3. Other commitments given in favor of LVMH

(EUR millions)	As of December 31, 2017
Undrawn confirmed long-term lines of credit	2,660.0
Undrawn confirmed short-term lines of credit	475.0

23.4. Related-party transactions

No new related-party agreements, within the meaning of Article R.123-198 of the French Commercial Code, were entered into during the fiscal year in significant amounts and under conditions other than normal market conditions.

On July 3, 2017, LVMH acquired 100% of Grandville and its subsidiary Christian Dior Couture from Christian Dior SE for 6 billion euros (see Note 1.2.). This purchase price reflects an enterprise value of 6.5 billion euros, determined using a multi-criteria approach, confirmed by independent experts, and approved by the Boards of Directors of LVMH SE and Christian Dior SE, after duly noting the opinions of their respective ad hoc committees, the valuation reports of independent experts and the work of their respective banking advisors. The acquisition contract contains the customary representations and warranties for this type of transaction. The payment was made during the course of July 2017, giving rise to the payment of financial interest in the amount of 4 million euros.

In October 2014, the Fondation Louis Vuitton opened a modern and contemporary art museum in Paris. The LVMH group finances the Fondation as part of its cultural sponsorship initiatives. The Fondation Louis Vuitton also obtains external financing guaranteed by LVMH. These guarantees are included in off-balance sheet commitments (see Note 23.2).

See also Note 7 for information on the agreement between Diageo and LVMH.

23.5. Identity of the consolidating parent company

The financial statements of LVMH Moët Hennessy - Louis Vuitton SE are fully consolidated by Christian Dior SE (30 avenue Montaigne – 75008 Paris, France).

INVESTMENT PORTFOLIO

Equity investments *(EUR millions)*	**% of direct ownership**	**Carrying amount**
508,493,000 shares with a par value of EUR 16.57 each in Sofidiv SAS	100.00	10,116.4
100,000,000 shares with a par value of EUR 1 each in Grandville SA (Luxembourg)	100.00	6,000.0
245,000 shares with a par value of EUR 100 each in Bulgari SpA (Italy)	100.00	4,268.7
110,120,000 shares with a par value of EUR 1 each in Vicuna Holding SpA (Italy)	100.00	1,533.4
35,931,661 shares with a par value of EUR 7 each in Moët Hennessy SAS	58.67	1,018.9
23,743,135 shares with a par value of EUR 1.50 each in LV Group SA	99.95	822.2
25,000 shares with a par value of EUR 1 each in LVMH GmbH (Germany)	100.00	642.8
1,961,048 shares with a par value of EUR 15 each in Le Bon Marché SA	99.99	259.2
35,666,399 shares with a par value of EUR 15 each in LVMH Finance SA	99.99	220.0
68,960 shares with a par value of EUR 38 each in Parfums Christian Dior SA	99.99	76.5
31,482,978 shares with a par value of EUR 2.82 each in Moët Hennessy International SAS	58.67	74.4
34,414,870 shares with a par value of GBP 1 each in LVMH Services Ltd (UK)	100.00	31.0
7,000 shares with a par value of EUR 1,265 each in the GIE LVMH Services	20.00	8.9
23,000 shares with a par value of JPY 50,000 each in LVMH KK (Japan)	100.00	7.6
9,660 shares with a par value of EUR 30 each in Loewe SA (Spain)	5.44	6.7
Total		**25,086.7**

See also Note 11, "Equity investments".

SUBSIDIARIES AND INVESTMENTS

Company *(in millions of currency units)*	Registered office	Currency	Share capital[a]	Equity other than share capital[a][b]	Percentage of share capital held	Carrying amount of shares held[c]		Loans and advances provided[c]	Deposits and sureties granted[c]	Revenue before taxes[a][d]	Net profit/(loss) from the prior fiscal year[a]	Dividends received in 2017[c]
						Gross	Net					
1. Subsidiaries (>50%)												
Sofidiv SAS	Paris	EUR	8,427.4	3,846.3	100.00%	10,116.4	10,116.4	-	-	596.2	533.2	600.0
Grandville SA	Luxembourg	EUR	100.0	543.2	100.00%	6,000.0	6,000.0	-	-	1.2	1.7	-
Bulgari SpA	Rome	EUR	24.5	250.3	100.00%	4,268.7	4,268.7	-	-	198.4	176.1	187.0
LVMH Finance SA	Paris	EUR	535.0	(462.6)	99.99%	1,790.6	220.0	-	-	0.1	(76.8)	-
Vicuna Holding SpA	Milan	EUR	110.1	1,602.5	100.00%	1,533.4	1,533.4	-	-	64.0	66.0	-
Moët Hennessy SAS	Paris	EUR	428.7	2,190.5	58.67%	1,018.9	1,018.9	-	-	1,082.4	345.0	-
LV Group SA	Paris	EUR	35.6	730.1	99.95%	822.2	822.2	-	-	2,248.5	2,150.9	1,666.1
LVMH GmbH	Cologne	EUR	642.8	(3.5)	100.00%	642.8	642.8	-	-	-	(3.5)	-
Le Bon Marché SA	Paris	EUR	29.4	136.7	99.99%	259.2	259.2	-	-	437.9	20.4	13.0
Parfums Christian Dior SA	Paris	EUR	2.6	701.6	99.99%	76.5	76.5	-	6.2	1,629.2	281.8	150.3
Moët Hennessy Inter. SAS	Paris	EUR	151.6	534.0	58.67%	74.4	74.4	-	-	123.2	127.2	27.4
LVMH Services Ltd	London	GBP	34.4	(6.3)	100.00%	43.8	31.0	-	-	2.6	(0.9)	-
LVMH KK	Tokyo	JPY	1,150.0	840.5	100.00%	7.6	7.6	-	364.4	1,003.0	163.4	-
2. Investments (>10% and <50%)												
GIE LVMH Services	Paris	EUR	44.3	(0.9)	20.00%	8.9	8.9	-	-	2.6	(0.9)	-
3. Investments (<10%)												
Loewe SA	Madrid	EUR	5.3	41.4	5.44%	6.7	6.7	-	-	176.4	5.1	1.7
4. Other investments												
Total						**26,670.1**	**25,086.7**		**370.6**			**2,645.5**

(a) In local currency for foreign subsidiaries.
(b) Prior to the appropriation of earnings for the fiscal year.
(c) In millions of euros.
(d) Including financial income from subsidiaries and investments.

COMPANY RESULTS OVER THE LAST FIVE FISCAL YEARS

(EUR millions, except earnings per share, expressed in euros)	**2013**	**2014**	**2015**	**2016**	**2017**
1. Share capital at fiscal year-end					
Share capital	152.3	152.3	152.1	152.1	152.1
Number of ordinary shares outstanding	507,793,661	507,711,713	507,139,110	507,126,088	507,042,596
Maximum number of future shares to be created:					
- through conversion of bonds	-	-	-	-	-
- through exercise of equity warrants	-	-	-	-	-
- through exercise of share subscription options	4,177,489	3,384,313	2,821,150	1,903,010	1,180,692
2. Operations and profit for the fiscal year					
Income from investments and other revenue	2,376.8	7,583.5	6,842.7	3,441.3	2,912.8
Profit before taxes, depreciation, amortization and movements in provisions	1,985.4	7,698.3	5,971.8	2,917.7	2,523.0
Income tax (income)/expense [a]	-	-	-	-	-
Profit after taxes, depreciation, amortization and movements in provisions [b]	1,854.8	7,160.5	6,019.8	2,645.3	2,853.2
Profit distributed as dividends [c]	1,574.2	1,624.7	1,800.3	2,028.5	2,535.2
3. Earnings per share					
Profit after taxes but before depreciation, amortization and movements in provisions	3.67	14.38	11.79	5.45	5.72
Profit after taxes, depreciation, amortization and movements in provisions [b]	3.65	14.10	11.87	5.22	5.63
Gross dividend distributed per share [c][d]	3.10	3.20	3.55	4.00	5.00
4. Employees					
Average number of employees	19	18	19	18	18
Total payroll	58.3	75.5	77.7	103.4	103.5
Amounts paid in respect of employee benefits	24.2	17.4	19.3	15.7	16.8

(a) Excluding the impact of the tax consolidation agreement, the share of tax profits of "flow-through" entities, tax in respect of prior fiscal years and provisions.
(a) Including the impact of the tax consolidation agreement, the share of tax profits of "flow-through" entities, tax in respect of prior fiscal years and provisions.
(c) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the impact of LVMH treasury shares held as of the distribution date. For fiscal year 2017, amount proposed at the Shareholders' Meeting of April 12, 2018.
(d) Excluding the impact of tax regulations applicable to the recipient.

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders' Meeting of LVMH Moët Hennessy - Louis Vuitton,

1. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying parent company financial statements of LVMH Moët Hennessy - Louis Vuitton for the fiscal year ended December 31, 2017.

In our opinion, the parent company financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December, 31 2017 and of the results of its operations for the fiscal year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

2. Basis for our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' responsibilities for the audit of the parent company financial statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

3. Emphasis of matter

We draw attention to Note 2.1 to the parent company financial statements which describes the application of the regulation 2015-05 of the Autorité des Normes Comptables (the French accounting standards authority) relating to the recognition of forward contracts and hedging transactions. Our opinion is not modified in respect of this matter.

4. Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the parent company financial statements for the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the parent company financial statements.

Valuation of equity investments

Risks identified

As of December 31, 2017, the net amount of equity investments recognized as assets amounted to 25 billion euros, after impairment of 1.6 billion euros, representing 93% of the total asset. They are stated at acquisition cost (excluding incidental costs) or at contribution value, after revaluations pursuant to the French law where appropriate.

When net realizable value as of fiscal year-end is lower than the carrying amount, a provision is recorded in the amount of the difference. As described in Note 2.3 to the parent company financial statements, 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.

We considered the valuation of equity investment to be a key audit matter, due to their significance in the Company's financial statements, and because the determination of their net realizable value, especially regarding value in use, requires the use of hypotheses, estimates and other forms of judgment with a high degree of uncertainty.

Our response

We assessed the methods used to perform these impairment tests, as described in Note 2.3 to the parent company financial statements, and focused our work primarily on the most significant equity investments, and those for which the net realizable is close to the net carrying amount.

We assessed the reasonableness of the main estimates used, in particular forecast cash flow, long-term growth rates and the discount rates applied. We also analyzed the consistency of forecasts with past performance and market outlook, and we conducted impairment test sensitivity analyses. In addition, where the recoverable amount is estimated by comparison with recent similar transactions, we corroborated the analyses provided with available market data. All of these analyses were carried out with the support of our valuation experts.

Lastly, we assessed the appropriateness of the information disclosed in the Notes to the parent company financial statements.

Provisions for contingencies and losses

Risks identified

As of December 31, 2017, provisions for contingencies and losses amounted to 647 million euros and essentially comprised provisions for general contingencies amounting to 560 million euros.

The Company's activities and those of its subsidiaries 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.

In particular, as stated in Note 18 to the parent company financial statements, the Company may be subject to tax inspections and, in certain cases, to rectification claims from tax administrations. These rectification claims, together with any uncertain tax positions that have been identified but not yet officially verified, give rise to appropriate provisions, the amount of which is regularly reviewed in accordance with the criteria of Regulation 2014-03 of the Autorité des Normes Comptables (France's accounting standards authority). Changes in provisions mainly reflect the resolution of certain discussions with the tax authorities, customs or other administrations, both in France and abroad.

We considered this to be a key audit matter due to the significance of the amounts at stake and the level of judgment required to evaluate these provisions within a constantly evolving international regulatory context.

Our response

Within the context of our audit of the financial statements, our work consisted in particular in:

- assessing the procedures implemented by the Company in order to identify and evaluate all risks;
- obtaining an understanding of the risk analysis performed by the Company and the corresponding documentation and, where applicable, reviewing written confirmations received from external advisors;
- assessing with the support of our experts, in particular tax specialists, the main risks identified and assessing the reasonableness of the assumptions made by management to estimate the amount of the provisions;
- assessing the appropriateness of the information relating to these risks disclosed in the Notes to the parent company financial statements.

5. Verification of the Management Report and other documents provided to shareholders

We also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the Management Report and in the other documents provided to shareholders with respect to the financial position and the parent company financial statements

We have no matters to report as to the fair presentation and the consistency with the parent company financial statements of the information given in the Management Report of the Board of Directors and in the other documents provided to shareholders with respect to the financial position and the parent company financial statements.

Report on corporate governance

We attest that the *Board of Directors' report on corporate governance* sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, 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 controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information, it being specified that, as mentioned in the *Board of Directors' report on corporate governance*, this information refers to remunerations and benefits paid or incurred by your Company or the companies it owns, as well as remunerations and benefits paid or incurred by the companies Financière Jean Goujon and Christian Dior.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a takeover or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code (*Code de commerce*), we verified their compliance with the source documents communicated to us. Based on our work, we have no observation to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management Report.

6. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of LVMH Moët Hennessy-Louis Vuitton by the Shareholders' Meeting held on April 14, 2016.

As of December 31, 2017, our audit firms were in the second consecutive year of their engagement, it being specified that Ernst & Young et Autres was previously Statutory Auditor.

7. Responsibilities of management and those charged with governance for the parent company financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The parent company financial statements have been approved by the Board of Directors.

8. Statutory Auditors' responsibilities for the audit of the parent company financial statements

Objectives and audit approach

Our role is to issue a report on the parent company financial statements. Our objective is to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the parent company financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the parent company financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Performance Audit Committee

We have submitted a report to the Performance Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the parent company financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Performance Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, February 8, 2018

The Statutory Auditors, French original signed by

MAZARS		ERNST & YOUNG Audit	
Loïc Wallaert	Simon Beillevaire	Jeanne Boillet	Patrick Vincent-Genod

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by European regulations and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders.

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 RELATED-PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders' Meeting of LVMH Moët Hennessy - Louis Vuitton,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R.225-31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements and commitments prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R.225-31 of the French Commercial Code (*Code de commerce*) of the continuation of the implementation, during the fiscal year ended December 31, 2017, of the agreements and commitments previously approved by the Shareholders' Meeting.

We performed those procedures which we deemed necessary in compliance 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 the consistency of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL TO THE SHAREHOLDERS' MEETING

In accordance with Article R.225-40 of the French Commercial Code (*Code de commerce*), we have been notified of the following related party agreements and commitments entered into during the past fiscal year which received prior authorization from your Board of Directors.

1. With Charles de Croisset, Yves-Thibault de Silguy and Natacha Valla, Directors

Nature and purpose: Establishment of an ad hoc committee as part of the acquisition project of Christian Dior Couture.

Conditions and reasons justifying why the Company benefits from this agreement

As part of the planned acquisition of the Christian Dior Couture group, the Board of Directors decided on April 24, 2017 to appoint an ad hoc committee to supervise the work of the independent expert in charge of assessing the fairness of the financial terms of the acquisition and expressing an opinion to the Board of Directors prior to making a decision with respect to this acquisition.

For this agreement, your Company paid exceptional compensation of 45,000 euros to the members of the ad hoc committee, that is to say, 15,000 euros per member.

2. With Christian Dior SE

Persons concerned: Bernard Arnault and Delphine Arnault, Senior Executives at both companies, and Antoine Arnault, Director.

Nature and purpose: Acquisition of Christian Dior Couture.

Conditions

On May 22, 2017, the Board of Directors authorized the conclusion by your Company of the agreement regarding the acquisition of the entire share capital of Grandville SA (which holds 100% of the share capital and voting rights of Christian Dior Couture SA, and also a portion of the real estate holdings dedicated to the activities of Christian Dior Couture SA) and the related vendor loan, it being specified that the completion of the acquisition was subject to obtaining a decision from the French Financial Markets Authority (*Autorité des Marchés Financiers*) on the proposed public offer by Semyrhamis SA for all of the Christian Dior shares that were not held by Semyrhamis SA and the other members of Groupe Arnault.

The compliance decision on the offering was made on June 6, 2017 and the company Granville SA and its subsidiaries were acquired by your Company on July 3, 2017 for the purchase price of six billion and five hundred million euros, given that the vendor loan resulted in the payment of 3,833,333.33 euros.

Reasons justifying why the Company benefits from this agreement

Your board provided the following reasons: this acquisition enables your Company to strengthen its Fashion and Leather Goods business group by integrating the Christian Dior Couture brand and to bring together the Christian Dior Couture and Parfums Christian Dior brands.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING

In accordance with Article R.225-30 of the French Commercial Code (*Code de commerce*), we have been notified that the implementation of the following agreements and commitments, which were approved by the Shareholders' Meeting in prior years, continued during the fiscal year ended December 31, 2017.

1. With Moët Hennessy SAS, a subsidiary of your Company

LVMH group holding company cost-sharing agreement

Nature, purpose and conditions

Diageo holds a 34% stake in Moët Hennessy SAS. In 1994, when Diageo acquired this stake, an agreement was entered into between Diageo and your Company for the apportionment of shared holding company costs between Moët Hennessy SAS and the other holding companies of the LVMH group.

Under this agreement, Moët Hennessy SAS assumed 16% of shared costs in 2017 and accordingly re-invoiced the excess costs incurred to your Company. After re-invoicing, the amount of shared costs assumed by Moët Hennessy SAS under this agreement was 19.1 million euros for the 2017 fiscal year.

2. With Bernard Arnault, Antonio Belloni and Nicolas Bazire, Directors

Funding of the supplementary pension plan

Nature, purpose and conditions

The funding of a supplementary pension plan, via an insurance company, which was set up in 1999 and modified in 2004 and 2012 for the benefit of Executive Committee members, employees and senior executives of French companies, some of whom are also Directors, remained in effect during fiscal year 2017.

The resulting expense for your Company in fiscal year 2017 is included in the amount disclosed in Note 32.4 to the consolidated financial statements.

3. With Christian Dior SE

Persons concerned: Bernard Arnault, Pierre Godé and Delphine Arnault, Directors.

Service agreement entered into with Christian Dior SE

Nature, purpose and conditions

The service agreement of June 7, 2002, amended on May 16, 2014 and related to legal services, particularly for corporate law issues and the management of securities services, entered into between your Company and Christian Dior SE, remained in effect in 2017.

Pursuant to this agreement, your Company received annual fees of 60,000 euros (exclusive of VAT) from Christian Dior SE during the 2017 fiscal year.

4. With Groupe Arnault SEDCS

Persons concerned: Bernard Arnault, Antoine Arnault and Nicolas Bazire, Directors.

Assistance agreement entered into with Groupe Arnault SEDCS

Nature, purpose and conditions

The assistance agreement of July 31, 1998, amended on May 30, 2016 and related to various services – mainly in the fields of legal assistance and financial engineering, business and real estate law – entered into between your Company and Groupe Arnault SEDCS, which has a number of employees who are experts in their field, remained in effect in 2017.

For the fiscal year 2017, your Company paid 5,520,000 euros (exclusive of VAT) to Groupe Arnault SEDCS, an amount unchanged from the 2016 fiscal year.

Courbevoie and Paris-La Défense, February 8, 2018

The Statutory Auditors, French original signed by

MAZARS		ERNST & YOUNG Audit	
Loïc Wallaert	Simon Beillevaire	Jeanne Boillet	Patrick Vincent-Genod

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RESOLUTIONS FOR THE APPROVAL OF THE COMBINED SHAREHOLDERS' MEETING OF APRIL 12, 2018

1. ORDINARY RESOLUTIONS

First resolution
Approval of the parent company financial statements

The Shareholders' Meeting, having examined the reports of the Board of Directors and the Statutory Auditors, approves the parent company financial statements for the fiscal year ended December 31, 2017, 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, which show a net profit of 2,853,127,239.16 euros for said fiscal year.

Second resolution
Approval of the consolidated financial statements

The Shareholders' Meeting, having examined the reports of the Board of Directors and the Statutory Auditors, approves the consolidated financial statements for the fiscal year ended December 31, 2017, 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
Allocation of net profit – determination of dividend

The Shareholders' Meeting, having formally noted that net profit for the fiscal year totaling 2,853,127,239.16, euros, plus retained earnings in an amount of 10,424,562,995.12 euros, constitutes income available for distribution of 13,277,692,739.04 euros, decides, on the recommendation of the Board of Directors, to appropriate this profit and to allocate the amount available for distribution as follows:

(EUR)	
Net profit for the fiscal year ended December 31, 2017	2,853,127,239.16
Available portion of the legal reserve [a]	2,504.76
Retained earnings	10,424,562,995.12
Amount available for distribution	**13,277,692,739.04**
Proposed appropriation:	
Total dividend to be paid out for the fiscal year ended December 31, 2017	2,535,212,980.00
- of which dividend payable under the Bylaws of 5% or EUR 0.015 per share	*7,605,638.94*
- of which additional dividend of EUR 4.985 per share	*2,527,607,341.06*
Retained earnings	10,742,479,759.04
	13,277,692,739.04

(a) Portion of the legal reserve over 10% of share capital as of December 31, 2017.

As of December 31, 2017, the Company held 4,281,097 of its own shares, corresponding to an amount not available for distribution of 530.5 million euros, equivalent to the acquisition cost of the shares.

Accordingly, the Shareholders' Meeting sets the total dividend for the fiscal year ended December 31, 2017 at 5.00 euros per share. Given the interim dividend of 1.60 euros per share paid on December 7, 2017, the final dividend will be 3.40 euros per share. The ex-dividend date will be April 17, 2018 and the final dividend will be paid as of April 19, 2018.

Based on the tax legislation applicable to the interim dividend and final dividend as it stands at January 1, 2018, this securities income carries an entitlement for French tax residents subject to personal income tax at a progressive rate (by right in 2017 and by electing to do so in 2018) to a tax deduction of 40%.

The dividend is paid as a priority from distributable income from dividends received from subsidiaries eligible for the parent company plan within the meaning of Directive 2011/96/EU ("Eligible Subsidiaries") in the following order of priority: (i) firstly from dividends received from Eligible Subsidiaries whose registered office is in an EU member state other than France; (ii) then from dividends received from Eligible Subsidiaries whose registered office is in France; and (iii) lastly from dividends received from Eligible Subsidiaries whose registered office is in a non-EU country.

Lastly, should the Company hold, at the time of payment of this final dividend, any treasury shares under authorizations granted, 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 *(EUR)*	**Type**	**Payment date**	**Gross dividend**	**Tax deduction** [a]
2016	Interim	December 1, 2016	1.40	0.56
	Final	April 21, 2017	2.60	1.04
	Total		**4.00**	**1.60**
2015	Interim	December 3, 2015	1.35	0.54
	Final	April 21, 2016	2.20	0.88
	Total		**3.55**	**1.42**
2014 [b]	Interim	December 4, 2014	1.25	0.50
	Final	April 23, 2015	1.95	0.78
	Total		**3.20**	**1.28**

(a) For individuals with tax residence in France.

(b) Excluding the exceptional dividend in kind in the form of Hermès International shares based on a ratio of two Hermès International shares for every 41 LVMH shares, approved at the Combined Shareholders' Meeting of November 25, 2014, corresponding to 13.66 euros per LVMH share, of which 12.08 euros qualifies as distributed income for tax purposes and 1.58 euros qualifies as a repayment of capital for tax purposes.

Fourth resolution
Approval of related-party agreements and commitments

The Shareholders' Meeting, having examined the special report of the Statutory Auditors on the related-party agreements and commitments covered by Article L.225-38 of the French Commercial Code, approves the agreements and commitments set out in said report.

Fifth resolution
Renewal of Antoine Arnault's term of office as Director

The Shareholders' Meeting decides to renew Antoine Arnault's term of office as Director for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Sixth resolution
Renewal of Nicolas Bazire's term of office as Director

The Shareholders' Meeting decides to renew Nicolas Bazire's term of office as Director for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Seventh resolution
Renewal of Charles de Croisset's term of office as Director

The Shareholders' Meeting decides to renew Charles de Croisset's term of office as Director for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Eighth resolution
Renewal of Lord Powell of Bayswater's term of office as Director

The Shareholders' Meeting decides to renew Lord Powell of Bayswater's term of office as Director for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Ninth resolution
Renewal of Yves-Thibault de Silguy's term of office as Director

The Shareholders' Meeting decides to renew Yves-Thibault de Silguy's term of office as Director for a period of three years that will end at the close of the Ordinary Shareholders' Meeting convened in 2021 to approve the financial statements for the previous fiscal year.

Tenth resolution
Approval of the items of compensation paid or awarded to Bernard Arnault, Chairman and Chief Executive Officer

Pursuant to Articles L.225-37-2 and L.225-100 of the French Commercial Code, the Shareholders' Meeting approves the fixed and variable components of total compensation and benefits in kind paid or awarded to Bernard Arnault in respect of the fiscal year ended December 31, 2017 as presented in §3.1 of the *Board of Directors' report on the draft resolutions*.

Eleventh resolution
Approval of the items of compensation paid or awarded to Antonio Belloni, Group Managing Director

Pursuant to Articles L.225-37-2 and L.225-100 of the French Commercial Code, the Shareholders' Meeting approves the fixed and variable components of total compensation and benefits in kind paid or awarded to Antonio Belloni in respect of the fiscal year ended December 31, 2017 as presented in §3.1 of the *Board of Directors' report on the draft resolutions*.

Twelfth resolution
Approval of the compensation policy for executive company officers

The Shareholders' Meeting, having examined the Board of Directors' report on corporate governance prepared in accordance with Articles L.225-37 and L.225-37-2 of the French Commercial Code, approves the principles and the criteria used to calculate, allocate and allot the fixed, variable and exceptional components of total compensation and benefits in kind of any type, attributable to the senior executive officers, as presented in §3.2 of the *Board of Directors' report on the draft resolutions*.

Thirteenth resolution
Authorization to be granted to the Board of Directors, for a period of 18 months, to trade in the Company's shares for a maximum purchase price of 400 euros per share, thus a maximum cumulative amount of 20.2 billion euros

The Shareholders' Meeting, having examined the description of the share repurchase program, authorizes the Board of Directors, which may delegate its powers, in accordance with the provisions of Articles L.225-209 *et seq.* of the French Commercial Code; Regulation (EU) No. 596/2014 of April 16, 2014; related EU regulations; Article L.451-3 of the French Monetary and Financial Code; Articles 241-1 *et seq.* of the General Regulation of the *Autorité des Marchés Financiers* (AMF); and market practices permitted by the AMF, to have the Company purchase its own shares.

Shares may be acquired to meet any objective compatible with provisions in force at the time, and in particular to:

(i) provide market liquidity or share liquidity services (purchases/sales) via an investment service provider acting independently under a liquidity contract set up by the Company in compliance with the AMF-approved AMAFI ethics charter;

(ii) cover stock option plans, awards of bonus shares or of any other shares, or share-based payment plans, benefiting employees or company officers of the Company or of any related undertaking under the conditions provided by the French Commercial Code, in particular its Articles L.225-180 and L.225-197-2;

(iii) cover debt securities that may be exchanged for the Company's shares and, more generally, securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange;

(iv) be retired subject to the approval of the fourteenth resolution of this Shareholders' Meeting;

(v) be held and later presented for consideration as an exchange or payment in connection with external growth operations, up to a maximum of 5% of the share capital;

(vi) more generally, carry out any permitted transactions or any transaction that would be authorized in future under regulations in force at that time, or that would involve an already accepted market practice or one that would come to be accepted by the AMF.

The purchase price at which the Company may acquire its own shares may not exceed 400 euros per share, with the understanding that the Company may not purchase shares at a price greater than the higher of the following two values: the last quoted share price resulting from the execution of a transaction in which the Company was not a stakeholder, or the highest current independent purchase offer on the trading platform where the purchase is to take place.

In the event of a capital increase through the capitalization of reserves and bonus share awards 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 transaction.

The maximum number of shares that may be purchased during the share repurchase program shall not exceed 10% of the share capital, adjusted to reflect transactions affecting the share capital occurring after this Meeting, it being specified that if this authorization is used, (i) in the specific case of shares repurchased under the liquidity contract in accordance with Article L.225-209, par. 2 of the French Commercial Code, the number of shares taken into consideration to calculate the 10% upper limit is the number of shares purchased less the number of shares sold again during the period of the authorization, and (ii) the number of treasury shares provided as consideration or exchanged in connection with a merger, spin-off or contribution transaction may not exceed 5% of the share capital at the date of the transaction.

As of December 31, 2017, the limit of 10% of the share capital corresponded to 50,698,029 shares. The maximum total amount dedicated to these purchases may not exceed 20.2 billion euros.

The share acquisition transactions described above, as well as any sale or transfer of these shares, may be carried out by any method in compliance with applicable laws and regulations, including through the use of derivatives and through block purchases or sales.

All powers are granted to the Board of Directors to implement this authorization. The Board may delegate said powers to the Chief Executive Officer, or, where applicable, with the latter's consent, to a Group Managing Director under the conditions provided by law, in order to:

- decide to implement this authorization;
- adjust the aforementioned maximum purchase price to reflect, in the event of a change in the share's nominal value, an increase in the share capital through the capitalization of reserves or a bonus share allotment, a stock split or reverse stock split, the distribution of reserves or of any other assets, the redemption of share capital or any other transaction affecting equity, the impact of such transactions on the share's value;
- set the terms and conditions under which will be protected, if applicable, the rights of the holders of securities giving access to the share capital or of share subscription or share purchase options, or the rights of those eligible to receive performance shares, in accordance with legal, regulatory or contractual provisions;
- place any stock market orders, enter into any contracts, sign any documents, or enter into any agreements, particularly for keeping records of stock purchases and sales, in accordance with applicable regulations;
- file any declarations, carry out any formalities, and generally take any necessary action.

Unless it obtains prior authorization from the Shareholders' Meeting, the Board of Directors may not take the decision to use this delegation of authority as from the date on which a third party files a proposal for a tender offer for the shares of the Company and until the end of the offer period.

This authorization takes effect from the close of this Shareholders' Meeting for a period of 18 months and renders null and void the unused portion of the authorization of the same type granted to the Board of Directors by the Shareholders' Meeting of April 13, 2017 pursuant to its 17th resolution.

2. EXTRAORDINARY RESOLUTIONS

Fourteenth resolution
Authorization to be granted to the Board of Directors, for a period of 18 months, to reduce the share capital by retiring shares held by the Company subsequent to a repurchase of its own shares

The Shareholders' Meeting, having examined the Board of Directors' report and the special report of the Statutory Auditors and in accordance with the provisions of the Article L.225-209 of the French Commercial Code,

1. authorizes the Board of Directors to reduce the Company's share capital on one or more occasions, in the proportions and at the times it shall decide, through the retirement of some or all of the shares acquired or to be acquired by the Company itself, subject to an upper limit of 10% of the share capital per 24-month period, it being specified that this limit shall apply to an amount of the Company's share capital that will be, as appropriate, adjusted to take into account transactions affecting the share capital occurring after this Shareholders' Meeting;

2. sets at 18 months the period of validity of this authorization and notes that this delegation of authority renders null and void the as yet unused portion of the authorization granted by the Shareholders' Meeting of April 13, 2017 in its 19th resolution;

3. grants all powers to the Board of Directors to perform and record the share retirement and capital reduction transactions allowed under this authorization, carry out all required acts and formalities, amend the Bylaws accordingly, and generally take any necessary action.

Fifteenth resolution
Authorization to be granted to the Board of Directors, for a period of 26 months, to award bonus shares in the form of newly issued shares, without preferential subscription rights for the shareholders, or existing shares to employees and/or senior executive officers of the Company and related entities, subject to a limit of 1% of the share capital

The Shareholders' Meeting, having examined the Board of Directors' report and the special report of the Statutory Auditors and in accordance with the provisions of the Articles L.225-197-1 *et seq.* of the French Commercial Code,

1. authorizes the Board of Directors, which may delegate this authorization as provided by law, at its sole discretion, to carry out, on one or more occasions, for the benefit of employees and/or senior executive officers of the Company and affiliated companies as defined in Article L.225-197-2 of the French Commercial Code, or certain categories thereof, bonus allotments of new or existing shares, whereby the total amount of the shares allotted free of charge may not exceed 1% of the Company's share capital at the date of this Shareholders' Meeting, it being stipulated that the amount of the resulting increase in capital will count against the overall maximum of 50 million euros established by the 29th resolution at the Shareholders' Meeting of April 13, 2017, or, as appropriate, any upper limit set by a resolution of the same kind that may supersede it during the period of validity of this resolution;

2. sets at 26 months from the date hereof the period of validity of this authorization and notes that this delegation of authority renders null and void from the date hereof the as yet unused portion of the authorization granted by the Shareholders' Meeting of April 14, 2016 in its 19th resolution;

3. decides that (i) the allotment of shares to their recipients shall be final after a vesting period of at least one year, (ii) the Board of Directors shall have the option of extending the vesting period and/or setting a holding period; the combined minimum vesting and, as appropriate, holding period for the shares may be no shorter than two years. Nonetheless, the allotment of shares to their recipients shall be final prior to expiration of the vesting period applicable in the event of the death or disability of the corresponding recipient qualifying under the second or third categories provided for in Article L.341-4 of the French Social Security Code, subject to the satisfaction of conditions, including performance-related conditions, to be set by the Board of Directors. In addition, in such cases, said shares shall be freely transferable;

4. decides that the vesting of shares to executive company officer recipients will be subject to meeting the performance conditions determined by the Board of Directors;

5. authorizes the Board of Directors to make adjustments where appropriate during the vesting period to the number of shares associated with any transactions affecting the share capital so as to protect the rights of the recipients;

6. acknowledges that if the new shares yet to be issued are allotted, this authorization shall automatically entail the waiver by shareholders of their preferential subscription right in favor of the recipients in respect of the shares allotted free of charge;

7. decides that should it use this authorization, the Board of Directors, which may sub-delegate this authority subject to the restrictions laid down in law, will have full powers to:

- draw up the list of allotment recipients,
- set the terms and conditions and, where appropriate, the allotment criteria,
- where applicable, make the vesting of any portion or all of the shares subject to one or more performance conditions that it will determine,
- set the length of the vesting period and, where appropriate, of the holding period for the shares, it being stated that the Board of Directors may decide in respect of any shares allotted to the senior executive officers covered by Article L.225-197-1, II par. 4 of the French Commercial Code, either that these shares may not be sold by the parties concerned prior to the end of their term of office, or to set the number of shares that they will be required to hold in registered form until the end of their term of office,
- set the dates from which the shares shall carry dividend rights,
- decide, where appropriate, in the event of transactions affecting the share capital that occur during the vesting period of the allotted shares, to make an adjustment to the number of shares allotted to protect the rights of the recipients and, in this scenario, determine the terms and conditions for such adjustment,
- carry out, where new shares are to be allotted, the increases in capital through the capitalization of the Company's reserves or issue premiums that must take place upon the final allotment of the shares to their recipients, set the dates from which the shares shall carry dividend rights and amend the Bylaws accordingly,
- where appropriate, formally record completion of the capital increases, amend the Bylaws accordingly and, more generally, take whatever action is required.

Sixteenth resolution
Amendments to the Bylaws

The Shareholders' Meeting, after having examined the Board of Directors' report, decides to amend §3 of Article 16 of the Company's Bylaws (Executive Management) to set the age limit applicable to the position of Group Managing Directors at seventy and to add a paragraph to Article 21 of the Company's Bylaws (Advisory Board members) describing the remit and powers of Advisory Board members.

Accordingly,

- the final paragraph of §3 of Article 16 of the Bylaws shall read as follows:

Article 16 – General management

…/…

Group Managing Directors

Amended final paragraph:

"The age limit for eligibility to perform the duties of Group Managing Director is seventy years. Should a Group 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 21 of the Bylaws shall be supplemented as follows:

Article 21 – Advisory Board

…/…

New fifth paragraph:

"The Advisory Board Members may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally, on any issues relating to the Company's organization and development. The Committee Chairmen may also solicit their opinion on matters falling within their respective areas of expertise".

STATUTORY AUDITORS' REPORT ON THE PROPOSED DECREASE IN SHARE CAPITAL

(Fourteenth resolution)

To the Shareholders' Meeting of LVMH Moët Hennessy - Louis Vuitton,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Article L.225-209 of the French Commercial Code (*Code de commerce*) on the decrease in share capital by the cancellation of shares purchased, we hereby report to you on our assessment of the reasons for and the terms and conditions of the proposed decrease in share capital.

Your Board of Directors recommends that you confer on it, for a period of eighteen months as of the date of this Shareholders' Meeting, the authority to cancel, up to a maximum of 10% of its share capital per twenty-four-month period, the shares purchased by the Company pursuant to the authorization to purchase its own shares under the provisions of the aforementioned article.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) applicable to this engagement. Our procedures consisted in verifying the fairness of the reasons for, and the terms and conditions of, the proposed decrease in share capital, which does not interfere with the equal treatment of shareholders.

We have no matters to report regarding the reasons for, or terms and conditions of the proposed decrease in share capital.

Courbevoie and Paris-La Défense, February 8, 2018

The Statutory Auditors French original signed by

MAZARS		ERNST & YOUNG Audit	
Loïc Wallaert	Simon Beillevaire	Jeanne Boillet	Patrick Vincent-Genod

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 auditing standards applicable in France.

STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO GRANT NEW OR EXISTING BONUS SHARES

(Fifteenth resolution)

To the Shareholders' Meeting of LVMH Moët Hennessy - Louis Vuitton,

In our capacity as Statutory Auditors of your Company and in accordance with the procedures provided for in Article L.225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposed authorization to grant new or existing bonus shares to employees and/or senior executive officers of your Company or related entities as defined in Article L.225-197-2 of the French Commercial Code, or certain categories of the aforementioned recipients, a transaction on which you are being asked to vote.

The total amount of bonus shares that may be granted under this authorization may not exceed 1% of your Company's share capital at the date of this Meeting, with the understanding that the amount of the capital increase will count against the overall amount of 50 million euros established by the twenty-ninth resolution adopted at the Shareholders' Meeting of April 13, 2017, or, as appropriate, any upper limit set by a resolution of the same kind that may supersede it during the period of validity of this delegation of authority.

Based on its report, your Board of Directors recommends that you confer on it the authority to grant new or existing bonus shares for a period of twenty-six months.

It is the Board of Directors' responsibility to prepare a report on this transaction, which it is requesting the authority to carry out. Our role is to report any observations we may have concerning the information provided to you on the proposed transaction.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) applicable to this engagement. These procedures consisted in verifying that the methods considered and presented in the Board of Directors' report comply with applicable laws.

We have no matters to report regarding the information provided in the Board of Directors' report on the proposed authorization to grant bonus shares.

Courbevoie and Paris-La Défense, February 8, 2018

The Statutory Auditors French original signed by

MAZARS		ERNST & YOUNG Audit	
Loïc Wallaert	Simon Beillevaire	Jeanne Boillet	Patrick Vincent-Genod

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OTHER INFORMATION

General information regarding the parent company and its share capital; stock market information

1. INFORMATION ABOUT THE COMPANY

1.1. Role of the 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.

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. For fiscal year 2017, LVMH billed its subsidiaries 167.2 million euros for management assistance.

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.

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 currently in effect is presented in the appendix of the "*Board of Directors' report on corporate governance*".

Company name (Article 3 of the Bylaws): LVMH Moët Hennessy - Louis Vuitton.

Registered office (Article 4 of the Bylaws): 22, avenue Montaigne, 75008 Paris (France). Telephone: +33 (0)1 44 13 22 22.

Legal form (Article 1 of the Bylaws): "*Société Européenne*" (Societas europaea). The Company was converted from a "*Société Anonyme*" (SA) to a "*Société Européenne*" (SE) on October 27, 2014.

Jurisdiction (Article 1 of the Bylaws): the Company is governed by French law.

Registration and number: the Company is registered 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 at the Extraordinary Shareholders' Meeting. It was proposed to the Shareholders' Meeting of April 14, 2016 to pre-emptively extend the term of the Company by 99 years as of January 1, 2017, thus until December 31, 2115.

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 currently in effect is presented in the appendix of the "*Board of Directors' report on corporate governance*".

Corporate purpose (Article 2 of the Bylaws): any taking of interest within any company or grouping of entities primarily engaged in (i) trade in champagne and other wines, cognac and other spirits, or in any perfume and cosmetic products; (ii) the manufacture, sale and promotion of leather goods, clothing, accessories as well as any other high-quality and branded articles or products; (iii) the operation of vineyards; or (iv) 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 at Shareholders' Meetings may deduct the amounts they deem appropriate to allocate to all optional, ordinary or special reserve funds, or retain. The balance, if any, is divided among shareholders as a super-dividend.

In addition, at Shareholders' Meetings the shareholders 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 pursuant to the provisions of laws and decrees in force.

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 a certain number of shares must be held 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 for at least three years 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. This right may be removed by a decision at the Extraordinary Shareholders' Meeting after ratification by a Special Meeting of the holders of this right.

Crossing of shareholding 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% must inform the Company of the total number of shares held. 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.

Actions necessary to modify the rights of shareholders: the Bylaws do not contain any stricter provision governing the modification of shareholders' rights than those required by 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 law.

2. INFORMATION ABOUT THE CAPITAL

2.1. Share capital

As of December 31, 2017, the Company's share capital was 152,112,778.80 euros, consisting of 507,042,596 fully paid-up shares with a par value of 0.30 euros each.

At its meeting of January 25, 2018, the Board of Directors noted the increase in the share capital resulting as of December 31, 2017 from the exercise of share subscription options, then decided to reduce the share capital by a number equivalent to that of the shares issued. As of January 25, 2018, the share capital amounted to 152,094,089.70 euros divided into 506,980,299 fully paid-up shares with a par value of 0.30 euros each. Of these 506,980,299 shares, 229,656,385 shares conferred double voting rights.

2.2. Authorized share capital

As of December 31, 2017, the Company's authorized share was 202,094,089.60 euros, divided into 673,646,965 shares with a par value of 0.30 euros each.

The authorized share capital represents the maximum amount that the share capital could reach should the Board of Directors make use of all of the authorizations and delegations of authority granted at the Shareholders' Meeting that permit the Company to increase its amount.

2.3. Status of delegations and authorizations granted to the Board of Directors

This status is presented in §1.12, "Summary of existing delegations and financial authorizations and use made of them" in the "*Board of Directors' report on corporate governance*".

2.4. Shareholders' identification

Article 25 of the Bylaws authorizes the Company to set up a shareholder identification procedure.

2.5. Non-capital shares

The Company has not issued any non-capital shares.

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 §4.4.2 of the "Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the "*Management Report of the Board of Directors*" – were outstanding as of December 31, 2017.

2.7. Three-year summary of changes in the Company's share capital

(EUR thousands)			Change in capital			Capital after transaction	
	Type of transaction	Number of shares	Par value	Issue premium	Amount	Cumulative number of shares
As of December 31, 2014					**152,314**	**507,711,713**
Fiscal year 2015	Share issues [a]	552,137	166	34,652	152,479	508,263,850
"	Retirement of shares	1,124,740	(337)	(110,739)	152,142	507,139,110
Fiscal year 2016	Share issues [a]	907,929	272	63,450	152,414	508,047,039
"	Retirement of shares	920,951	(276)	(41,463)	152,138	507,126,088
Fiscal year 2017	Share issues [a]	708,485	(212)	52,450	152,350	507,834,573
"	Retirement of shares	791,977	(238)	(39,589)	152,113	507,042,596
As of December 31, 2017					**152,113**	**507,042,596**

(a) 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, 2017, the Company's share capital comprised 507,042,596 shares:

- 231,405,879 pure registered shares;
- 7,143,118 administered registered shares;
- 268,493,599 bearer shares.

Taking into consideration treasury shares, 502,761,499 shares carried voting rights, of which 229,656,385 shares carried double voting rights.

Shareholders	Number of shares	Number of voting rights [a]	% of share capital	% of voting rights
Financière Jean Goujon	207,821,325	415,642,650	40.99	56.75
Arnault family and other controlled companies [b]	29,696,440	46,716,916	5.85	6.38
Other shareholders [c]	269,524,831	270,058,318	53.16	36.87
Total as of December 31, 2017	**507,042,596**	**732,417,884**	**100.00**	**100.00**

(a) Voting rights exercisable at Shareholders' Meetings.

(b) The Arnault Family Group – composed of the Arnault family and companies it controls, including Financière Jean Goujon – directly or indirectly held 46.84% of the Company's share capital and 63.13% of the voting rights exercisable at Shareholders' Meetings (see also §3.2 and 3.4 below).

(c) Including 4,281,097 treasury shares, i.e. 0.84% of the share capital.

On the basis of registered shareholders and information as of December 2016 provided by a latest Euroclear survey of depository banks, without applying an ownership threshold, the Company had about 190,000 shareholders.

Subject to the provisions of §3.4 below, to the Company's knowledge:

- no shareholder held at least 5% of the Company's share capital and voting rights as of December 31, 2017;
- no 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, 2017, members of the Executive Committee and of the Board of Directors directly held less than 0.3% of the Company's share capital and voting rights, personally and as registered shares.

As of December 31, 2017, the Company held 4,281,097 shares as treasury shares. Of these shares, 1,085,148 were recognized as short-term investments, with the main objective of covering commitments for bonus share plans, while 3,195,949 shares were recognized as long-term investments, with the main objective of covering commitments for existing share subscription option plans and the retirement of shares. In accordance with legal requirements, these shares are stripped of their voting rights.

As of December 31, 2017, the employees of the Company and of affiliated companies, as defined under Article L.225-180 of the French Commercial Code, held LVMH shares in employee savings plans equivalent to less than 0.1% of the Company's share capital.

The Company was not informed of any crossing of shareholding thresholds during the fiscal year ended December 31, 2017.

During the fiscal year ended December 31, 2017 and as of the date at which this Reference Document was filed with the *Autorité des Marchés Financiers*, no public tender or exchange offer nor price guarantee was made by a third party involving the Company's shares.

The Company's main shareholders have voting rights identical to those of other shareholders.

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 and the Ethics and Sustainable Development Committee must also be Independent Directors.

3.2. Changes in share ownership during the last three fiscal years

As of December 31,2017

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable in SM	% of voting rights exercisable in SM
Financière Jean Goujon [a]	207,821,325	40.99	415,642,650	56.42	415,642,650	56.75
Arnault family and other controlled companies [a]	29,696,440	5.85	46,716,916	6.34	46,716,916	6.38
Treasury shares	4,281,097	0.84	4,281,097	0.58	-	-
Free-float registered	6,527,913	1.29	11,342,497	1.54	11,342,497	1.55
Free-float bearer	258,715,821	51.03	258,715,821	35.12	258,715,821	35.32
Total	**507,042,596**	**100.00**	**736,698,981**	**100.00**	**732,417,884**	**100.00**

(a) The Arnault Family Group – composed of the Arnault family and companies it controls, including Financière Jean Goujon – directly or indirectly held 46.84% of the Company's share capital and 63.13% of the voting rights exercisable at Shareholders' Meetings.

As of December 31, 2016

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable in SM	% of voting rights exercisable in SM
Financière Jean Goujon [a]	207,821,325	40.98	415,642,650	56.43	415,642,650	56.82
Arnault family and other controlled companies [a]	29,214,964	5.76	45,704,932	6.21	45,704,932	6.25
Treasury shares	5,097,122	1.01	5,097,122	0.69	-	-
Free-float registered	6,554,185	1.29	11,674,998	1.58	11,674,998	1.60
Free-float bearer	258,438,492	50.96	258,438,492	35.09	258,438,492	35.33
Total	**507,126,088**	**100.00**	**736,558,194**	**100.00**	**731,461,072**	**100.00**

(a) The Arnault Family Group, composed of the Arnault family and companies it controls, including Financière Jean Goujon, directly or indirectly held 46.74% of the Company's share capital and 63.07% of the voting rights exercisable at Shareholders' Meetings.

As of December 31, 2015

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable in SM	% of voting rights exercisable in SM
Financière Jean Goujon [a]	207,821,325	40.98	415,642,650	56.40	415,642,650	56.74
Arnault family and other controlled companies [a]	28,691,463	5.66	45,176,631	6.13	45,176,631	6.16
Treasury shares	4,339,921	0.86	4,339,921	0.59	-	-
Free-float registered	6,649,835	1.30	12,123,795	1.65	12,123,795	1.66
Free-float bearer	259,636,566	51.20	259,636,566	35.23	259,636,566	35.44
Total	**507,139,110**	**100.00**	**736,919,563**	**100.00**	**732,579,642**	**100.00**

(a) The Arnault Family Group, composed of the Arnault family and companies it controls, including Financière Jean Goujon, directly or indirectly held 46.64% of the Company's share capital and 62.90% of the voting rights exercisable at 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.

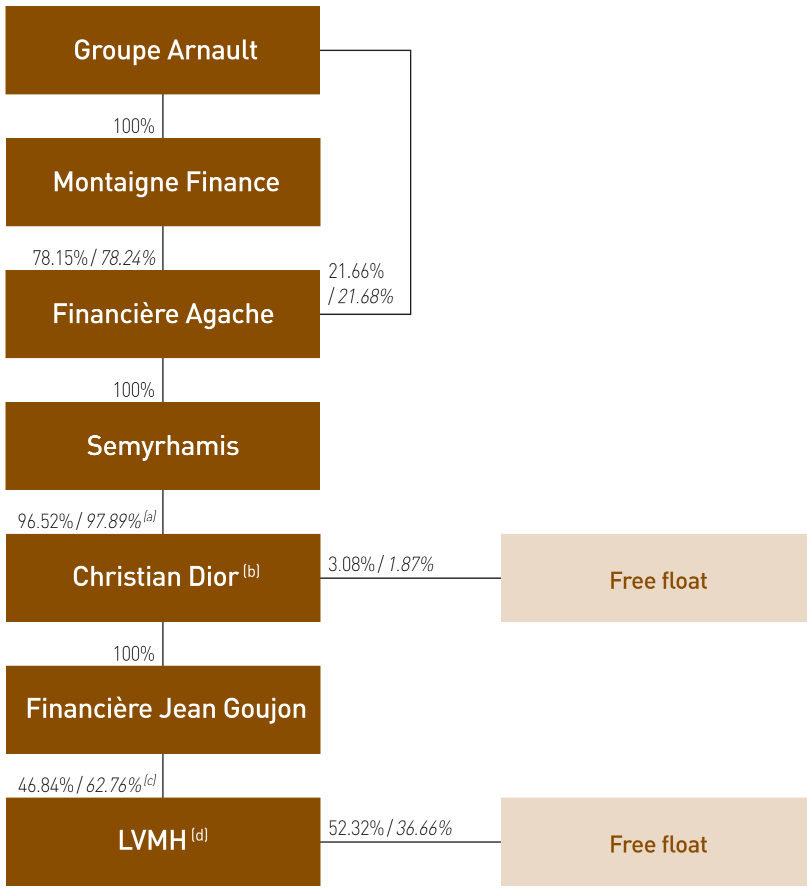
3.4. Natural persons or legal entities that may exercise control over the Company

As of December 31, 2017, the Arnault Family Group directly or indirectly held 46.84% of the Company's share capital and 63.13% of the voting rights exercisable at Shareholders' Meetings.

The Arnault Family Group is composed of the Arnault family and companies it controls, notably (i) Groupe Arnault SEDCS; (ii) Christian Dior SE, of whose share capital the Arnault family directly or indirectly controls 96.52%, and (iii) Financière Jean Goujon, wholly owned by Christian Dior SE.

As of December 31, 2017, Financière Jean Goujon held 207,821,325 shares in the Company representing 40.99% of the share capital and 56.75% of the voting rights exercisable at Shareholders' Meetings. The main purpose of Financière Jean Goujon is to hold LVMH shares.

The organizational chart below provides a simplified overview of the shareholding structure as of December 31, 2017 (% of share capital / *% of theoretical voting rights*):



(a) Stake held by the Arnault Family Group as of December 31, 2017, with Semyrhamis directly holding 84.79% of the share capital and 85.22% of the theoretical voting rights of Christian Dior SE
(b) Treasury shares: 0.41% / *0.24%*.
(c) Stake directly and indirectly held by the Arnault Family Group as of December 31, 2017, with Financière Jean Goujon directly holding 40.99% of the share capital and 56.42% of the theoretical voting rights of LVMH SE.
(d) Treasury shares: 0.84% / *0.58%*.

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 is included in the main French and European indices used by fund managers: the CAC 40, DJ-Euro Stoxx 50, MSCI Europe and the FTSE Eurotop 100, as well as the Global Dow and FTSE4Good, one of the key indices for socially responsible investment.

LVMH's market capitalization was 124 billion euros as of end-December 2017, making it the number-one company on the CAC 40.

In 2017, 159,220,409 LVMH shares were traded on Euronext for a total amount of 35 billion euros. This corresponds to an average daily volume of 624,394 shares.

Since September 23, 2005, LVMH has entrusted a provider of financial services with the implementation of a liquidity contract in line with the Charter of Good Practice initially drawn up by AMAFI (the French association of investment firms), which was approved by the *Autorité des Marchés Financiers* in its decision of March 22, 2005 and published in the *Bulletin des annonces légales obligatoires* dated April 1, 2005.

Trading volumes and amounts on Euronext Paris and share price movement in 2017

	Opening price first day *(EUR)*	Closing price last day *(EUR)*	Highest share price[a] *(EUR)*	Lowest share price[a] *(EUR)*	Number of shares traded	Value of shares traded *(EUR billions)*
January	181.35	186.60	193.35	175.80	16,025,592	3.0
February	188.80	189.45	193.70	181.95	10,886,138	2.0
March	191.35	205.85	205.85	191.35	13,324,457	2.6
April	205.95	226.50	227.65	202.85	14,555,164	3.1
May	227.00	227.15	239.65	224.85	13,681,642	3.2
June	227.50	218.30	235.10	217.90	14,164,255	3.2
July	219.50	212.70	224.85	211.90	16,279,059	3.6
August	214.50	220.25	223.75	212.90	12,290,555	2.7
September	221.95	233.45	233.45	215.80	11,277,675	2.6
October	233.55	256.10	256.95	229.70	11,835,300	2.9
November	256.65	244.50	260.55	243.35	13,398,619	3.3
December	245.00	245.40	254.70	242.05	11,501,953	2.8

Source: Euronext.

(a) Intra-day share price.

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 at the Combined Shareholders' Meetings of April 14, 2016 and April 13, 2017. Within this framework, between January 1 and December 31, 2017, stock market purchases of LVMH shares by LVMH SE amounted to 935,466 shares, or 0.2% of its share capital. Disposals of shares, bonus share awards and retired shares involved the equivalent of 1,751,491 LVMH shares.

4.3. LVMH bond markets

Among the bonds issued by LVMH Moët Hennessy - Louis Vuitton outstanding on December 31, 2017, the bonds presented below are admitted to trading on a regulated market.

Bonds listed in Luxembourg

Currency	Amount outstanding *(in currency)*	Year of issue	Year of maturity	Coupon
GBP	400,000,000	2017	2022	1.00%
EUR	1,200,000,000	2017	2024	0.75%
EUR	800,000,000	2017	2022	0.375%
EUR	1,250,000,000	2017	2020	0.00%
EUR	1,250,000,000	2017	2018	floating
AUD	150,000,000	2014	2019	3.50%
EUR	300,000,000	2014	2019	floating
EUR	650,000,000	2014	2021	1.00%
EUR	600,000,000	2013	2020	1.75%
EUR	600,000,000	2013	2019	1.25%
EUR	500,000,000	2011	2018	4.00%

4.4. Dividend

A dividend of 5.00 euros per share is being proposed for fiscal year 2017, representing an increase of 1.00 euros compared to the dividend paid for fiscal year 2016.

Based on the 507,042,596 shares making up the share capital as of December 31, 2017, the total LVMH Moët Hennessy-Louis Vuitton distribution will amount to 2,535 million euros for fiscal year 2017, before the effect of treasury shares.

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.

In accordance with applicable laws in France, dividends and interim dividends uncollected within five years become void and are paid to the French state.

Dividend distribution in respect of fiscal years 2013 to 2017

Fiscal year	Gross dividend per share *(EUR)*	Dividend distribution *(EUR millions)*
2017 [a]	5.00	2,535
2016	4.00	2,029
2015	3.55	1,800
2014	3.20	1,625
2013	3.10	1,574

(a) Proposed at the Shareholders' Meeting of April 12, 2018.

4.5. Change in share capital

A total of 708,485 shares were issued during the fiscal year, in connection with the exercise of share subscription options, and 791,977 shares were retired, bringing the share capital of the Company to 507,042,596 shares as of December 31, 2017.

4.6. Performance per share

(EUR)	2017	2016	2015
Diluted Group share of earnings per share	10.18	7.89	7.08
Gross dividend per share	5.00	4.00	3.55
Change compared to previous fiscal year	25.0%	12.7%	10.9%
Highest share price (intra-day)	260.55	181.40	176.60
Lowest share price (intra-day)	175.80	130.55	123.50
Share price as of December 31	245.40	181.40	144.90
Change compared to previous fiscal year	35.3%	25.2%	9.6%

OTHER INFORMATION

Responsible company officer; 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 23 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 obtained an end-of-assignment letter from the Statutory Auditors, in which they indicate that they have verified the information relating to the financial position and the financial statements provided in this document, in addition to having read the document as a whole.

Paris, March 21, 2018

Under delegation from the Chairman and 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 European Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Reference Document:

- the 2016 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 132-199 and 200, respectively, of the 2016 Reference Document, filed with the AMF on March 22, 2017 under the number D. 17-0209;
- the 2015 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 124-189 and 190, respectively, of the 2015 Reference Document, filed with the AMF on March 23, 2016 under the number D. 16-0194;
- the developments in the Group's financial situation and in the results of its operations between the 2016 and 2015 fiscal years, presented on pages 24-45 of the 2016 Reference Document, filed with the AMF on March 22, 2017 under the number D. 17-0209;
- the developments in the Group's financial situation and in the results of its operations between the 2015 and 2014 fiscal years, presented on pages 24-44 of the 2015 Reference Document, filed with the AMF on March 23, 2016 under the number D. 16-0194;
- the 2016 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 202-225 and 226-227, respectively, of the 2016 Reference Document, filed with the AMF on March 22, 2017 under the number D. 17-0209;
- the 2015 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 192-215 and 216-217, respectively, of the 2015 Reference Document, filed with the AMF on March 23, 2016 under the number D. 16-0194;
- the Statutory Auditors' special report on related-party agreements and commitments of the 2016 fiscal year, included on pages 228-229 of the 2016 Reference Document, filed with the AMF on March 22, 2017 under the number D. 17-0209;
- the Statutory Auditors' special report on related-party agreements and commitments of the 2015 fiscal year, included on pages 218-220 of the 2015 Reference Document, filed with the AMF on March 23, 2016 under the number D. 16-0194;

The sections of the 2016 and 2015 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 the company LVMH Moët Hennessy - Louis Vuitton 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* (the French financial markets regulator), the press releases relating to revenue and earnings, as well as the annual and interim reports and the consolidated and parent company financial statements and information relating to transactions in treasury shares and the total number of voting rights and shares may be consulted on the Company's website at the following address: www.lvmh.com.

OTHER INFORMATION

Tables of concordance

1. TABLE OF CONCORDANCE WITH HEADINGS PRESENTED IN ANNEX 1 OF COMMISSION REGULATION (EC) 809/2004

2. TABLE OF CONCORDANCE WITH THE ANNUAL FINANCIAL REPORT [(a)]

(a) Pursuant to Articles L.451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF's General Regulations.

AMF AUTORITÉ DES MARCHÉS FINANCIERS

The original French version of this document was submitted to the *Autorité des Marchés Financiers* on March 22, 2018 pursuant to Article 212-13 of its General Regulation. 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*. The original French version of this document was prepared by the issuer, and its signatories are responsible for its content.

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LVMH

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