

LVMH

MOËT HENNESSY ♦ LOUIS VUITTON

FISCAL YEAR ENDED DECEMBER 31, 2019
UNIVERSAL REGISTRATION DOCUMENT

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This document is a free translation into English of the original French “Document d’enregistrement universel”, hereafter referred to as the “Universal Registration 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		1947	Parfums Christian Dior Emilio Pucci	
16th century	1593	Château d'Yquem		1952	Givenchy Connaissance des Arts	
18th century	1729	Ruinart		1957	Parfums Givenchy	
	1743	Moët & Chandon		1958	Starboard Cruise Services	
	1765	Hennessy		1959	Chandon	
	1772	Veuve Clicquot		1960	DFS	
	1780	Chaumet		1969	Sephora	
19th century				1970	Kenzo Cape Mentelle	
	1815	Ardbeg		1972	Perfumes Loewe	
	1817	Cova		1974	Investir-Le Journal des Finances	
	1828	Guerlain		1975	Ole Henriksen	
	1832	Château Cheval Blanc		1976	Benefit Cosmetics	
	1843	Krug Glenmorangie			Belmond	
	1846	Loewe		1977	Newton	
	1849	Royal Van Lent		1980	Hublot	
	1852	Le Bon Marché		1983	Radio Classique	
	1854	Louis Vuitton		1984	Pink Shirtmaker Marc Jacobs	
	1858	Mercier			Make Up For Ever	
	1860	TAG Heuer Jardin d'Acclimatation		1985	Cloudy Bay	
	1865	Zenith		1988	Kenzo Parfums	
	1870	La Samaritaine		1991	Fresh	
	1884	Bvlgari		1992	Colgin Cellars	
	1895	Berluti		1993	Belvedere	
	1898	Rimowa		1998	Bodega Numanthia	
				1999	Terrazas de Los Andes Cheval des Andes	
	20th century	1908	Les Echos	21st century	2004	Nicholas Kirkwood
		1914	Patou		2008	KVD Vegan Beauty
1916		Acqua di Parma	2009		Maison Francis Kurkdjian	
1923		La Grande Épicerie de Paris	2010		Woodinville	
1924		Loro Piana	2013		Marc Jacobs Beauty	
1925		Fendi			Ao Yun	
1936		Dom Pérignon Fred	2016		Cha Ling	
1944		Le Parisien-Aujourd'hui en France	2017		Fenty Beauty by Rihanna	
1945		Celine			Volcán de mi Tierra	
1946		Christian Dior Couture	2019		Fenty	

FINANCIAL HIGHLIGHTS

Key consolidated data

(EUR millions)	2019	2018 ⁽¹⁾	2017 ⁽¹⁾
Revenue	53,670	46,826	42,636
Profit from recurring operations	11,504	10,003	8,293
Net profit	7,782	6,990	5,840
Net profit, Group share	7,171	6,354	5,365
Cash from operations before changes in working capital	16,105	11,965	10,405
Operating investments	3,294	3,038	2,276
Operating free cash flow ^(a)	6,167	5,452	4,696
Equity ^(b)	38,365	33,957	30,377
Adjusted net financial debt ^{(c)(d)}	6,206	5,487	7,153
Adjusted net financial debt/Equity ratio ^(d)	16.2%	16.2%	23.5%

(a) See the Consolidated cash flow statement in the consolidated financial statements for the definition of "Operating free cash flow".

(b) Including minority interests.

(c) Excluding Lease liabilities and Purchase commitments for minority interests' shares included in "Other non-current liabilities".

(d) Excluding the acquisition of Belmond shares at end-2018. See Note 18.1 of notes to the 2018 consolidated financial statements.

Information by business group

Revenue by business group (EUR millions)	2019	2018	2017
Wines and Spirits	5,576	5,143	5,084
Fashion and Leather Goods	22,237	18,455	15,472
Perfumes and Cosmetics	6,835	6,092	5,560
Watches and Jewelry	4,405	4,123	3,805
Selective Retailing	14,791	13,646	13,311
Other activities and eliminations	(174)	(633)	(596)
Total	53,670	46,826	42,636

Change in revenue by business group (EUR millions and percentage)	2019	2018	Change 2019/2018		2017
			Published	Organic ^(a)	
Wines and Spirits	5,576	5,143	8%	6%	5,084
Fashion and Leather Goods	22,237	18,455	20%	17%	15,472
Perfumes and Cosmetics	6,835	6,092	12%	9%	5,560
Watches and Jewelry	4,405	4,123	7%	3%	3,805
Selective Retailing	14,791	13,646	8%	5%	13,311
Other activities and eliminations	(174)	(633)	-	-	(596)
Total	53,670	46,826	15%	10%	42,636

(a) On a constant consolidation scope and currency basis. The impact of exchange rate fluctuations on Group revenue was +3% and the impact of changes in the scope of consolidation was +1%. The principles used to determine the impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 39.

Profit from recurring operations by business group (EUR millions)	2019	2018 ⁽¹⁾	2017 ⁽¹⁾
Wines and Spirits	1,729	1,629	1,558
Fashion and Leather Goods	7,344	5,943	4,905
Perfumes and Cosmetics	683	676	600
Watches and Jewelry	736	703	512
Selective Retailing	1,395	1,382	1,075
Other activities and eliminations	(383)	(330)	(357)
Total	11,504	10,003	8,293

Information by geographic region

Revenue by geographic region of delivery (as %)	2019	2018	2017
France	9	10	10
Europe (excluding France)	19	19	19
United States	24	24	25
Japan	7	7	7
Asia (excluding Japan)	30	29	28
Other markets	11	11	11
Total	100	100	100

Revenue by invoicing currency (as %)	2019	2018	2017
Euro	22	22	23
US dollar	29	29	30
Japanese yen	7	7	7
Hong Kong dollar	5	6	6
Other currencies	37	36	34
Total	100	100	100

Number of stores	2019	2018	2017
France	535	514	508
Europe (excluding France)	1,177	1,153	1,156
United States	829	783	754
Japan	427	422	412
Asia (excluding Japan)	1,453	1,289	1,151
Other markets	494	431	393
Total	4,915	4,592	4,374

Data per share

(EUR)	2019	2018 ⁽¹⁾	2017 ⁽¹⁾
Earnings per share			
Basic Group share of earnings per share	14.25	12.64	10.68
Diluted Group share of earnings per share	14.23	12.61	10.64
Dividend per share			
Interim	2.20	2.00	1.60
Final	2.60	4.00	3.40
Gross amount paid for the fiscal year ^(a)	4.80 ^(b)	6.00	5.00

(a) Gross amount paid for the fiscal year, excluding the impact of the tax regulations applicable to the recipient.

(b) Proposal by the Board of Directors at its meeting of April 15, 2020 for approval at the Shareholders' Meeting of June 30, 2020.

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the consolidated financial statements regarding the impact of the application of IFRS 16.

EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Antoine Arnault
Delphine Arnault

Nicolas Bazire

Sophie Chassat^(a)

Charles de Croisset^(a)
Lead Director

Diego Della Valle^(a)

Clara Gaymard^(a)

Iris Knobloch^(a)

Marie-Josée Kravis^(a)

Marie-Laure Sauty de Chalon^(a)

Yves-Thibault de Silguy^(a)

Natacha Valla^{(a) (b)}

Hubert Védrine^(a)

Advisory Board members

Yann Arthus-Bertrand

Paolo Bulgari^(c)

Lord Powell of Bayswater^(d)

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Delphine Arnault
Louis Vuitton

Nicolas Bazire
Development and Acquisitions

Pietro Beccari
Christian Dior Couture

Michael Burke
Louis Vuitton

Chantal Gaemperle
Human Resources and Synergies

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora and Beauty

Philippe Schaus
Wines and Spirits

Sidney Toledano
Fashion Group

Jean-Baptiste Voisin
Strategy

General Secretary

Marc-Antoine Jamet

Performance Audit Committee

Yves-Thibault de Silguy^(a)
Chairman

Charles de Croisset^(a)

Clara Gaymard^{(a) (e)}

Nominations & Compensation Committee

Charles de Croisset^(a)
Chairman

Marie-Josée Kravis^(a)

Yves-Thibault de Silguy^(a)

Ethics & Sustainable Development Committee

Yves-Thibault de Silguy^(a)
Chairman

Delphine Arnault

Marie-Laure Sauty de Chalon^(a)

Hubert Védrine^(a)

Statutory Auditors

ERNST & YOUNG Audit
*represented by Gilles Cohen
and Patrick Vincent-Genod*

MAZARS
*represented by Isabelle Sapet
and Loïc Wallaert*

(a) Independent Director.

(b) Appointment as a Director proposed at the Shareholders' Meeting of June 30, 2020.

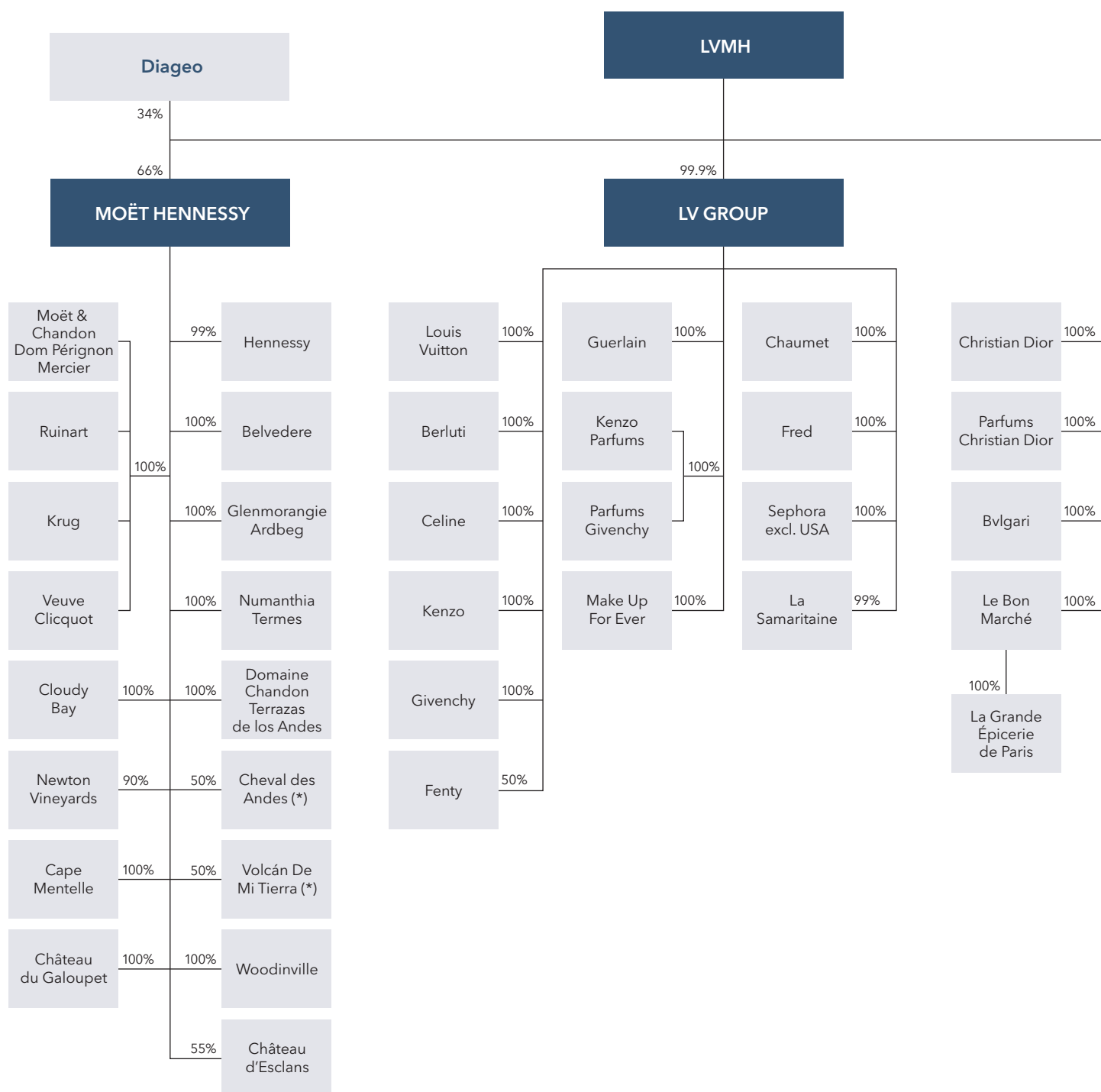
(c) Until the Shareholders' Meeting of June 30, 2020.

(d) Appointment as an Advisory Board member proposed at the Shareholders' Meeting of June 30, 2020.

(e) Appointment as a Committee member to replace Antoine Arnault effective June 30, 2020.

The list of Directors' appointments can be found in §1.4.1 of the Board of Directors' report on corporate governance on pages 145 to 155 of the Universal Registration Document.

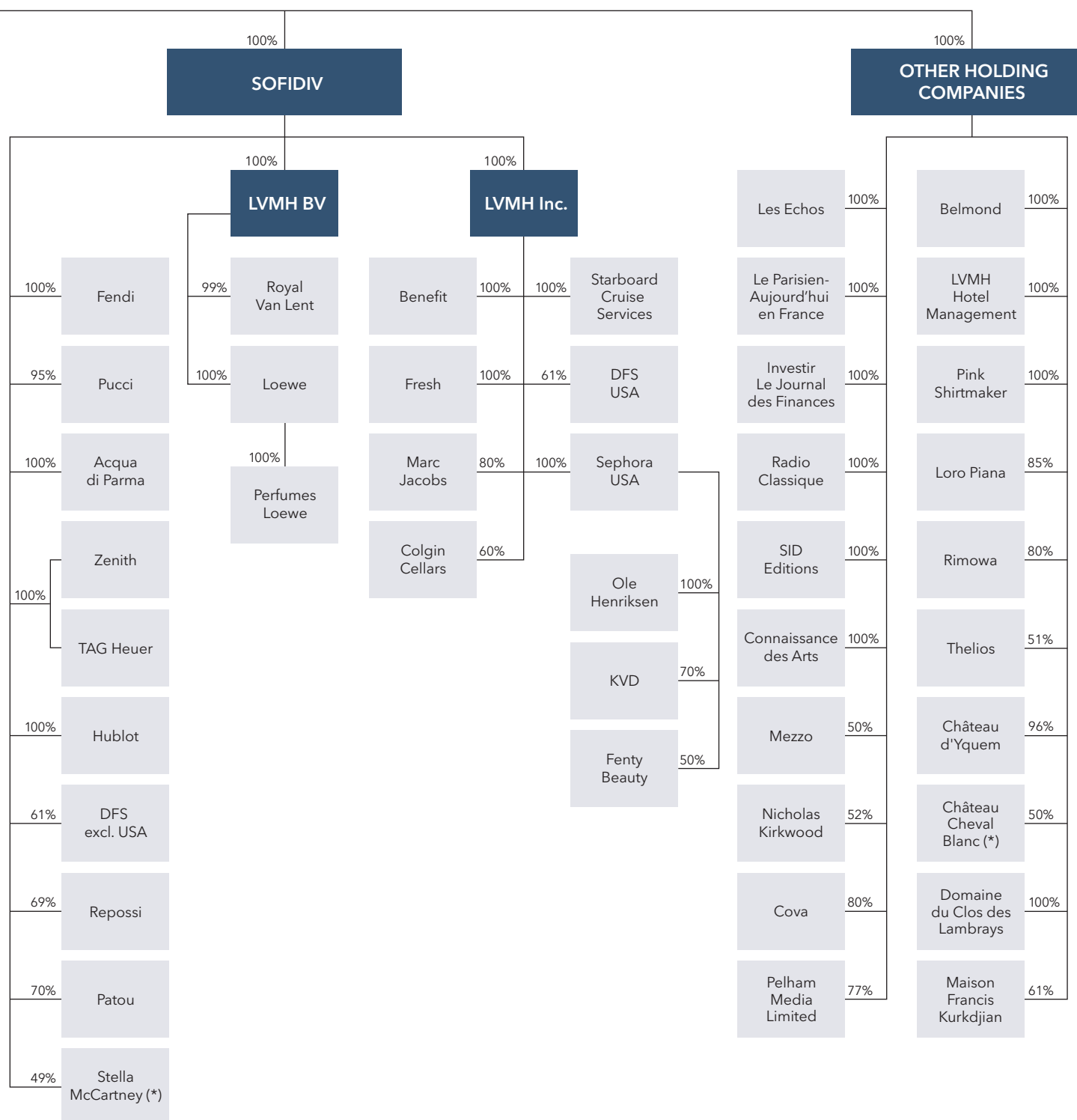
SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2019



(*) 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



MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

The LVMH business model

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The LVMH group was formed from the merger of Moët Hennessy and Louis Vuitton in 1987. Bernard Arnault became the leading shareholder and Chairman and Chief Executive Officer in 1989, with the ambition of making LVMH the world leader in luxury.

Today, the LVMH group has built its leading position through a unique portfolio of 75 exceptional Maisons, operating in six business groups. Each of them creates products that combine high-level expertise with a strong heritage, drawing their

momentum from a spirit of innovation and openness to the world.

The Group helps its Maisons grow over the long term, based on respect for their specific strengths and individuality, underpinned by common values and a shared business model. Accordingly, it provides them with all of the resources they need to grow in terms of designing, manufacturing and selectively retailing their products and services.

1. BUSINESS OVERVIEW

LVMH is the only group that operates simultaneously, through its Maisons, in all the following luxury sectors:

Wines and Spirits: Based in Champagne, Bordeaux and other renowned wine-growing regions, the LVMH group's Maisons – some of which are hundreds of years old – all have their own unique character, backed by a shared culture of excellence. The activities of LVMH in Wines and Spirits are divided between the Champagne and Wines segment and the Cognac and Spirits segment. This business group focuses on growth in high-end market segments through a powerful, agile international distribution network. LVMH is the world leader in cognac, with Hennessy, and in champagne, with an outstanding portfolio of brands and complementary product ranges. It also produces high-end still and sparkling wines from around the world.

Fashion and Leather Goods: LVMH includes established Maisons with their own unique heritage and more recent brands with strong potential. Whether they are part of Haute Couture or luxury fashion, LVMH's Maisons have based their success on the quality, authenticity and originality of their designs, created by talented, renowned designers. All the Group's Maisons are focused on the creativity of their collections, building on their iconic, timeless lines, achieving excellence in their retail networks and strengthening their online presence, while maintaining their identity.

Perfumes and Cosmetics: LVMH is a key player in the perfume, makeup and skincare sector, with a portfolio of world-famous established names as well as younger brands with a promising future. Its Perfumes and Cosmetics business group boasts exceptional momentum, driven by growing and securing the long-term future of its flagship lines as well as boldly developing new products. The Maisons cultivate their individuality,

a differentiating factor for their followers in a highly competitive global market. At the same time, they are all driven by the same values: the pursuit of excellence, creativity, innovation and complete control of their brand image.

Watches and Jewelry: The Maisons in Watches and Jewelry – LVMH's youngest business group – operate in the high-end watchmaking, jewelry and high jewelry sectors. It features some of the most dynamic brands on the market, positioned to complement each other's strengths. These Maisons rely on their outstanding expertise, creativity and innovation to surprise their customers all over the world and respond to their aspirations.

Selective Retailing: The Group's Selective Retailing brands all pursue a single objective: transforming shopping into a unique experience. From elegant interior design to a specialist selection of high-end products and services, combined with personalized relationships, customers are the focus of their attention on a daily basis. Operating all over the world, the Maisons are active in two spheres: selective retail and travel retail (selling luxury goods to international travelers).

Other activities: The Maisons in this business group are all ambassadors for culture and a certain *art de vivre* that is emblematic of LVMH. This approach is taken by Maisons including the Les Echos group, which – in addition to *Les Echos*, the leading daily financial newspaper in France – owns several business and arts titles; the Royal Van Lent shipyard, which builds and markets custom-designed yachts under the prestigious Feadship name; Belmond, which has a large portfolio of hotels, trains, cruise lines and safari lodges that combine heritage, expertise, authenticity and impeccable service; and the exceptional Cheval Blanc hotels, which operate worldwide.

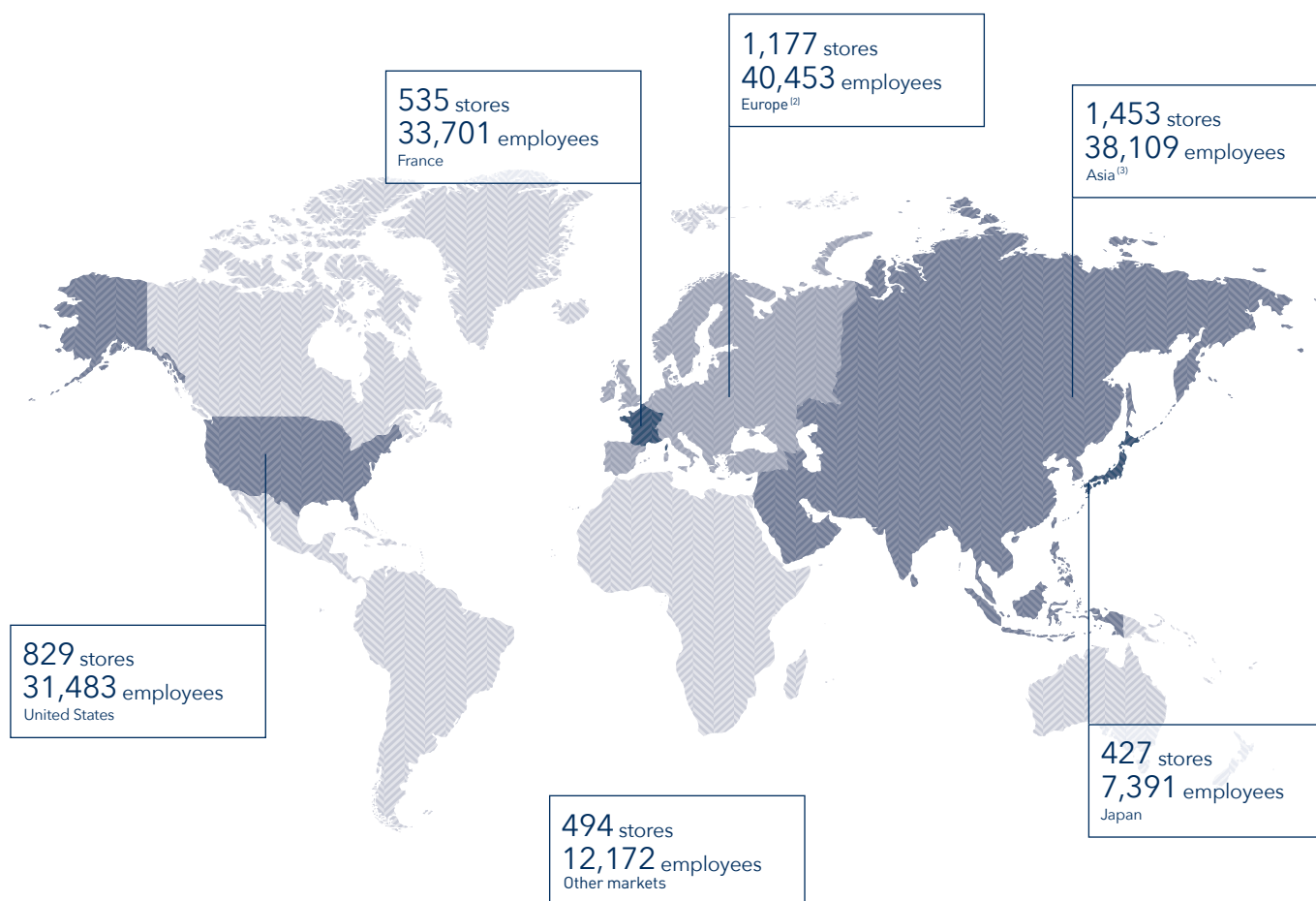
Key figures

(as of December 31, 2019)

75 Maisons

25 Maisons over
100 years old70 countries
worldwide163,309 employees
worldwide41,287 joiners⁽¹⁾4,915 stores
worldwide**Geographic presence**

(as of December 31, 2019)



(1) Under permanent contracts.

(2) Excluding France.

(3) Excluding Japan.

2. GROUP VALUES

In its quest for excellence, there are three fundamental values that drive the Group's performance and ensure its long-term future. These are shared by everyone involved at LVMH, and inspire and guide their actions. They are one of its Maisons' keys to success, anchoring them in the modern world and the society in which they operate.

Being creative and innovative: Creativity and innovation are part of LVMH's DNA; throughout the years, they have been the keys to the Maisons' success and the basis of their solid reputations. These fundamental values of creativity and innovation are pursued in tandem by the Group's Maisons as they focus on achieving the ideal balance between continually renewing their offer while resolutely looking to the future, always respecting their unique heritage.

Delivering excellence: Within the Group, quality can never be compromised. Because the Maisons embody everything that is most noble and accomplished in the world of fine craftsmanship, they pay extremely close attention to detail and strive for perfection: from products to services, it is in this quest for excellence that the Group differentiates itself.

Cultivating an entrepreneurial spirit: The Group's agile, decentralized structure fosters efficiency and responsiveness. It encourages individuals to take initiative by giving everyone a significant level of responsibility. The entrepreneurial spirit promoted by the Group makes risk-taking easier and encourages perseverance. It requires a pragmatic approach and the ability to mobilize staff towards achieving ambitious goals.

Our Group and Maisons put heart and soul into everything they do. Each of our initiatives is meaningful and reflects our commitment to the environment, the community and diversity.

3. OPERATING MODEL

LVMH has implemented a unique operating model based on six pillars, which contributes to the Group's long-term success by combining profitable growth, sustainability and a commitment to excellence.

Decentralized organization: The structure and operating principles adopted by LVMH ensure that Maisons are both autonomous and responsive. As a result, they are able to build close relationships with their customers, make fast, effective and appropriate decisions, and motivate Group employees for the long term by encouraging them to take an entrepreneurial approach.

Internal growth: The LVMH group prioritizes internal growth and is committed to developing its Maisons, and encouraging and protecting their creativity. Staff play a critical role in a model of this kind, so supporting them in their career and encouraging them to exceed their own expectations is essential.

Vertical integration: Designed to cultivate excellence both up- and downstream, vertical integration ensures control of every stage of the value chain, from sourcing to production facilities and selective retailing. It also guarantees strict control of Maisons' brand image.

Creating synergies: Resources are pooled at Group level to create intelligent synergies while respecting each Maison's independence and autonomy. LVMH's shared strength as a Group is used to benefit each Maison individually.

Securing expertise for the long term: The Maisons that make up the Group cultivate a long-term vision. To protect their identity and excellence, LVMH and its Maisons have implemented numerous tools to pass on expertise and promote artisanal and creative skills in the next generation.

A complementary mix of activities and geographic locations: The LVMH group has equipped itself to grow steadily by balancing its activities and their geographical spread, helping to secure its position in the face of economic fluctuations.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

Business overview, highlights and outlook

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1. WINES AND SPIRITS

In 2019, revenue for the Wines and Spirits business group represented 10% of the LVMH group's total revenue. Champagne and wines made up 45% of this revenue, while cognacs and spirits accounted for 55%.

1.1 Champagne and Wines

1.1.1 Champagne and Wine brands

LVMH produces and sells a very broad range of high-quality champagnes. Beyond the Champagne region, the Group develops and distributes a range of high-end still and sparkling wines produced in nine countries spanning four continents: France, Spain, the United States (California), Argentina, Brazil, Australia, New Zealand, India and China.

Founded in 1743, **Moët & Chandon** is the Champagne region's leading wine grower, producer and exporter, renowned for its exceptional heritage and pioneering spirit. Steeped in tradition with its iconic *Moët Impérial* blend, its rosé versions the *Grand Vintage* collection, the Maison is also squarely positioned as an innovator, illustrated in particular by *Moët Ice Impérial*, the very first champagne exclusively designed to be served over ice in large glasses to reveal all its subtle nuances.

Dom Pérignon carries on the legacy of Dom Pierre Pérignon, the 17th-century Benedictine monk whose ambition was to make "the best wine in the world". Dom Pérignon only releases vintage champagnes. The Maison's Cellar Master has full control over the wine aging process, expressing a unique vision and a meticulously structured approach in the finished product. The wine evolves in successive phases, each one a window of expression, called *Plénitudes*. The first vintage of Dom Pérignon was produced by Moët & Chandon in 1936.

Veuve Clicquot, highly acclaimed for its work with Pinot Noir and its expertise in reserve wines, is currently ranked number-two in the profession. Veuve Clicquot embodies a bold, chic *art de vivre* cultivated by the Maison since it was founded in 1772. The Maison's iconic cuvées are *Brut Carte Jaune*, *Veuve Clicquot Rosé* (the first blended rosé champagne, created 200 years ago) and the prestige cuvée *La Grande Dame*, a blend based on the Maison's eight classic grands crus.

Ruinart, founded in 1729, is the oldest of the champagne houses. Each of its cuvées expresses the distinctive personality of Chardonnay, the Maison's dominant grape variety. **Krug**, established

in 1843 and acquired by LVMH in January 1999, is the first and only champagne house to create an exclusively prestige cuvée every year: *Krug Grande Cuvée*. **Mercier**, which was founded by Eugène Mercier in 1858, has always had the aim of creating a champagne for all occasions, which is sold mainly in the French market.

LVMH's portfolio of wines from outside the Champagne region includes a number of prestigious appellations in France, Spain, America, Asia and Oceania.

LVMH's wineries outside France are **Cloudy Bay** in New Zealand; **Cape Mentelle** in Australia; **Newton Vineyard** and the iconic **Colgin Cellars** (founded by Ann Colgin 25 years ago and acquired by LVMH in 2017) in California; **Terrazas de Los Andes** and **Cheval des Andes** in Argentina; **Ao Yun** in China; and **Numanthia Termes** in Spain. The Chandon brand (created in 1959 in Argentina) includes the Moët Hennessy sparkling wines developed in California, Argentina, Brazil, Australia, India and China by Chandon Estates.

In France, since 1999 LVMH has owned **Château d'Yquem**, the most celebrated Sauternes and the only *Premier Cru Supérieur* in the 1855 classification. In 2009, the Group purchased a 50% stake in the prestigious winery **Château Cheval Blanc**, *Premier Grand Cru classé A* Saint-Émilion. In 2014, LVMH acquired **Domaine du Clos des Lambrays**, one of the oldest and most prestigious Burgundy vineyards, and Grand Cru of the Côte de Nuits. Lastly, **Château du Galoupet** (which has held the acclaimed Cru Classé des Côtes-de-Provence designation since 1955) and **Château d'Esclans** (the US market leader in Provence rosé wines, headed by Sacha Lichine) also joined the portfolio of wines in 2019.

1.1.2 Competitive position

In 2019, shipments of LVMH champagne brands were up 1% in volume, while shipments from the Champagne region as a whole were down 2% (source: CIVC). LVMH's market share was 22.1% of the total shipments from the region, compared to 21.6% in 2018.

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

(in millions of bottles and percentage)			2019		2018		2017	
	Sales volume		Market share (%)		Sales volume		Market share (%)	
	Region	LVMH			Region	LVMH		
France	141.5	8.7	6.1		147.5	8.7	5.9	6.4
Export	156.0	57.2	36.7		154.8	56.7	36.6	37.3
Total	297.5	65.9	22.1		302.3	65.4	21.6	21.9

(Source: Comité Interprofessionnel du Vin de Champagne - CIVC).

The geographic breakdown of LVMH champagne sales in 2019 is as follows (as a percentage of total sales expressed in number of bottles):

(as %)	2019	2018	2017
Germany	5	5	5
United Kingdom	8	7	8
United States	20	19	19
Italy	4	4	4
Japan	11	10	10
Australia	4	5	5
Other	35	36	34
Total export	87	87	85
France	13	13	15
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 varieties used in the production of champagne: Chardonnay, Pinot Noir and Pinot Meunier.

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 consistent quality, 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 premium, vintage and/or prestige cuvées. To protect themselves against crop variations and manage fluctuations in demand, but also to ensure consistent quality year after year, LVMH's champagne houses regularly adjust the quantities available for sale and keep reserve wines in stock, mainly in storage tanks. As maturation times vary, the Group constantly maintains significant champagne inventories in its cellars. An average of 219 million bottles are stored in LVMH's cellars in Champagne, equivalent to about 3 years of sales; in addition to this bottled inventory, the Group has wines still in storage tanks waiting to be drawn (equivalent to 94 million bottles), including the quality reserve withheld from sale in accordance with applicable industry rules (equivalent to 10 million bottles).

The making of champagne involves extremely rigorous processes in order to ensure absolute consistency in quality from year to year. Moët et Chandon continued development of its Mont Aigu site, with its fermentation room, bottling line, cellars, disgorging area and packaging workshop now supplementing the production capacity of Moët & Chandon's historic facilities in Épernay. The historic production sites of Veuve Clicquot, Ruinart and Krug are in Reims. Veuve Clicquot began construction on its new "Comète" production site located in Saint-Léonard, near Reims.

In order to drive innovation and develop expertise in its production processes, the Group has invested in a research and development facility in Oiry, which is open to all its Maisons.

1.1.4 Grape supply sources and subcontracting

The Group owns nearly 1,700 hectares under production, which provide almost 20% of its annual needs. In addition, the Group's Maisons 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 Maisons.

LVMH's champagne houses, along with their partner grape suppliers, are steadily building up their use of sustainable winegrowing practices.

Since 1996, industry agreements have established a qualitative reserve in order to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. Each year, the INAO (the French governing body for appellations of origin) sets the maximum harvest that can be made into wine and sold under the Champagne appellation, as well as the ceiling known as the PLC (*plafond limite de classement*), the quantity by which the appellation's marketable yield can be exceeded. For the 2019 harvest, the marketable yield for the Champagne appellation was set at 10,200 kg/ha and the PLC at 3,100 kg/ha. The maximum level of the stockpiled reserve is set at 8,000 kg/ha.

The price paid for each kilogram of grapes in the 2019 harvest ranged between 5.85 euros and 6.70 euros depending on the vineyard, an average increase of 1.9% compared to the 2018 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 2019, the champagne houses used subcontractors for about 27 million euros of services, notably pressing, handling and storing bottles.

1.2 Cognac and Spirits

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 brand was most prominent in the Irish and British markets, 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 it has developed a range of high-end cognac for which it is highly renowned.

In 2005, LVMH acquired The Glenmorangie Company, which owns the single malt whisky brands Glenmorangie, distilled in northeastern Scotland in Europe's tallest stills, and Ardbeg, distilled on the Isle of Islay in the southern Hebrides.

Since 2007, LVMH has owned the luxury vodka Belvedere, founded in 1993 in order to bring a luxury vodka for connoisseurs to the American market. It is made at the Polmos Zyrardów distillery in Poland, which was founded in 1910.

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)	2019			2018			2017		
	Sales volume		Market share (%)	Sales volume		Market share (%)	Sales volume		Market share (%)
	Region	LVMH		Region	LVMH		Region	LVMH	
France	3.9	1.1	27.2	4.0	0.8	19.1	3.5	0.7	20.1
Europe (excluding France)	31.9	8.0	25.0	33.3	8.1	24.3	35.3	8.4	23.9
United States	101.9	68.7	67.4	86.9	53.6	61.6	82.4	53.4	64.8
Asia	61.1	23.5	38.5	61.9	22.9	36.9	58.1	23.0	39.7
Other markets	14.1	8.8	62.4	14.5	8.9	61.7	14.1	8.4	59.8
Total	212.9	110.0	51.7	200.6	94.2	47.0	193.3	94.0	48.6

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

(as %)	2019	2018	2017
United States	58	56	55
Japan	1	1	1
Asia (excluding Japan)	23	23	24
Europe (excluding France)	8	9	9
Other	11	11	11
Total export	100	100	100
France	-	-	-
Total	100	100	100

Since 2017, Volcán De Mi Tierra tequila, which was created in collaboration with the Mexican entrepreneur Juan Gallardo Thurlow, has been available at 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 the largest craft whiskey distillery in Washington State.

1.2.2 Competitive position

In 2019, the volumes shipped from the Cognac region were up 6% from 2018 (source: *Bureau National Interprofessionnel du Cognac* – BNIC), while volumes of Hennessy shipped increased by 17%. Hennessy's market share was 51.7%, compared to 47.0% in 2018. The company is the world leader in cognac, with particularly strong positions in the United States and Asia.

1.2.3 The cognac production method

The Cognac region is located around the Charente basin. The vineyard, which currently extends over about 78,000 hectares, consists almost exclusively of the Ugni Blanc 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. Cognac results from the gradual blending of *eaux-de-vie* selected on the basis of vintage, origin and age.

Hennessy – which carries out all of its production in Cognac – inaugurated a state-of-the-art bottling and packaging plant named Pont Neuf in 2017. The new plant will ultimately boost the Maison's production capacity to 10 million cases per year. The design of this 26,000-square-meter facility reduces its environmental footprint and optimizes working conditions to an extent never achieved previously.

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 180 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 2019, the price of *eaux-de-vie* from the harvest remained stable following the substantial price increase agreed upon in 2018.

With an optimized inventory of *eaux-de-vie*, the Maison 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: aging, blending and bottling *eaux-de-vie*.

1.2.5 The vodka production method, supply sources and subcontracting

Belvedere vodka is made using only two ingredients – Polish rye and pure water – and is produced at one of Poland's oldest distilleries, which has been making vodka since 1910. Belvedere contains no additives, and is produced according to Polish laws governing vodka production, which stipulate that nothing may be added. Belvedere, an expert in rye distilling, draws upon more than 600 years of Polish tradition to produce extraordinary vodka with a distinct flavor and character. Overall, Belvedere's top raw *eaux-de-vie* supplier represents less than 35% of the company's supplies.

1.2.6 The Scotch whisky production method

As required by law to receive the Scotch whisky designation, the Glenmorangie and Ardbeg single malt whiskies are produced in Scotland from water and malted barley, fermented using yeast, and distilled and matured in Scotland for at least three years, in oak casks whose capacity may not exceed 700 liters. As single malt whiskies, they are the product of only one distillery. 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. Glenmorangie and Ardbeg are normally matured for a minimum of 10 years in very high-quality casks.

1.3 Wines and Spirits distribution

Moët Hennessy has a powerful and agile global distribution network, thanks to which the Wines and Spirits business group continues to expand the presence of its portfolio of brands in a balanced manner across all geographies. Part of this network consists of joint ventures with the Diageo⁽¹⁾ spirits group, governed by agreements that have been in place since 1987, which help

strengthen the positions of the two groups, improve distribution control, enhance customer service and increase profitability by sharing distribution costs. This mainly involves Japan, China and France. In 2019, 27% of champagne and cognac sales were made through this channel.

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

1.4 Highlights of 2019 and outlook for 2020

	2019	2018	2017
Revenue (EUR millions)	5,576	5,143	5,084
Of which: Champagne and wines	2,507	2,369	2,406
Cognac and spirits	3,069	2,774	2,679
Sales volume (millions of bottles)			
Champagne	64.7	64.9	65.6
Cognac	98.7	93.3	90.9
Other spirits	19.6	19.1	17.8
Still and sparkling wines	39.3	38.5	43.8
Revenue by geographic region of delivery (%)			
France	5	6	6
Europe (excluding France)	18	19	18
United States	33	32	32
Japan	7	6	6
Asia (excluding Japan)	24	23	22
Other markets	13	14	16
Total	100	100	100
Profit from recurring operations⁽¹⁾ (EUR millions)	1,729	1,629	1,558
Operating margin (%)	31.0	31.7	30.6
Operating investments of the period (EUR millions)	325	298	292

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Highlights

The Wines and Spirits business group performed well, in keeping with its value-enhancing strategy, and reaffirmed its leadership position by pursuing balanced geographic expansion. It achieved particularly remarkable momentum in China and the United States. The Maisons maintained a strong innovation policy and stepped up their environmental and social commitments.

The champagne houses enhanced their value propositions in a particularly competitive market. With volumes remaining virtually stable with respect to the previous year, organic revenue growth was 4%. The increased value was driven by more rapid growth in prestige cuvées and a firm price increase policy. Moët & Chandon consolidated its global leadership position, celebrating the 150th anniversary of its iconic *Moët Impérial* with a limited-edition bottle and a highly memorable event at the Maison's Château de Saran, which reopened its doors after several years of restoration. The success of its *Ice Impérial Blanc* and *Rosé* cuvées, offering new tasting experiences, illustrated the Maison's ability to move upmarket. Continuing to reaffirm its unique model, Dom Pérignon achieved an exceptional performance in all its markets. Since January 2019, Vincent Chaperon has taken up the mantle of Richard Geoffroy – Dom Pérignon's cellar master since 1990 – after having worked alongside him for 15 years. The year

saw the launch of the new *Plénitude 2 1998* vintage and an artistic collaboration with Lenny Kravitz for its *Vintage 2008* and *Rosé 2006*. As the most-visited champagne house, Mercier built on its tradition of inclusiveness by employing guides specially trained in sign language. Veuve Clicquot enjoyed a strong performance among its pillars, *Carte Jaune* and *Rosé*, driven in particular by the United States and Japan. Hailed by critics, *La Grande Dame 2008* continued its ascent with a global marketing campaign launched at the end of the year. Building on its commitment to empower women entrepreneurs, the Maison launched the “Bold by Veuve Clicquot” program. Ruinart continued its growth with another record year, driven by the excellence of its cuvées, in particular its iconic *Blanc de Blancs*. The carte blanche given to Brazilian artist Vik Muniz in 2019 to explore the world of wine, as well as the launch of the *Retour aux Sources* art installation in Reims, which is connected to the living world and celebrates the beginning of the countdown to Ruinart's 300th anniversary in 2029, once again illustrated the Maison's commitment to art and the environment. Krug confirmed its move upmarket with the introduction of its *Krug Grande Cuvée 167^e Edition* and *Krug Rosé 23^e Edition*, followed by the launch of *Les Créations de 2006*. After serving as Winemaking Director for 13 years, Julie Cavil became the Maison's Cellar Master in January 2020. The Maison created the “Fonds K pour la Musique” to support philanthropic projects.

Estates & Wines implemented a development strategy for a portfolio of powerful brands serving its key markets, the United States and China. With its unwavering focus on quality, the Maison won a number of awards in 2019. The acquisitions in 2019 of Château du Galoupet and Château d'Esclans marked Moët Hennessy's debut in the promising market of very high-end rosé. Chandon delivered an impressive performance, in particular in the United States and Latin America. Despite an uncertain economic environment, the Maison achieved a strong rebound in Argentina with the launch of its groundbreaking *Chandon Apéritif*, a highly innovative product in its category. Continuing in their quest for excellence in crafting sparkling wines, Chandon's six vineyards around the world took home a flurry of awards from major international competitions.

Hennessy confirmed its solid momentum in its key markets: the United States, China and travel retail. Organic revenue growth was 7%, with sales volumes up 6%. The Maison crossed the threshold of 8 million cases and continued to extend its lead in emerging markets (Africa and the Caribbean) thanks to the increase in its flagship *V.S.*, *V.S.O.P* and *X.O* qualities. This solid performance added to its successful track record in recent years, in particular 2018, when Hennessy became the world's leading premium spirits brand by value, in addition to its longstanding title as the world leader in cognac. The “Hennessy X.O – The Seven Worlds” marketing campaign directed by Ridley Scott was one of the luxury industry's most-watched digital campaigns, with more than 120 million views. This exposure had a halo effect on Hennessy's entire portfolio. The brand's constantly growing appeal was reflected in its higher position in Interbrand's ranking of the 100 best global brands. Hennessy continued to invest to prepare for the future and ensure a constant level of excellence

in its cognacs, with the opening of seven wine cellars in 2019 and the construction of a new packaging line at its Pont Neuf site inaugurated in 2017, an exemplary model of sustainable design.

Glenmorangie Company reinforced its position in the single malt category, driven by growing global demand for exceptional whiskies, and continued investing in the extension of its two distilleries. Glenmorangie and Ardbeg continued to win a number of awards from professionals in the sector. Taking a proactive environmental approach, the Glenmorangie distillery worked with its partners to help restore mussel and oyster beds in the Dornoch Firth.

Belvedere vodka continued to innovate with the worldwide launch of *Single Estate Rye Series* of high-end Polish rye vodkas. Through this initiative, for which it won a number of awards for excellence from prestigious international competitions, the Maison showcased the importance of terroir in developing the aromas and flavors of a vodka.

Volcán De Mi Tierra tequila achieved solid growth in North America and prepared for its expansion into new markets.

Woodinville Whiskey Company continued its development in a number of US states. The distillery prepared to increase its production to meet growing demand and successfully launched its *Port Finished Bourbon*.

The **Clos 19** e-commerce platform continued to grow in the United Kingdom, Germany and the United States. It enriched its range of exclusive experiences, collaborations and limited-edition products while continuing to pursue its expansion strategy to reach new markets.

Outlook

Excellence, innovation and careful attention to customers' specific expectations in each country will continue to support growth and value creation in the Wines and Spirits business group in the coming months. In an uncertain business environment where global demand is nevertheless increasingly oriented toward quality, LVMH's Maisons have major strengths. They will rely on their highly dedicated staff, their innovative momentum and the strong appeal of their brands to continue securing and sustainably building their long-term future. The diverse range of tasting and hosting experience the Maisons have built up, thanks to the strength of their creative, high-quality product portfolios, will help them adapt to new lifestyles and win over the next generation of consumers. Moët Hennessy's powerful and agile global distribution network is a major asset, enabling it to react to changes in the economic environment and seize every opportunity to increase market share. Increasing production capacity remains a top priority, along with a very active sourcing policy. As part of their long-term vision, all Maisons aim to step up their sustainability commitment to protect the environment and preserve their expertise.

2. FASHION AND LEATHER GOODS

In 2019, the Fashion and Leather Goods business group represented 41% 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.

Ever since 1854, **Louis Vuitton's** success has been based on the faultless craftsmanship of its trunk-making, on complete control of its distribution and on its exceptional creative freedom, a source of perpetual renewal and inventiveness. By ensuring the right balance between new designs and iconic leather goods lines, between constantly perfected unique artisanal expertise and the dynamics of fashion designed in perfect symbiosis with the brand universe, the Maison is committed to surprising its customers, and making its stores inspiring. For over 150 years, its product line has continuously expanded with new models – from luggage to handbags and more – and 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 offers a full range of products: fine and high-end leather goods, ready-to-wear for men and women, shoes and accessories, watches, jewelry, eyewear and, since 2017, a collection of women's and men's fragrances.

Christian Dior was founded in 1946. Ever since its first "New Look" show, the Maison has continued to assert its vision through elegant, structured and infinitely feminine collections, becoming synonymous around the world with French luxury. Christian Dior's unique vision is conveyed today with bold inventiveness throughout the Maison's entire range, from Haute Couture, leather goods and ready-to-wear to footwear and accessories for both men and women as well as Watches and Jewelry. Parfums Christian Dior is included in the Perfumes and Cosmetics business group.

Founded in Rome by Adele and Edoardo Fendi in 1925, **Fendi** initially seduced its clientele of elegant Italian women, before conquering the rest of the world. Fendi has been part of the Group since 2000. Particularly well-known for its skill and creativity in furs, the brand is also present in accessories – including the iconic *Baguette* bag and the timeless *Peekaboo* – as well as ready-to-wear and footwear.

Loewe, the Spanish Maison founded 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 and has been part of the LVMH group 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.

Celine, founded in 1945 by Céline Vipiana 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. Renowned for its lavish prints and vibrant colors, the Maison 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. **Parfums Givenchy** are included in the Perfumes and Cosmetics business group.

Pink Shirtmaker, 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 and 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 sector, 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. All these groups compete in various product categories and geographic areas.

2.3 Design

Working with the best designers, while respecting the spirit of each brand, is a strategic priority: the creative directors promote the Maisons' identities, and are the artisans of their creative excellence and their ability to reinvent themselves. As a means to continually renew this precious resource, LVMH has always been committed to supporting young designers and nurturing tomorrow's talent, in particular through the LVMH Prize for Young Fashion Designers, which each year honors the work of an up-and-coming designer displaying exceptional talent and outstanding creativity.

LVMH believes that one of its essential assets is its ability to attract a large number of internationally recognized designers to its Maisons. In 2019, after the loss of Karl Lagerfeld, Silvia Fendi continued to drive the success of the Rome-based fashion house, and Felipe Oliveira Baptista took over as Creative Director of Kenzo, previously held by Humberto Leon and Carol Lim since 2011. 2018 saw four new arrivals to the Group: Virgil Abloh as Creative Director of Menswear at Louis Vuitton, with Kim Jones named to the same position at Christian Dior; Hedi Slimane as Artistic, Creative and Image Director at Celine; and Kris Van Assche as Creative Director at Berluti. In 2017, Clare Waight Keller

was made Creative Director of Givenchy with responsibility for Haute Couture, ready-to-wear and women's and men's accessories. Since 2016, Maria Grazia Chiuri has been the first female Creative Director of Dior's womenswear collections. At Louis Vuitton, Nicolas Ghesquière has been creating designs for women's

collections in perfect symbiosis with the values and spirit of the brand since 2013. Jonathan Anderson has been Loewe's Creative Director since 2013. Marc Jacobs continues to lead the design team at the brand he founded in 1984.

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, thereby offering them unique shopping experiences.

In order to meet these objectives, LVMH has the premier international network of exclusive boutiques under the banner of its Fashion and Leather Goods brands. This network included more than 2,000 stores as of December 31, 2019.

2.5 Supply sources and subcontracting

In 2019, Louis Vuitton continued to increase its production capacity: in France, with the opening of a new workshop in the Maine-et-Loire department and a massive ongoing recruitment campaign for leather goods artisans; and in the United States, with the opening of its first workshop in Texas. Louis Vuitton's twenty-three leather goods workshops – sixteen in France, three in Spain, three in the United States and one in Italy – manufacture most of its leather goods products. Louis Vuitton's workshops in Italy handle all development and manufacturing processes for all types of footwear (in Fiesco d'Artico), as well as development for certain accessories (textiles, jewelry and eyewear). In Spain, Louis Vuitton's workshops also handle all leather goods accessories (belts and bracelets). 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 the Maison 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 18% of Louis Vuitton's total leather supplies.

Christian Dior'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 high jewelry, it purchases supplies solely from non-Group businesses.

Fendi and Loewe have leather workshops in their countries of origin, and in Italy for Celine 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 expertise they need, the LVMH Métiers 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. In 2017, LVMH formed Thélis, a joint venture with Marcolin, combining the latter's eyewear expertise with the know-how of LVMH.

Lastly, fabric suppliers for the different Maisons are often Italian, but on a non-exclusive basis.

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

2.6 Highlights of 2019 and outlook for 2020

	2019	2018	2017
Revenue (EUR millions)	22,237	18,455	15,472
Revenue by geographic region of delivery (%)			
France	8	9	9
Europe (excluding France)	23	23	24
United States	18	18	19
Japan	11	11	11
Asia (excluding Japan)	31	31	29
Other markets	9	8	8
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton and Christian Dior)			
Retail	71	67	64
Wholesale	28	32	35
Licenses	1	1	1
Total	100	100	100
Profit from recurring operations⁽¹⁾ (EUR millions)	7,344	5,943	4,905
Operating margin (%)	33.0	32.2	31.7
Operating investments of the period (EUR millions)	1,199	827	563
Number of stores	2,002	1,852	1,769⁽²⁾

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

(2) Including 198 stores for Christian Dior and 57 for Rimowa

Highlights

Louis Vuitton delivered an exceptional performance, driven by excellent momentum across all its product lines. The year featured a wealth of developments and creative collaborations, with revenue growth well balanced between iconic lines and new creations. While the *Capucines* model inspired new artists, giving birth to the *Artycapucines* collection, the immersive Louis Vuitton X exhibition in Los Angeles carefully retraced the long tradition of collaboration with artists and designers of all backgrounds that has shaped the Maison's history. In a show of its signature visionary innovation, Louis Vuitton invented a futuristic canvas that can display moving images on bags, and capped off the year with a groundbreaking partnership with an e-sport that has generated an unprecedented level of interest, designing the trophy case for the League of Legends World Championship, along with a ready-to-wear capsule collection by Nicolas Ghesquière. Associated as always with an iconic location, the Creative Director of Womenswear presented his Cruise collection at JFK Airport's legendary TWA Flight Center in New York, while the Spring/Summer runway show was held at the Cour Carrée of the Louvre. Virgil Abloh breathed new life into the world of menswear with the launch of the *Louis Vuitton*

Staples Edition line, which revisits men's wardrobe essentials; revisited a number of iconic leather goods models, including the *Steamer*, designed in 1901; and held the poetic runway show for his Spring/Summer 2020 collection on the Place Dauphine in Paris. The quality-focused transformation of its retail network continued with the inauguration of Louis Vuitton Maison Seoul, for which Frank Gehry designed a fantastic glass vessel echoing the Fondation Louis Vuitton, and the reopening of the Maison's New Bond Street store in London, metamorphosized by architect Peter Marino. The Maison continued to reinforce its manufacturing capacity with the opening of a leather goods workshop with BREEAM "Very Good" environmental certification in the Maine-et-Loire department of western France and the launch of operations at a new workshop near Dallas in Texas. Strengthening Louis Vuitton's partnership with UNICEF, which it has pursued for more than three years to help the world's most vulnerable children, employee volunteers traveled to the sites of initiatives to witness this work firsthand and raise awareness on social media.

Christian Dior turned in solid growth in all its product categories and all its regions. Creativity and timeless elegance coupled with captivating runway shows and events ensured the ongoing success of the Womenswear, Menswear, Jewelry and Watch collections. Reaffirming the Maison's exceptional reach, the exhibition devoted to it at the Victoria and Albert Museum in London was a record-breaking success, drawing nearly 600,000 visitors. In Marrakesh, Maria Grazia Chiuri's Cruise collection – an homage to diversity – mixed African and European cultures and expertise. In Paris and Shanghai, where her ready-to-wear runway show was held, the designer imagined an ode to nature, with the trees used in the decor replanted afterward as part of a long-term project. While the spirit of Haute Couture infused the new *30 Montaigne* leather goods line and the ready-to-wear collection with the same name, the iconic *Lady Dior* inspired new artists in Dior Lady Art #4. For his *Dior Essentials* menswear collection, Creative Director of Menswear Kim Jones designed a wardrobe that reinterprets the essence and eternal modernity of the Dior silhouette. The end of the year also saw the launch of a luggage line created in collaboration with Rimowa and unveiled at Dior's Spring/Summer 2020 Menswear runway show at the Arab World Institute in Paris. The retail network continued to expand, including the opening of an exceptional store on the Champs-Élysées in Paris. Very well received by customers, it will take over from the Maison's historic location at 30 Avenue Montaigne during its transformation.

For Fendi, 2019 saw the last runway show in homage to Karl Lagerfeld, after 54 years of collaboration. In a culmination of the tributes paid by the Maison to this great designer, the 54 looks of the Haute Couture collection *The Dawn of Romanity* were presented in July on Palatine Hill, at the heart of the ruins of the Roman Forum. Illustrating its wealth of creativity, the Maison continued to pursue its partnerships with the world of art and music. It saw strong growth in all its product categories, driven by the ongoing success of its iconic *Peekaboo* and *Baguette* lines, and by a daring capsule collection, *Fendi Prints On*, designed in collaboration with rap artist Nicki Minaj. Fendi opened new stores in Monaco, China and Australia.

Loro Piana delivered solid growth, driven by the success of its iconic *Excellences* raw materials, in particular the vicuña wool collection. Its emblematic *Essenziali* lines were expanded and saw very strong momentum. Footwear turned in an excellent performance, boosted by the development of a bespoke service and the launch event for the opening of a pop-up store in New York's Meatpacking District. *Cashmere – The Origin of a Secret*, the first film in a trilogy directed by Luc Jacquet, celebrates the nobility and excellence of Loro Piana's iconic materials.

The first collections designed by Hedi Slimane for **Celine** were launched in stores, with the new store concept being gradually rolled out. The runway shows, which reflected the Maison's new identity, were very well received. Hedi Slimane revived the fashion house's perfume-making tradition with eleven fragrances that distill French high perfumery expertise. A Celine store devoted to high perfumery was opened on Rue Saint-Honoré in Paris. The Maison also strengthened its foothold in Italy with a new leather goods workshop in Tuscany, designed to the highest standards for sustainable development.

Loewe achieved excellent growth and met a key milestone in its development. Under the aegis of its Creative Director, Jonathan Anderson, the Maison accelerated its innovation process, enhanced its brand exposure and made its product range and its various points of customer contact more consistent with its clientele. Key initiatives included the launch of very successful products like the *Lazo* and *Cushion Tote* bags, the new *Paula's Ibiza* and *Eye/Loewe/Nature* capsule collections, and the ready-to-wear and accessories collection inspired by the enchanting art of William de Morgan. Significant improvements were also made to the retail network, with openings and extensions of *Casa Loewe* stores in London, Beijing, Tokyo and Madrid.

For **Givenchy**, the year featured the arrival of a powerful new menswear collection, presented in Florence in June; another initiative, the *Givenchy Atelier* collection, showcased Haute Couture techniques and expertise through ready-to-wear pieces reinterpreting the Maison's historic motifs.

Kenzo continued its growth, strengthened its positioning in ready-to-wear with designs mixing bold prints and high-impact hallmarks, and stood out in accessories with the launch of the *Tali* bag. In July the Maison announced the arrival of Felipe Oliveira Baptista as Creative Director, following eight years with Humberto Leon and Carol Lim at the helm. A significant expansion of the retail network took place, with stores returning to direct operation in China and the first openings in the United States.

Berluti achieved a good performance, which was especially strong in Japan and China. Kris Van Assche's first two runway shows and the store debut of his collections were very well received. A focus on the Maison's heritage inspired the design of its new logo as well as an emphasis on its *Scritto* motif and its art of patina. Ready-to-wear and new items like the *Gravity*, *Stellar* and *Shadow*

sneakers sold very well. The Maison's unique expertise was on display in a collaboration with Laffanour Galerie Downtown to restore pieces of furniture with leather upholstery. Berluti continued the selective expansion of its store network and launched its e-commerce site in Japan.

Rimowa delivered an excellent performance, boosted by major innovation: the *Essential* luggage line added four new colors for its fully monochrome suitcases. An innovative combination of anodization techniques also allowed high-intensity pigments to be integrated into the aluminum core of the *Original* model's exterior, creating two vibrant, modern new colors for this iconic model. The Maison continued its creative collaborations, in particular with artists Daniel Arsham and Alex Israel, the label Supreme for a second time, and with Christian Dior for the *Dior and Rimowa* capsule collection designed with Kim Jones.

Marc Jacobs launched the new *The Marc Jacobs* line, which offers contemporary wardrobe essentials, while new features were introduced to its line of bags.

Fenty Couture, created in collaboration with singer Rihanna, launched its website in May and opened a series of pop-up stores.

Patou, acquired by LVMH, welcomed Guillaume Henry as Creative Director and unveiled its first ready-to-wear collection in September.

Outlook

Driven by its talented designers, masterful craftspeople and deeply committed teams throughout the world, **Louis Vuitton** will continue to enrich its fascinating universe. Future developments will fit within the Maison's steadfast aim of infusing its exceptional heritage with the best of modernity, enthralling its customers and offering them an ever-more-unique and innovative experience in its stores and online. The quality-focused transformation of the retail network will continue. The Maison will continue to reinforce its production capacity, with the opening in France in the first half of the year of a new workshop at the heart of Vendôme, a town in the Loir-et-Cher department with a rich history and leather-working tradition. With staff guided by its core values of excellence and creativity, **Christian Dior** will continue its growth momentum, driven by the ongoing success of its collections, strategic store openings. **Fendi** will continue to innovate across all its product lines and will finalize a number of ongoing projects aimed at enhancing its iconic stores, preserving expertise and protecting the environment. **Loro Piana** will open a flagship store in Tokyo and reinforce its presence in China. Drawing on its new impetus, **Loewe** will aim to bolster its positioning and brand image, continue expanding its retail network and boost its omnichannel performance. More generally, all of the fashion houses will maintain their focus on creativity in their collections, enhancing the appeal of their products and stores, and developing their digital presence.

3. PERFUMES AND COSMETICS

In 2019, the Perfumes and Cosmetics business group posted revenue of 6,835 million euros, representing 13% of LVMH's total revenue.

3.1 The brands of the Perfumes and Cosmetics business group

Parfums Christian Dior – which was born in 1947, the year Christian Dior held his first fashion show – introduced the revolutionary concept of “total beauty” with the launch of *Miss Dior* perfume, followed by makeup with *Rouge Dior* lipstick in 1953 and Dior's first line of skincare products in 1973. Today, Parfums Christian Dior allocates 1.2% of its revenue to research and is on the cutting edge of innovation. Today, Dior's perfumer François Demachy and Creative Director for makeup Peter Philips are building on Christian Dior's rich heritage and legacy by combining bold vision and unique expertise, in harmony with the Maison's couture collections.

Guerlain, founded in 1828 by Pierre-François-Pascal Guerlain, has created more than 700 perfumes since its inception, and enjoys an exceptional brand image in the world of perfume. Heir to an olfactory repository of some 1,100 fragrances, the Maison's perfumer Thierry Wasser travels the world today in search of the most exclusive raw materials. His spirit of daring is shared by Olivier Echaudemaison, Creative Director for makeup, who works to reveal and exalt the beauty of women. The Maison's iconic perfumes include *Mon Guerlain*, *La Petite Robe Noire*, *Shalimar*.

Founded in 1957, **Parfums Givenchy** continues to honor the values of its founder, Hubert de Givenchy, through its perfumes, makeup and skincare products. From *L'Interdit* to *Givenchy Gentleman*, the Maison's fragrances embody Givenchy's unique vision. Inspired by the avant-garde spirit and sensual aura of the Fashion house's couture collections, Nicolas Degennes, Givenchy's Creative Director for makeup, has perpetuated the label's singular inventiveness since 1999.

The first women's fragrance by **Kenzo Parfums** was released in 1988. Kenzo Parfums went on to create a series of fragrances whose unique and offbeat spirit has made its mark on the world of perfume, including *Flower by Kenzo*, *L'eau Kenzo*, and *Kenzo Homme*.

Benefit Cosmetics, founded in San Francisco in 1976 by twins Jean and Jane Ford, joined LVMH in late 1999. Benefit has forged its own distinctive identity among cosmetics brands, thanks to the relevance and effectiveness of its products, bursting on the

scene with playful, plucky names, creative packaging, and custom services.

Fresh, which started out in 1991 as a humble apothecary shop, joined LVMH in September 2000. Remaining true to its roots by using natural ingredients like sugar, the Maison continues to develop its unique approach combining innovative ingredients with time-honored techniques to transform everyday routines into holistic sensorial experiences.

Perfumes Loewe introduced its first perfume in 1972. Perfumes Loewe embodies the quintessentially Spanish spirit: elegant, refined, strong and unpredictable, with floral, woody and lemony essences.

Make Up For Ever, which was created in 1984 and joined LVMH in 1999, is a professional makeup brand with an innovative range of exceptional products designed for stage actors and other performers, makeup artists, and makeup lovers around the world.

Founded in Parma in 1916, **Acqua di Parma** was acquired by LVMH in 2001. Through its fragrances and beauty products imbued with elegance, Acqua di Parma – synonymous with Italian excellence and fine living – embodies discreet luxury.

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

Maison Francis Kurkdjian was founded in 2009 by the renowned perfumer to explore new territories for perfume by creating custom fragrances for his private clientele and by collaborating with artists for installation projects involving scents. This acquisition, which was completed in 2017, has established the LVMH group in the fast-growing field of niche perfumes.

Patou, acquired by the Group in 2017, was founded by Jean Patou in 1914. The Maison, which became an iconic fashion label, went on to be run by a succession of designers including Marc Bohan, Karl Lagerfeld, Jean-Paul Gaultier and Christian Lacroix.

3.2 Competitive position

Worldwide, the LVMH group's brands achieved market-beating growth in 2019, enabling them to increase their market share in

the main markets monitored by external panels such as the NPD panel and the Beauty Research sell-out panel.

3.3 Research

Innovation and the constant quest for performance have always been essential to the DNA of all the Group's Perfumes and Cosmetics brands. The Group's brands have pooled their resources in research and development since 1997, with a joint center in Saint-Jean-de-Braye (France), at the industrial site of Parfums Christian Dior. With the opening several years ago of Hélios, its new R&D facility, LVMH Recherche has been able to expand its activities under optimal conditions and become more involved in ambitious scientific projects. About 270 researchers work at Hélios, located at the heart of Cosmetic Valley, in some 20 key fields requiring cutting-edge expertise, such as molecular and cell biology, dermatology, and ethnobotany. The second

largest cosmetics research center in France, its team consists of researchers, biologists and formulation scientists who work closely with colleagues at the world's most prestigious universities. Two other innovation centers, in Japan and China, focus on research to meet the specific needs of Asian women. Thanks to their knowledge of cell mechanisms, researchers at Hélios have discovered biological targets that promote beautiful, youthful skin: protection of skin stem cells, aquaporins to provide long-lasting hydration, and skin detoxification mechanisms, to name a few. More than 200 patents have been granted in recognition of their scientific innovations.

3.4 Manufacturing, 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, Perfumes Loewe and Fresh have some of their products manufactured by the Group's other brands, with the remainder subcontracted externally.

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.

Most product formulas are developed at the LVMH Recherche laboratories in Saint-Jean-de-Braye (France), but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

3.5 Distribution and communication

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 competitive rates, and better locations can be negotiated in department stores. 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.

Excellence in retailing is key to the Group's Perfumes and Cosmetics Maisons. It requires expertise and attentiveness from beauty consultants, as well as innovation at points of sale. The Group's Perfumes and Cosmetics brand products 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.

Parfums Christian Dior mainly distributes its products to selective retail chains, such as Sephora, and department stores. Guerlain's products are distributed for the most part through its network of directly operated stores, supplemented by a network of partner

retail outlets. In addition, its unique expertise is showcased in the new Guerlain Parfumeur boutiques, which immerse customers in the Maison's entrancing universe. In addition to sales through its 79 exclusive boutiques around the world, Benefit currently retails in some 50 countries worldwide. Make Up For Ever 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. Now based in Milan, Acqua di Parma relies on an exclusive retailing network, including its directly operated stores. Kendo brands are primarily distributed by Sephora.

To meet the expectations of younger generations, who are looking for originality, as well as demand for a connected in-store and online experience, all brands are accelerating the implementation of their online sales platforms and stepping up their digital content initiatives. Our brands are actively incorporating digital tools to enhance the customer experience and attract new consumers.

3.6 Highlights of 2019 and outlook for 2020

	2019	2018	2017
Revenue (EUR millions)	6,835	6,092	5,560
Revenue by geographic region of delivery (%)			
France	10	11	11
Europe (excluding France)	20	22	24
United States	15	16	17
Japan	5	5	5
Asia (excluding Japan)	40	35	30
Other markets	10	11	13
Total	100	100	100
Profit from recurring operations⁽¹⁾ (EUR millions)	683	676	600
Operating margin (%)	10.0	11.1	10.8
Operating investments of the period (EUR millions)	378	330	286
Number of stores	426	354	302

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Highlights

Perfumes and Cosmetics achieved organic revenue growth of 9%, spurred by the remarkable momentum of its historic brands. LVMH's Maisons performed well and were substantially boosted by surging demand in Asia, particularly in China. Profit from recurring operations rose 1% after taking into account an exceptional impairment expense relating to certain young brands' product lines.

Parfums Christian Dior continued to achieve market-beating growth, consolidating its leading position. With an unwavering focus on excellence and creativity in its products, the Maison was buoyed by the vitality of its flagship lines and the success of its innovations. In addition to the gradual rollout of *Joy* – the third-best-selling fragrance worldwide – the performance of women's fragrances was boosted by iconic lines: with its new Eau de Toilette version, *Miss Dior* consolidated its lead in Asia, and the ever-popular *J'adore* continued to grow. The *Sauvage* men's fragrance maintained its exceptional momentum in all regions and amplified its global leadership attained in 2018 with the launch of its *Intense* version. *Maison Christian Dior* saw strong growth, with an exceptional collection of fragrances available in dedicated stores, confirming its potential. Central to each of its fragrances, the Maison's roots in Grasse – the perfume capital of the world and an exceptional setting, with its fields of flowers used in perfume-making and its Master Perfumer's fragrance laboratory – enhanced the Maison's appeal. Makeup was boosted by the continued success of the Maison's *Rouge Dior* lipstick and its latest versions, as well as the new *Dior Addict Stellar Shine*. Other highlights included the momentum of its *Forever* foundation

and growth in the *Dior Backstage* range, inspired by products used at fashion shows and widely shared on social media. Growth in skincare was driven by Asian markets and by strong demand for premium products. *Prestige*, whose core range continued to expand, achieved strong growth through its new *Micro-Lotion de Rose* and the continuing success of *Micro-Huile de Rose*.

Guerlain accelerated its growth and delivered an excellent performance. The *Orchidée Impériale* and *Abeille Royale* skincare lines, firmly backed by Guerlain's commitment to biodiversity and sustainable design, continued their exceptional growth. *Aqua Allegoria*, a collection of fresh fragrances that magnify the most beautiful raw materials, was a major success. Makeup was buoyed by the *Rouge G* lipstick and the new *L'Essentiel* foundation. Building on 12 years of its "In the Name of Beauty" environmental and social commitment, the Maison took this engagement a step further in 2019, launching a transparency and traceability platform for its creations and signing a partnership with UNESCO to create new beekeeping supply chains, thereby helping repopulate bee colonies around the world. Guerlain's commitment was illustrated by a film and inspired a groundbreaking online and TV media campaign.

Parfums Givenchy saw another year of strong revenue growth, with very impressive performance in China and in travel retail. The main drivers of this growth were its *Le Rouge* lipstick line and *Prisme Libre* powder. The Maison was also boosted by the major success in Europe of its new fragrance, *L'Interdit*, an iconic scent created in 1957 as an homage to Audrey Hepburn, and whose current brand ambassador is actress Rooney Mara.

At Kenzo Parfums, the momentum of *Flower by Kenzo* was spurred by a new version: *Flower by Kenzo Eau de Vie*. *Benefit* bolstered its position in the United States and the United Kingdom with growth in its brow collection, in particular its flagship *Gimme Brow* and *Precisely* products, along with the success of its brow bars. *Fresh* achieved solid growth, with very strong momentum in China, where its products – which combine natural ingredients and traditional rituals with cutting-edge scientific advances – generated major demand. The Maison strengthened its position in premium skincare with *Crème Ancienne*, a modern reinterpretation of a centuries-old formula, and in the essence category with the *Black Tea Kombucha* anti-pollution lotion. Online sales in particular were up significantly. *Make Up For Ever* successfully launched its long-lasting concealer within its flagship *Ultra-HD* range and its *Reboot* foundation, which corrects signs of fatigue. Confirming its global success, *Fenty Beauty by Rihanna* began its expansion in Asia. The brand added new categories – including concealers available in 50 different shades, gloss and bronzers – and continued to shine on social media. *Acqua di Parma's* highlights of 2019 included the reopening of its iconic Milan store with a new concept, the creation of a new range of home fragrances and scented candles, and the launch of its *Signatures of the Sun* fragrance collection. *Perfumes Loewe* renewed its visual identity for a more youthful image and a more international audience. The *Loewe 001* fragrance was an unprecedented success

in China. **Maison Francis Kurkdjian** continued its robust growth, buoyed by the success of its *Baccarat Rouge 540* fragrance and by the launch of *Gentle Fluidity*, two different scents crafted using the same ingredients. **Ole Henriksen** pursued its development in the United States. The brand continued to win over young Americans with its *Banana Bright* range and was very popular on social media.

Outlook

In a competitive environment, the Perfumes and Cosmetics business group will maintain its goal of gaining market share, leveraging the complementarity and dynamism of its brand portfolio. The Maisons will continue to focus on their top growth drivers: ensuring excellence in their products, accelerating their innovation policy, marketing and promoting digital activation. **Parfums Christian Dior** will innovate heavily in all its product categories. Skincare will see a major breakthrough with the relaunch of the anti-aging collection around the flagship *Capture Totale Super Potent Serum* product and more rapid growth in

premium skincare with *Prestige* and its leading product, *Micro-Huile de Rose*. Fragrances and makeup will be boosted by powerful initiatives focused on flagship lines. The Maison will also continue expanding its store network and its digital presence. **Guerlain** will continue to grow in China, France and travel retail, its key markets, while developing in Japan. Its flagship lines will benefit from an ambitious innovation and activation plan across all its product categories. The *Abeille Royale* skincare line will celebrate its 10th anniversary. **Parfums Givenchy** will enrich its fragrance range and continue expanding into makeup with major innovation in foundation. **Parfums Kenzo** will celebrate the 20th anniversary of its iconic *Flower by Kenzo*. **Benefit** will innovate with a mascara featuring unique technology. **Fresh** will continue making inroads in Asia and will focus marketing on its innovative moisturizing *Super Lotus* skincare line. At **Make Up For Ever**, the relaunch of *Rouge Artist* will be backed by a new marketing campaign. **Fenty Beauty** by **Rihanna** will expand its line of eye makeup. **Acqua di Parma** will launch a 100% natural cologne. **Maison Francis Kurkdjian** will continue the highly selective expansion of its retail network.

4. WATCHES AND JEWELRY

In 2019, the Watches and Jewelry business group represented 8% of the total revenue of LVMH.

4.1 The brands of the Watches and Jewelry business group

TAG Heuer, a pioneer of Swiss watchmaking since 1860, which was acquired by LVMH in November 1999, combines innovative technology with the ultimate in precision timekeeping and avant-garde designs to create extremely accurate watches. 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 manufacturers. In the watchmaking sector, the term "manufacture" designates a company that provides the entire design and manufacturing

of mechanical movements. The two master movements of Zenith, the chronograph *El Primero* and the extra-flat movement *Elite*, absolute benchmarks for Swiss watchmaking, are provided on the watches sold under this brand.

Bulgari, 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, from high jewelry and fine jewelry to 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 jewelry, fine 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 jewelry market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands from many different countries. LVMH's brands are

present all around the world, and it has established itself as one of the international leaders.

4.3 Distribution

The business group, which enjoys a strong international presence, has reaped the benefits of its excellent coordination and pooling of administrative, sales and marketing teams. A worldwide network of after-sale multi-brand services has been gradually put in place to improve customer satisfaction. LVMH Watches and Jewelry has a territorial organization that covers all European markets, the American continent, northern Asia, Japan, and the Asia-Pacific region.

This business group is focusing on the quality and productivity of its retail networks and is also developing its online sales.

It selects multi-brand retailers very carefully and builds partnerships so that retailers become genuine brand ambassadors when interacting with end-customers. In an equally selective approach, the Maisons also continue to refurbish and open their own directly operated stores in buoyant markets in key cities.

The Watches and Jewelry brands' directly operated store network comprised 457 stores as of year-end 2019 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

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.

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.

Bvlgari opened a jewelry manufacturing facility in Valenza, Italy, at the end of 2016, and in 2019 inaugurated a new watch casing manufacturing facility in the Jura canton of Switzerland. It also operates a high jewelry workshop in Rome.

Overall, for the Group's watches and jewelry operations, subcontracting accounted for around 20% of the cost of sales in 2019.

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.

4.5 Highlights of 2019 and outlook for 2020

	2019	2018	2017
Revenue (EUR millions)	4,405	4,123	3,805
Revenue by geographic region of delivery (%)			
France	5	6	6
Europe (excluding France)	23	23	25
United States	8	9	9
Japan	12	12	13
Asia (excluding Japan)	38	35	31
Other markets	14	15	16
Total	100	100	100
Profit from recurring operations⁽¹⁾			
(EUR millions)	736	703	512
Operating margin (%)	16.7	17.1	13.5
Operating investments of the period (EUR millions)	296	303	269
Number of stores	457	428	405

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Highlights

Excellent momentum in jewelry generated market share gains and was a major growth driver for the Watches and Jewelry business group. The progress made by LVMH's Maisons was rooted in the vitality of their iconic lines, the strength of their innovations and the solid performance of their directly operated stores.

Bvlgari maintained its impressive momentum and continued to gain market share. Jewelry was boosted by the Maison's creative energy and international reach. Its iconic *Serpenti*, *B.Zero1* and *Diva's Dream* lines were enriched with a number of new pieces, and the *Fiorever* line, launched in late 2018, combining flowers and diamonds, was a significant growth driver. The 20th anniversary of the *B.Zero1* ring – whose design was inspired by the geometry of the Colosseum in Rome – was celebrated by an exhibition in Milan and the creation of new versions of rings and bracelets. The *Cinemagia* high jewelry collection, presented at events held in a number of cities around the world, illustrated Bvlgari's creativity and unique expertise, as well as its ties to the silver screen. In watchmaking, a new watch casing manufacturing facility was inaugurated in the Jura canton of Switzerland. The *Octo Finissimo Chrono GMT* and *Serpenti Misteriosi Roma* models won two new prizes at the Grand Prix d'Horlogerie de Genève awards ceremony. The *Serpenti Seduttori* watch, launched during the summer, was immediately very well received. Leather goods had several highlights, with the launch of the *Serpenti Through The Eyes of Alexander Wang* bag in New York and the

Fujiwara capsule collection in Tokyo. An exhibition held at Castel Sant'Angelo in Rome presented a remarkable retrospective of the Maison's jewelry creations alongside Haute Couture dresses. Plans to improve the store network continued, with renovations in Monaco, Macao, Melbourne, Taipei and Toronto, and openings in Ibiza, Copenhagen and Le Bon Marché in Paris. A number of pop-up stores rounded out and energized the network. Already a certified member of the Responsible Jewellery Council, Bvlgari drew up a due diligence program in 2019 for responsible diamond sourcing. The Maison aims to share these criteria with its diamond suppliers, in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

TAG Heuer continued expanding its flagship *Carrera*, *Aquaracer* and *Formula 1* lines with new models and special series. New pieces included the *Carrera Calibre TAG Heuer 02T Nanograph*, which features a carbon spiral, one of the Maison's cutting-edge innovations. A Golf version rounded out its range of smartwatches. TAG Heuer celebrated the 50th anniversary of the iconic *Monaco* with limited editions and the creation of 50 exclusive box sets reserved for the brand's most devoted collectors. The store network saw renovations and openings, in particular in Tokyo, Shanghai, Moscow, Madrid and Toronto. In parallel, the Maison is continuing the work initiated with its retail partners to ensure an increasingly selective presence and enhanced commercial impact. TAG Heuer's team of brand ambassadors and its sports contracts have helped build brand awareness among target customers and develop its very active social media presence. This year, the Maison strengthened its ties with the Formula E championship, of which it is a founding partner, with the new TAG Heuer Porsche Formula E Team. The Maison also set up a partnership with NGO Wasser für Wasser (Water for Water) to help finance projects promoting access to clean water around the world.

Hublot continued to achieve strong growth, driven by its *Classic Fusion* and *Big Bang* lines, with *Spirit of Big Bang* – now the brand's third core collection – also contributing to its success. In each product line, original and highly technical new models illustrated the art of fusion, a core component of the Maison's identity, and its bold creativity. These creations included the *MP-11 14-Day Power Reserve Green SAXEM* model, which combines technical and aesthetic innovation, featuring a case made of SAXEM: a vivid green, extremely brilliant and resistant material never before used in watchmaking. New stores opened in Hong Kong, Monaco and Rome reinforced the network of directly operated stores, the number-one driver of revenue growth. Hublot's brand awareness was boosted by a marketing strategy combining prestigious partnerships, a strong digital presence, and sports and cultural events. In 2019, the Maison gained exposure through the Women's World Cup, for which it served as the official timekeeper.

While continuing to develop its iconic *Chronomaster*, *Pilot* and *Elite* collections, *Zenith* completed the launch of its *Defy* line with the *Inventor* model. The Maison celebrated the 50th anniversary of its legendary *El Primero* movement. It continued to consolidate its organization while leveraging synergies offered by LVMH's other watchmaking Maisons.

Chaumet's growth was driven by its iconic *Liens*, *Joséphine* and *Bee My Love* collections. Each one was enriched with new creations: engagement ring versions of *Splendeur Impériale* and *Éclat d'Éternité*, *Bee My Love* necklaces and new models of *Liens d'Amour* and *Jeux de Liens*. A brand new watch line, *Boléro*, was also launched during the year. With its *Les Cielles de Chaumet* high jewelry collection, the Maison showcased its creativity and the virtuosity of its artisans, while celebrating its eternal ties to the world of art. At the Grimaldi Forum in *Monaco*, the *Chaumet in Majesty* exhibition – which retraces the history of the jewels of sovereigns since 1780 – featured rare pieces on loan from museums, wealthy families and royalty, some of which were shown for the very first time in public. The historic Place Vendôme location underwent renovation work. New stores were opened in Madrid, Monaco and Seoul.

Fred's Force 10 line and its new *8°0* collection were its main growth drivers. The Maison opened stores in Sydney, Taipei and Shanghai.

On November 25, 2019, LVMH announced that it had entered into an agreement with the iconic American jewelry Maison *Tiffany*, with a view to its acquisition. The transaction is expected to close in mid-2020.

Outlook

Against a backdrop of persistent geopolitical uncertainties, the Watches and Jewelry business group will maintain its ambition of gaining market share and its rigorously targeted investments. Thanks to their talented artisans and their powerful innovation capacity, the Watches and Jewelry Maisons will continue to renew and enrich their iconic lines while launching new collections, with an unwavering focus on creativity combined with excellence in their products and their supply chains. They will continue to raise their brand exposure in key regions throughout the world and online through events and selective partnerships. The same selective approach will be taken in the ongoing development of their retail networks. *Bvlgari* will open its new Parisian flagship store on the Place Vendôme, and will continue expanding its network in China. *Hublot* will bolster its presence in China, Australia and the United States. *TAG Heuer* will celebrate its 160th anniversary in 2020. A new version of its smartwatch will be unveiled and new models will enrich the *Carerra* line. In early 2020, *Chaumet* will inaugurate its fully renovated iconic location on the Place Vendôme and will continue rolling out its new store concept. The beginning of the year will also feature the first exhibition of LVMH's watchmaking Maisons at *Bvlgari Resort Dubai*, a new platform to raise brand awareness in addition to the Basel watch trade show. Lastly, the highlight of 2020 will be the arrival of the prestigious Maison *Tiffany*, which will substantially bolster the business group's standing in a very dynamic, highly promising market segment.

5. SELECTIVE RETAILING

In 2019, the Selective Retailing business group represented 28% of the total revenue of LVMH.

5.1 Travel retail

DFS

Duty Free Shoppers (DFS), which joined LVMH in 1997, is the pioneering 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 as well as with the world's leading luxury brands, and has significantly expanded its business, particularly in tourist destinations in the Asia-Pacific region.

To accompany the rise of travel retail, DFS has also focused on the development of its city-center *Galleria* stores, which currently account for over 60% of its revenue. The 20 DFS *Galleries*, each with a floor area of between 6,000 and 12,000 square meters, are centrally located in top tourist destinations for airline passengers in the Asia-Pacific region, the United States and Japan, but also in Europe, with the 2016 opening of *T Fondaco dei Tedeschi* in Venice, Italy. 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, Celine, etc.).

While continuing with the development of its *Galleries*, 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 fifteen international airport sites in the Asia-Pacific, the United States, Japan and Abu Dhabi.

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, divided into areas mainly dedicated to perfume, makeup and skincare. 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, the sephora.com website, and a store network in Canada. Sephora entered the Chinese market in 2005. The retailer also has locations in the Middle East, Latin America, Russia – with directly operated stores and via the perfumes and cosmetics retail chain *Ile de Beauté* (wholly owned since 2016) – and Southeast Asia, in particular thanks to the 2015 acquisition of the e-commerce site *Luxola*, which operates in eight countries throughout the region.

Sephora is at the forefront of the retail industry's unstoppable digital transformation. Sephora builds on the complementarity of its in-store and online shopping offerings and its strong social media presence to maximize customer touchpoints

5.3 Competitive position

Following the recent round of market consolidation, DFS is the fourth-largest travel retail operator (according to a Bain study based on data as of end-2016). In the United States, Sephora has been the market leader since the first quarter of 2016, and has since continued to make headway. In France, where the prestige beauty product market (excluding e-commerce) declined by

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 around 80 ships representing several cruise lines. It also publishes tourist reviews, catalogs and advertising sheets available on board.

and opportunities to build loyalty. With its websites, digitally equipped stores, customer mobile apps and beauty consultants, the Maison creates an omnichannel beauty experience that is increasingly innovative and personalized and offers customers an interactive, seamless, flexible shopping journey.

Le Bon Marché

Le Bon Marché Rive Gauche – the world's first department store – opened its doors in 1852, with Aristide Boucicaut at the helm. Both a forerunner and trendsetter, *Le Bon Marché Rive Gauche* presents a selection of sophisticated and exclusive labels, in a space with a strong architectural concept. Customers from around the world looking for a true Parisian experience rub shoulders with locals, all drawn to the department store's unique vibe and the quality of its service. The sole department store located on the Left Bank in Paris, it was acquired by LVMH in 1998.

La Grande Épicerie de Paris

Newly inaugurated in late 2013, *La Grande Épicerie de Paris* is a trailblazing gourmet food emporium. *La Grande Épicerie de Paris* offers its customers a culinary shopping experience like no other, made possible by the expertise of the artisans, architects and artists selected for this project, and has become an absolute must for food lovers. In 2017, *La Grande Épicerie de Paris* – historically located on the ground floor of *Le Bon Marché* – added a location on *Rue de Passy* in the 16th arrondissement of Paris, in premises formerly occupied by *Franck et Fils*.

1.1% in 2019 compared with 2018 (data source: NPD – Brick-and-mortar sales to end-December), Sephora slightly increased its market share. In addition, Sephora continued to gain market share in Middle East and Canada, where it has led the market since 2015.

5.4 Highlights of 2019 and outlook for 2020

	2019	2018	2017
Revenue (EUR millions)	14,791	13,646	13,311
Revenue by geographic region of delivery (%)			
France	11	12	12
Europe (excluding France)	9	9	8
United States	37	38	39
Japan	2	2	1
Asia (excluding Japan)	27	27	28
Other markets	14	12	12
Total	100	100	100
Profit from recurring operations⁽¹⁾ (EUR millions)	1,395	1,382	1,075
Operating margin (%)	9.4	10.1	8.1
Operating investments of the period (EUR millions)	659	537	570
Number of stores			
Sephora	1,957	1,886	1,825
Other	54	54	55

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Highlights

The 5% organic revenue growth posted by Selective Retailing was driven by Sephora's strong performance, while DFS was highly resilient thanks to steady demand from international travelers, partly offsetting the major slowdown observed in Hong Kong in the second half of the year.

Sephora once again recorded strong revenue growth and continued to gain market share. Asia, most European countries, the Middle East and Latin America were particularly buoyant, and online sales were up substantially worldwide. The Maison continued to cultivate close, personalized relationships with its customers, and to expand its range of new and exclusive items across all product categories. It achieved its best performance in skincare. Sephora continued to expand its store network, with 110 openings in 2019, including magnificent flagship stores featuring its new retail concept at Hudson Yards (New York) and China World (Beijing), and opened its first location in South Korea in October. Other highlights included the renovation and expansion of iconic stores at The Dubai Mall, Times Square in New York and La Défense in Paris. Sephora continued to innovate in digital and capitalize on its omnichannel synergies to continually improve how it serves its customers and offer them an unrivaled beauty experience. New marketing campaigns strengthened the Maison's brand image, in particular the "We Belong to Something Beautiful" campaign in North America. Sephora also continued to nurture and develop its community of loyal customers by offering more and more services and personalization.

After a very dynamic start to the year, featuring strong performances during the key periods of Chinese New Year and Golden Week, from July onwards DFS saw a very noticeable slowdown in tourist activity in Hong Kong. The Maison was backed by momentum at its other destinations and the continuous improvement of its product range to match each of its specific markets in the face of this slowdown. The sites operated at long-haul destinations in Australia and New Zealand as well as the *T Fondaco dei Tedeschi* in Venice saw significant increases in foot traffic, and DFS achieved an excellent performance at these locations. Business in Macao also increased, boosted by travelers from mainland China. After appearances in Venice, Chengdu, Beijing and Macao in 2018, the Masters of Time exhibition, featuring a prestigious collection of Watches and Jewelry, opened in Sydney and Hawaii. Two new *T Gallerias* opened in Macao, bringing their number on the island to seven, and a fourth one was inaugurated in Hong Kong. DFS made substantial progress in digital, with the significant expansion of its online product offering.

Starboard Cruise Services expanded its regional cruise line presence in Asia, in particular through a key partnership with DFS for the launch of the first *T Gallerias* on-board prestigious cruise ships. The Maison also consolidated its expertise in its historic markets – the Caribbean and the Mediterranean.

Le Bon Marché continued on its growth trajectory, driven by its unique selection of brands and products, beautiful architecture and top-quality service. For the iconic department store on Paris' Left Bank, these strengths continued to place it a cut above the rest with its French and international clientele, and its loyalty program was highly successful. Highlights of the first half of the year included an exhibition by Portuguese artist Joana Vasconcelos and the Geek mais Chic event, a shopping experience combining digital innovation with immersive discovery and featuring a range of fashion, beauty and decor brands. In June, Le Bon Marché opened its Salons Particuliers (private salons), a styling service highly appreciated by customers. The fall season featured the So Punk Rive Gauche exhibition, a joyous celebration of the spirit of punk, reinterpreted with a very Parisian sophistication. Now enjoying a dual presence on both banks of the Seine, La Grande Épicerie de Paris saw an increase in the number of visitors. The 24 Sèvres digital platform became 24S, in step with its increasingly international clientele.

Outlook

In 2020, Sephora will continue to offer its customers an unrivaled in-store and digital beauty experience through its ever-more-experiential stores and online shops. It will focus on the traditional drivers of its success: exclusive brands, innovation, personalization, and a range of unique services offered by highly engaged, expert teams. The Maison aims to accelerate its growth in the high-potential skincare product category, consolidate its lead in digital and continue expanding its store network. DFS will enter 2020 with an extremely vigilant approach given the ongoing situation in Hong Kong. The Maison will focus on diversifying

its locations. It will also actively prepare to seize other development opportunities in Asia, showcasing its expertise aboard large cruise ships. DFS will continue to pursue its digital initiatives. **Le Bon Marché** will continue to cultivate its uniqueness, its creative and exclusive offerings, and its dual identity as both a

trendsetting department store and a venue for art and culture, both in-store and on its 24/7 digital platform. **La Grande Épicerie de Paris** will accentuate its program of exclusive events that enhance its appeal and build customer loyalty on both sides of the Seine.

6. OTHER ACTIVITIES

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 and views diversity, a concept dear to the department store's founders, as central to its raison d'être. 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 Cheval Blanc luxury hotel, 96 social housing units, a daycare center and offices.

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 LVMH 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, the Maldives and Saint-Tropez.

Belmond

Founded in 1976, with the acquisition of Hotel Cipriani in Venice, **Belmond** is a pioneer in luxury tourism. For more than 40 years, the Maison has aimed to offer its customers one-of-a-kind trips and experiences in inspirational locations. Belmond has a large portfolio of hotels, trains, cruises and safaris that bring together heritage, expertise, authenticity and exacting customer service.

Le Jardin d'Acclimatation

Imagined as an emblem of modern Paris by Napoleon III and opened in 1860, the **Jardin d'Acclimatation** is the oldest leisure and amusement park in France. LVMH has held the concession to the park since 1984. Following the renewal of this concession in 2016, an ambitious modernization project was launched, culminating in the reopening of the entirely refurbished and redesigned park in June 2018.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

Business and financial review

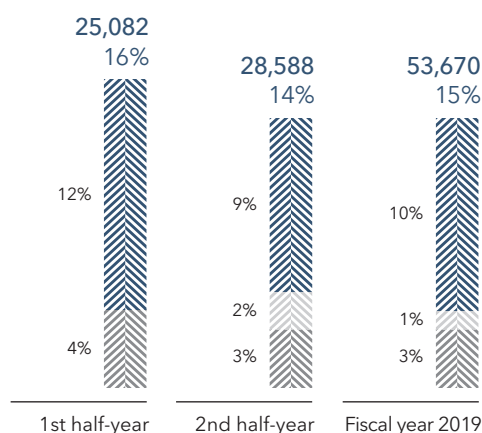
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1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1 Breakdown of revenue

Change in revenue per half-year period

(EUR millions and percentage)



■ Organic growth

■ Changes in the scope of consolidation ^(a)

■ Exchange rate fluctuations ^(a)

(a) The principles used to determine the impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 39.

Revenue for fiscal year 2019 was 53,670 million euros, up 15% over the previous fiscal year. The Group's main invoicing currencies strengthened against the euro – in particular the US dollar, which rose 5% – boosting revenue growth.

The main change to the Group's consolidation scope since January 1, 2018 related to the full consolidation of Belmond hotel group within "Other activities" as of April 2019. This change in the scope of consolidation made a positive 1 point contribution to revenue growth.

On a constant consolidation scope and currency basis, revenue increased by 10%.

Revenue by invoicing currency

(as %)	2019	2018	2017
Euro	22	22	23
US dollar	29	29	30
Japanese yen	7	7	7
Hong Kong dollar	5	6	6
Other currencies	37	36	34
Total	100	100	100

The breakdown of revenue by invoicing currency changed very little with respect to the previous fiscal year: the contributions of the euro, the US dollar and the Japanese yen remained stable at 22%, 29% and 7%, respectively. The contribution of the Hong Kong dollar fell by 1 point to 5%, while that of "Other currencies" rose by 1 point to 37%.

Revenue by geographic region of delivery

(as %)	2019	2018	2017
France	9	10	10
Europe (excluding France)	19	19	19
United States	24	24	25
Japan	7	7	7
Asia (excluding Japan)	30	29	28
Other markets	11	11	11
Total	100	100	100

By geographic region of delivery, the relative contribution of Asia (excluding Japan) to Group revenue rose by 1 point to 30%, while that of France fell by 1 point to 9%. The relative contributions of the United States, Europe (excluding France), Japan and other markets remained stable at 24%, 19%, 7% and 11%, respectively.

Revenue by business group

(EUR millions)	2019	2018	2017
Wines and Spirits	5,576	5,143	5,084
Fashion and Leather Goods	22,237	18,455	15,472
Perfumes and Cosmetics	6,835	6,092	5,560
Watches and Jewelry	4,405	4,123	3,805
Selective Retailing	14,791	13,646	13,311
Other activities and eliminations	(174)	(633)	(596)
Total	53,670	46,826	42,636

By business group, the breakdown of Group revenue changed more appreciably. The contribution of Fashion and Leather Goods rose 2 points to 41%, while that of Selective Retailing decreased by 1 point to 28%. The contributions of Watches and Jewelry, and Wines and Spirits decreased by 1 point each to 8% and 10%, respectively, while that of Perfumes and Cosmetics remained stable at 13%.

Revenue for Wines and Spirits increased by 8% based on published figures. Boosted by a positive exchange rate impact of 2 points, revenue for this business group increased by 6% on a constant consolidation scope and currency basis. Champagne and wines achieved growth of 6% based on published figures and 4% on a constant consolidation scope and currency basis, while cognac and spirits grew by 11% based on published figures and 7% on a constant consolidation scope and currency basis. This performance was largely driven by higher prices as well as an increase in sales volumes. Demand remained very strong in the United States and in Asia, particularly China, which maintained its status as the second-largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth of 17%, equating to 20% based on published figures. This business group's performance was driven by the very solid momentum achieved by Louis Vuitton and Christian Dior, as well as by Loewe, Rimowa,

Loro Piana and Fendi, which confirmed their potential for strong growth.

Revenue for Perfumes and Cosmetics increased by 9% on a constant consolidation scope and currency basis, and by 12% based on published figures. This performance 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 significant revenue growth in Asia, particularly in China.

Revenue for Watches and Jewelry increased by 3% on a constant consolidation scope and currency basis, and by 7% based on

published figures. The business group was boosted by continued strong momentum at Bvlgari and Hublot. TAG Heuer continued its repositioning. Asia and Europe were the most buoyant regions.

Revenue for Selective Retailing increased by 5% on a constant consolidation scope and currency basis, and by 8% based on published figures. This performance was driven by Sephora, whose revenue increased substantially in every region around the world, and to a lesser extent by DFS, which dealt with the slowdown in Hong Kong by drawing on momentum at other destinations.

1.2 Profit from recurring operations

(EUR millions)	2019	2018 ⁽¹⁾	2017 ⁽¹⁾
Revenue	53,670	46,826	42,636
Cost of sales	(18,123)	(15,625)	(14,783)
Gross margin	35,547	31,201	27,853
Marketing and selling expenses	(20,207)	(17,755)	(16,395)
General and administrative expenses	(3,864)	(3,466)	(3,162)
Income/(loss) from joint ventures and associates	28	23	(3)
Profit from recurring operations	11,504	10,003	8,293
Operating margin (%)	21.4	21.4	19.5

IFRS 16 Leases was applied as of January 1, 2019. In accordance with the standard, data for fiscal years 2018 and 2017 was not restated.

The Group achieved a gross margin of 35,547 million euros, up 14% compared to the prior fiscal year. As a percentage of revenue, the gross margin was 66%, 0.4 points lower than in 2018.

Marketing and selling expenses totaled 20,207 million euros, up 14% based on published figures and up 10% 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 expressed as a percentage of revenue remained stable at 38%. Among these marketing and selling expenses, advertising and promotion costs amounted to 12% of revenue, increasing by 11% on a constant consolidation scope and currency basis.

The geographic breakdown of stores was as follows:

(number)	2019	2018	2017
France	535	514	508
Europe (excluding France)	1,177	1,153	1,156
United States	829	783	754
Japan	427	422	412
Asia (excluding Japan)	1,453	1,289	1,151
Other markets	494	431	393
Total	4,915	4,592	4,374

General and administrative expenses totaled 3,864 million euros, up 11% based on published figures and up 8% on a constant consolidation scope and currency basis. They amounted to 7% of revenue, down 0.2 points relative to 2018.

Profit from recurring operations by business group

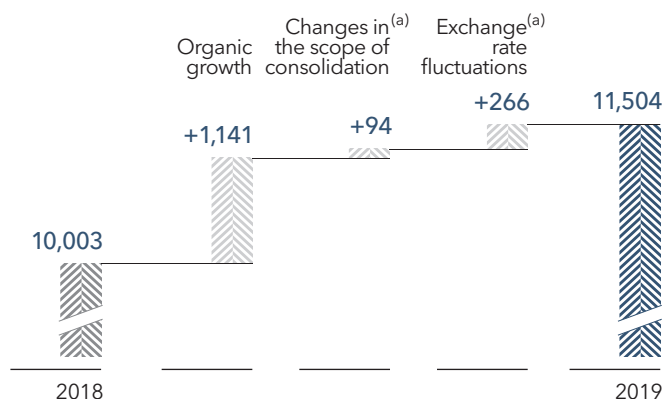
(EUR millions)	2019	2018 ⁽¹⁾	2017 ⁽¹⁾
Wines and Spirits	1,729	1,629	1,558
Fashion and Leather Goods	7,344	5,943	4,905
Perfumes and Cosmetics	683	676	600
Watches and Jewelry	736	703	512
Selective Retailing	1,395	1,382	1,075
Other activities and eliminations	(383)	(330)	(357)
Total	11,504	10,003	8,293

The Group's profit from recurring operations was 11,504 million euros, up 15%. Restated for the positive 155 million euro impact of the initial application of IFRS 16, this increase amounted to 13%. The Group's operating margin as a percentage of revenue was 21.4%, stable with respect to 2018.

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Change in profit from recurring operations

(EUR millions)



(a) The principles used to determine the impact of exchange rate fluctuations on the profit from recurring operations of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 39.

Exchange rate fluctuations had a positive overall impact of 266 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.

Wines and Spirits

	2019	2018	2017
Revenue (EUR millions)	5,576	5,143	5,084
Profit from recurring operations (EUR millions) ⁽¹⁾	1,729	1,629	1,558
Operating margin (%)	31.0	31.7	30.6

Profit from recurring operations for Wines and Spirits was 1,729 million euros, up 6% compared with 2018. Champagne and wines contributed 690 million euros, while cognacs and spirits accounted for 1,039 million euros. This performance was the result of both sales volume growth and a robust price increase policy. The operating margin as a percentage of revenue for this business group decreased by 0.7 points to 31.0%.

Fashion and Leather Goods

	2019	2018	2017
Revenue (EUR millions)	22,237	18,455	15,472
Profit from recurring operations (EUR millions) ⁽¹⁾	7,344	5,943	4,905
Operating margin (%)	33.0	32.2	31.7

Fashion and Leather Goods posted profit from recurring operations of 7,344 million euros, up 24% compared to the previous fiscal year, and up 23% restated for the positive impact of the initial application of IFRS 16. Louis Vuitton maintained its exceptional level of profitability while continuing its robust investment policy. Christian Dior achieved a record performance, and Loewe, Loro Piana, Rimowa and Fendi confirmed their growth momentum. The other fashion brands continued to strengthen their positions. The business group's operating margin as a percentage of revenue grew by 0.8 points to 33.0%.

Perfumes and Cosmetics

	2019	2018	2017
Revenue (EUR millions)	6,835	6,092	5,560
Profit from recurring operations (EUR millions) ⁽¹⁾	683	676	600
Operating margin (%)	10.0	11.1	10.8

Profit from recurring operations for Perfumes and Cosmetics was 683 million euros, up 1% compared to 2018. This growth was driven by Parfums Christian Dior, Guerlain 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 fell by 1.1 points to 10.0%.

Watches and Jewelry

	2019	2018	2017
Revenue (EUR millions)	4,405	4,123	3,805
Profit from recurring operations (EUR millions) ⁽¹⁾	736	703	512
Operating margin (%)	16.7	17.1	13.5

Profit from recurring operations for Watches and Jewelry was 736 million euros, up 5% relative to the previous fiscal year, and up 3% restated for the positive impact of the initial application of IFRS 16. This increase was the result of strong performance at Bvlgari and Hublot. The operating margin as a percentage of revenue for the Watches and Jewelry business group fell by 0.4 points to 16.7%.

Selective Retailing

	2019	2018	2017
Revenue (EUR millions)	14,791	13,646	13,311
Profit from recurring operations (EUR millions) ⁽¹⁾	1,395	1,382	1,075
Operating margin (%)	9.4	10.1	8.1

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Profit from recurring operations for Selective Retailing was 1,395 million euros, up 1% compared to 2018, and down 6% restated for the positive impact of the initial application of IFRS 16. This performance was driven by Sephora, which achieved strong results while DFS dealt with the situation in Hong Kong. The business group's operating margin as a percentage of revenue fell by 0.7 points to 9.4%.

1.3 Other income statement items

(EUR millions)	2019	2018 ⁽¹⁾	2017 ⁽¹⁾
Profit from recurring operations	11,504	10,003	8,293
Other operating income and expenses	(231)	(126)	(180)
Operating profit	11,273	9,877	8,113
Net financial income/(expense)	(559)	(388)	(59)
Income taxes	(2,932)	(2,499)	(2,214)
Net profit before minority interests	7,782	6,990	5,840
Minority interests	(611)	(636)	(475)
Net profit, Group share	7,171	6,354	5,365

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

"Other operating income and expenses" amounted to a net expense of 231 million euros, compared with a net expense of 126 million euros in 2018. As of December 31, 2019, "Other operating income and expenses" included 100 million euros in pledged donations for the reconstruction of Notre-Dame de Paris cathedral, 57 million euros in restructuring costs, 45 million euros in transaction costs relating to the acquisition of consolidated companies, and 26 million euros in depreciation, amortization and impairment charges for brands, goodwill and real estate assets.

The Group's operating profit was 11,273 million euros, up 14% from fiscal year 2018.

Other activities

The loss from recurring operations of "Other activities and eliminations" increased with respect to 2018, totaling 351 million euros. In addition to headquarters expenses, this heading includes the results of the hotel and media divisions, Royal Van Lent yachts, and the Group's real estate activities.

The net financial expense was 559 million euros, compared with a net financial expense of 388 million euros as of December 31, 2018. This item comprised the following:

- the aggregate cost of net financial debt, which totaled 107 million euros, versus a cost of 117 million euros as of December 31, 2018, representing a reduction of 11 million euros;
- interest on lease liabilities recognized as part of the initial application of IFRS 16, which amounted to an expense of 290 million euros;
- other financial income and expenses, which amounted to a net expense of 162 million euros, compared to a net expense of 271 million euros in 2018. The expense related to the cost of foreign exchange derivatives was 229 million euros, versus an expense of 160 million euros a year earlier. Lastly, other income and expenses related to financial instruments – which mainly arose from the change in the market value of available for sale financial assets – amounted to net income of 82 million euros, compared to a net expense of 108 million euros for 2018.

The Group's effective tax rate was 27.4%, up 1 point relative to 2018.

Profit attributable to minority interests was 611 million euros, compared to 636 million euros in 2018; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 7,171 million euros, compared with 6,354 million euros in 2018. This represented 13.4% of revenue in 2019, compared to 13.6% in 2018. The Group's share of net profit for fiscal year 2019 was up 13% compared to 2018.

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 financial statements for the fiscal year of entities with 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 as follows:

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

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

2. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR millions)	2019	2018 ⁽¹⁾	Change
Intangible assets	33,246	30,982	2,264
Property, plant and equipment	18,533	15,112	3,421
Right-of-use assets	12,409	-	12,409
Other non-current assets	5,810	4,656	1,154
Non-current assets	69,997	50,749	19,248
Inventories	13,717	12,485	1,232
Other current assets	12,793	11,066	1,727
Current assets	26,510	23,551	2,959
Assets	96,507	74,300	22,207

LVMH's consolidated balance sheet as of year-end 2019 totaled 96.5 billion euros, 22.2 billion euros higher than at year-end 2018, including 12.0 billion euros related to the application of IFRS 16 as of January 1, 2019, with right-of-use assets relating to the fixed portion of lease payments recognized as assets in the balance sheet, offset against lease liabilities which were recognized as liabilities in the balance sheet. See Note 1.2 to the consolidated financial statements for details on the impact of the application of IFRS 16. Consequently, non-current assets grew significantly by 19.2 billion euros and amounted to 73% of total assets, compared with 68% as of year-end 2018.

Intangible assets grew by 2.3 billion euros, of which 1.2 billion euros resulted from changes in scope, mainly related to the consolidation of Belmond, plus 1.2 billion euros due to the impact on goodwill of the revaluation of purchase commitments for minority interests, and 0.2 billion euros due to foreign currency fluctuations. Conversely, the application of IFRS 16 resulted in a decrease of 0.4 billion euros in intangible assets, due to the reclassification of leasehold rights as right-of-use assets.

Property, plant and equipment increased by 3.4 billion euros, including the 2.4 billion euro impact of changes in scope, mainly arising from the inclusion of Belmond in the scope of consolidation. Investments for the year, net of depreciation charges as well as disposals, generated an additional increase of 1.2 billion euros; the comments on the cash flow statement provide further information on investments. Lastly, the application of IFRS 16 resulted in the reclassification of 0.3 billion euros to "Right-of-use assets", corresponding to assets held under finance leases.

Right-of-use assets amounted to 12.4 billion euros as of year-end 2019, including 12.0 billion euros related to the recognition of right-of-use assets for the fixed portion of lease payments,

(EUR millions)	2019	2018 ⁽¹⁾	Change
Equity	38,365	33,957	4,408
Long-term borrowings	5,101	6,005	(904)
Non-current lease liabilities	10,373	-	10,373
Other non-current liabilities	20,045	17,505	2,540
Non-current liabilities	73,884	57,467	16,417
Short-term borrowings	7,610	5,027	2,583
Current lease liabilities	2,172	-	2,172
Other current liabilities	12,841	11,806	1,035
Current liabilities	22,623	16,833	5,790
Liabilities and equity	96,507	74,300	22,207

and 0.4 billion euros related to the reclassification of leasehold rights, previously presented within "Intangible assets". Store leases represented the majority of right-of-use assets, for a total of 9.9 billion euros.

Other non-current assets increased by 1.2 billion euros, amounting to 5.8 billion euros, including 0.5 billion euros resulting from the change in the market value of derivatives, 0.4 billion euros related to the inclusion in the balance sheet of Belmond's joint ventures and of the stake acquired in Stella McCartney, and 0.3 billion euros related to the increase in deferred tax assets.

Inventories were up 1.2 billion euros, an increase related to the development of the Group's activities (see "Comments on the consolidated cash flow statement").

Other current assets increased by 1.7 billion euros, mainly due to the 1.1 billion euro increase in cash and cash equivalents, as well as the 0.5 billion euro increase in operating receivables related to growth in the Group's activities.

The application of IFRS 16 resulted in the recognition of lease liabilities for a total of 12.5 billion euros, including 10.4 billion euros in non-current lease liabilities and 2.2 billion euros in current lease liabilities, offset against right-of-use assets.

Other non-current liabilities totaled 20.0 billion euros, up 2.5 billion euros from 17.5 billion euros as of year-end 2018. This growth was due, for 1.5 billion euros, to the increase in liabilities in respect of purchase commitments for minority interests; for 0.5 billion euros, to the increase in deferred tax liabilities; and for 0.4 billion euros, to the increase in the market value of derivatives.

Lastly, other current liabilities increased by 1.0 billion euros, amounting to 12.8 billion euros. This change was mainly due to the 0.5 billion euro increase in trade accounts payable.

Net financial debt and equity

(EUR millions or as %)	2019	2018 ^{(1)(a)}	Change
Long-term borrowings	5,101	6,005	(904)
Short-term borrowings and derivatives	7,641	5,157	2,484
Gross borrowings after derivatives	12,742	11,162	1,580
Cash and cash equivalents	(6,536)	(5,675)	(861)
Net financial debt	6,206	5,487	719
Equity	38,365	33,957	4,408
Net financial debt/Equity ratio	16.2%	16.2%	-

(a) Net financial debt as of December 31, 2018 was adjusted to take into account Belmond shares, presented within "Non-current available for sale financial assets". See Note 18.1 to the 2018 consolidated financial statements.

The ratio of net financial debt to equity as of December 31, 2019 amounted to 16.2%, stable with respect to December 31, 2018.

Total equity amounted to 38.4 billion euros as of year-end 2019, up 4.4 billion euros compared to year-end 2018. Net profit for the fiscal year, after the distribution of dividends, contributed 4.2 billion euros to this increase. In addition, exchange rate fluctuations had a positive impact of 0.3 billion euros on the reserves of entities reporting in foreign currencies; this mainly concerned the reserves of entities reporting in US dollars. As of

year-end 2019, total equity was equal to 40% of total assets, compared to 46% as of year-end 2018.

Gross borrowings after derivatives totaled 12.7 billion euros as of year-end 2019, up 1.6 billion euros compared with year-end 2018. Bond debt was stable, with amounts repaid equivalent to amounts issued. Two bond issues were completed during the year, totaling 1.0 billion euros. Conversely, the 0.3 billion euro bond issued in 2014, the 0.6 billion euro bond issued in 2013 and the 0.15 billion Australian dollar bond issued in 2014 were repaid. Commercial paper outstanding issued under the US dollar-denominated commercial paper program increased by 1.7 billion euros. Bank borrowings increased slightly, up 0.2 billion euros. Following the application of IFRS 16, finance lease liabilities were reclassified as lease liabilities, which are excluded from net financial debt, resulting in a decrease of 0.3 billion euros in net financial debt. Cash, cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt totaled 6.5 billion euros as of year-end 2019, up 0.9 billion euros from 5.7 billion euros at year-end 2018. Net financial debt thus increased by 0.7 billion euros.

As of end-December 2019, the Group's undrawn confirmed credit lines amounted to 21.1 billion euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany. This amount exceeded the outstanding portion of its euro- and US dollar-denominated commercial paper programs, which came to 4.9 billion euros as of December 31, 2019.

3. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2019	2018 ⁽¹⁾	Change
Cash from operations before changes in working capital	16,105	11,965	4,140
Cost of net financial debt: Interest paid	(124)	(113)	(11)
Lease liabilities: Interest paid	(239)	-	(239)
Tax paid	(2,940)	(2,275)	(665)
Change in working capital	(1,154)	(1,087)	(67)
Net cash from operating activities	11,648	8,490	3,158
Operating investments	(3,294)	(3,038)	(256)
Repayment of lease liabilities	(2,187)	-	(2,187)
Operating free cash flow	6,167	5,452	715
Financial investments and purchase and sale of consolidated investments	(2,575)	(401)	(2,174)
Equity-related transactions	(3,644)	(3,531)	(113)
Change in cash before financing activities	(53)	1,520	(1,573)

Cash from operations before changes in working capital totaled 16,105 million euros, up 4,140 million euros from 11,965 million euros a year earlier.

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

After tax and interest paid on net financial debt and lease liabilities, and after the change in working capital, net cash from operating activities amounted to 11,648 million euros, up 3,158 million euros from fiscal year 2018, including 2,168 million euros related to the application of IFRS 16, for an increase of 14% excluding the impact of the application of IFRS 16. The impact of the application of IFRS 16 consisted of the cancellation of depreciation of right-of-use assets for 2,408 million euros partially offset by the recognition of interest paid on lease liabilities for 239 million euros. Since IFRS 16 was only applied to the 2019 fiscal year, net cash from operating activities for fiscal year 2019 is not comparable to fiscal year 2018.

Interest paid on net financial debt totaled 124 million euros, up 11 million euros from 113 million euros in 2018, mainly due to the increase in the proportion of US dollar-denominated debt within the Group's average borrowings between 2018 and 2019, as the interest rates for US dollars are higher than those for euros.

Tax paid came to 2,940 million euros, 29% higher than 2,275 million euros paid a year earlier, mainly due to the increase in the Group's earnings in all the geographic regions in which it operates.

The 1,154 million euro working capital requirement was largely in line with the 1,087 million euro requirement observed a year earlier. The cash requirement relating to the increase in inventories amounted to 1,604 million euros, close to the 1,722 million euros recorded in 2018. The increase in inventories mainly concerned the Fashion and Leather Goods and Wines and Spirits business groups. The increase in trade account payables and tax and social security liabilities helped cover the financing requirement related to the increase in inventories for 561 million euros, versus 806 million euros in 2018.

Operating investments net of disposals resulted in an outflow of 3,294 million euros in 2019, up 8% compared to the outflow of 3,038 million euros in 2018. These mainly included investments by the Group's brands – in particular Louis Vuitton, Sephora, DFS, Christian Dior and Celine – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses, Hennessy,

Parfums Christian Dior and Louis Vuitton in their production facilities.

Repayment of lease liabilities totaled 2,187 million euros in 2019.

As of year-end 2019, operating free cash flow amounted to 6,167 million euros, increasing by 13% from 5,452 million euros recorded in 2018. This indicator is defined in the consolidated cash flow statement. In addition to net cash from operating activities, it includes operating investments and repayment of lease liabilities, both of which the Group considers as related to its operating activities.

In 2019, financial investments accounted for an outflow of 2,575 million euros, including 2,478 million euros for purchases of consolidated investments and 104 million euros for the purchase and proceeds from sale of non-current available for sale financial assets. Purchases of consolidated investments primarily comprised the acquisition of Belmond, but also included a 49% stake in Stella McCartney and a 55% stake in Château d'Esclans.

Equity-related transactions generated an outflow of 3,644 million euros. A portion of this amount, 3,119 million euros, arose from dividends paid during the fiscal year by LVMH SE, excluding the amount attributable to treasury shares, of which 2,012 million euros were for the final dividend payment in respect of fiscal year 2018 and 1,108 million euros were for the interim dividend payment in respect of fiscal year 2019, as well as tax related to dividends paid for 130 million euros. Dividends paid to minority interests in consolidated subsidiaries amounted to 429 million euros. Conversely, other equity-related transactions generated an inflow of 33 million euros, including 21 million euros related to the exercise of share subscription options.

The financing requirement after all transactions relating to operating activities, investing activities and equity-related transactions was virtually canceled out, at 53 million euros. Proceeds from borrowings after repayments and changes in the value of current available for sale financial assets came to 1,098 million euros, after which the fiscal year-end cash balance was 1,084 million euros higher than at year-end 2018, including a positive 39 million euro impact of the change in the cumulative translation adjustment on cash balances. It totaled 5,497 million euros.

4. 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 13% to 38.4 billion euros as of year-end 2019, versus 34.0 billion euros a year earlier;

- the Group's access to liquidity, notably through its euro- and US 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 that remained low in 2019. The assignment of a second rating for the Group by Moody's during the year confirmed LVMH's credit quality (A1/P1 with Moody's and A+/A1 with Standard & Poor's) and bolstered LVMH's credit profile in these markets;

In 2019, the Group was therefore able to take advantage of increasingly favorable market conditions and maintained a good balance of short- and long-term debt;

- maintaining the 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 paid to the return on 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 for 21.1 billion euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany and a 2.5 billion euro syndicated loan with a remaining term to maturity of five 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 business activity and to hedge its debt.

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. The US dollar and the Japanese yen

strengthened throughout the year. The optional hedging strategies allowed the Group to benefit from the reinforcement of the US dollar and the Japanese yen.

- Greater concentration of Group liquidity owing to the rollout of cash pooling practices worldwide, ensuring the fluidity of cash flows across the Group and optimal management of surplus cash.
- Dividend policy reviewed by the Board of Directors at its meeting of April 15, 2020 in light of circumstances resulting from the Covid-19 pandemic and government recommendations:
 - an interim dividend for 2019 of 2.20 euros was paid in December 2019;
 - proposed payment of a dividend per share of 4.80 euros for the fiscal year (i.e. a final dividend of 2.60 euros to be distributed in 2020), 30% lower than the amount announced on January 28, 2020. The distribution to shareholders of LVMH SE in respect of 2019 thus totals 2.4 billion euros, before the impact of treasury shares.

Net debt came to 6.2 billion euros as of year-end 2019, as against 5.5 billion euros a year earlier. The increase in net debt was limited to 0.7 billion euros, owing to high levels of net cash from operating activities and operating investments (free cash flow) in 2019, which covered most of the Group's financial investments in 2019, first and foremost the acquisition of Belmond.

5. OPERATING INVESTMENTS

5.1 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:	2019	2018	2017
- in millions of euros	6,265	5,518	4,831
- as % of revenue	11.6	11.8	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.

5.2 Research and development costs

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

(EUR millions)	2019	2018	2017
Research and development costs	140	130	130

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

5.3 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.

Acquisitions of property, plant and equipment and intangible assets for the last three fiscal years were as follows, in absolute values and as a percentage of the Group's cash from operations before changes in working capital:

Acquisitions of intangible assets and property, plant and equipment:	2019	2018	2017
- in millions of euros	3,287	2,990	2,299
- as % of cash from operations	20	25	22

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 operated stores or franchises for retail sales.

In 2019, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total store network increasing from 4,592 to 4,915 stores.

In Wines and Spirits, in addition to necessary replacements of barrels and production equipment, investments in 2019 were related to ongoing investments in the Champagne region (initiated in 2012) as well as the construction of cognac cellars for Hennessy.

6. MAIN LOCATIONS AND PROPERTIES

6.1 Production

Wines and Spirits

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

(in hectares)	2019		2018	
	Total	Of which: under production	Total	Of which: under production
France				
Champagne appellation	1,867	1,693	1,851	1,759
Cognac appellation	189	161	187	160
Vineyards in Provence	120	120		
Vineyards in Bordeaux	194	156	194	156
Vineyards in Burgundy	11	11	12	12
International				
California (United States)	450	294	461	305
Argentina	1,660	948	1,661	945
Australia, New Zealand	684	626	685	626
Brazil	197	110	198	110
Spain	116	83	116	80
China	68	60	68	60
India	4	2	4	2

In the table above, the total number of hectares owned is determined exclusive of areas 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, offices and visitor and customer centers

for each of its main Wines and Spirits 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, warehouses and offices in the Cognac region of France, Poland and Mexico. The total surface area is approximately 848,000 square meters in France and 314,000 square meters abroad.

Fashion and Leather Goods

Louis Vuitton owns twenty-seven leather goods and shoe production facilities, in addition to its fragrance laboratory. Most of them are in France, but there are also major workshops located in Spain (near Barcelona), Italy (in Fiesso) and the United States (in San Dimas, California, and near Dallas, Texas). Overall, production facilities and warehouses owned by the Group represent approximately 208,000 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.

Celine also owns manufacturing and logistics facilities near Florence, Italy. In 2019, Celine opened its second workshop in Radda in Chianti, 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, Italy.

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

Rimowa owns its offices, production facilities and warehouses in Germany, the Czech Republic and Canada. Overall, this property represents approximately 70,300 square meters.

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

LVMH Métiers d'Arts owns several farms in Australia and the United States, with a total surface area of about 220 hectares, as well as a tannery covering about 13,500 square meters in France. Thélios owns an eyewear production factory spanning around 9,600 square meters in Italy.

The other facilities used by this business group are leased.

6.2 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.

Fashion and Leather Goods

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 8,900 square meters.

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

Celine, Fendi and Berluti also own stores in Paris and Italy.

Perfumes and Cosmetics

Buildings located near Orléans and in Chartres, France, housing the Group's Research and Development operations for Perfumes and Cosmetics as well as the manufacturing and distribution activities of Parfums Christian Dior, are owned by Parfums Christian Dior and total around 157,500 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 – with a total surface area of 19,000 square meters. The Vervins plant handles the production of Givenchy and Kenzo product lines. The company also owns distribution facilities in Hersham, in the 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.

Hublot owns its production facilities in Switzerland and its office premises.

Bulgari owns its production facilities in Italy and Switzerland. In 2019, Bulgari acquired land totaling around 42,800 square meters to expand its production workshop in Italy.

The facilities used by the business group's other brands (Chaumet and Fred) are leased.

Selective Retailing

Le Bon Marché owns some of its stores, for a total area of approximately 78,000 square meters.

DFS owns its stores in Guam, the Mariana Islands, and Hawaii.

Other activities

the Group owns the Cheval Blanc hotel in Saint-Barthélemy and the Résidence de la Pinède in Saint-Tropez, France.

Belmond owns 25 hotels, 7 of which are in Italy.

As of December 31, 2019, the Group's store network broke down as follows:

(number of stores)	2019	2018	2017
France	535	514	508
Europe (excluding France)	1,177	1,153	1,156
United States	829	783	754
Japan	427	422	412
Asia (excluding Japan)	1,453	1,289	1,151
Other markets	494	431	393
Total	4,915	4,592	4,374

(number of stores)	2019	2018	2017
Fashion and Leather Goods	2,002	1,852	1,769
Perfumes and Cosmetics	426	354	302
Watches and Jewelry	457	428	405
Selective Retailing	2,011	1,940	1,880
<i>Of which: Sephora</i>	<i>1,957</i>	<i>1,886</i>	<i>1,825</i>
<i>Other, including DFS</i>	<i>54</i>	<i>54</i>	<i>55</i>
Other	19	18	18
Total	4,915	4,592	4,374

6.3 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, 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 19,200 square meters of office space and three buildings in London with about 3,200 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 about 17,000, 1,000, 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 the La Samaritaine department store in Paris are the focus of a redevelopment project, which will transform it into a complex mainly composed of offices, shops and a luxury hotel.

7. OPTION PLANS SET UP BY SUBSIDIARIES

None.

8. SUBSEQUENT EVENTS

No subsequent events occurred between December 31, 2019 and January 28, 2020, the date on which the financial statements were approved for publication by the Board of Directors.

Event subsequent to the Board of Director's meeting: on February 4, 2020, at an Extraordinary Shareholders' Meeting, the

shareholders of Tiffany & Co. (NYSE: TIF) voted with a very large majority in favor of the agreement announced on November 25, 2019 on the proposed acquisition of Tiffany by LVMH. Several bonds were issued in February and April 2020 for a total amount of 10.8 billion euros, in order to finance this acquisition.

9. RECENT DEVELOPMENTS AND PROSPECTS

In the first quarter of 2020, the Group generated revenue of 10.6 billion euros, down 15% relative to the same period in 2019, and 17% at constant consolidation scope and exchange rates.

LVMH has demonstrated its resilience in an economic environment disrupted by a severe public health crisis that has resulted in stores and production facilities being closed in most countries over the past few weeks and international travel coming to a halt. The Group's priority is to ensure the safety of its employees and customers. In a very turbulent environment, the Group will maintain a strategy focused on the preservation of the value of its brands, supported by the exceptional quality of its products and reactivity of its teams. Under the circumstances prevailing at the date on which the Universal Registration Document was filed, the Group will further tighten its cost management policy and investment selection criteria.

Closures of the Group's production facilities and stores in most countries during the first half of the year will have an impact on full-year revenue and results. That impact cannot be accurately evaluated at this time without knowing the timing of a return to normal conditions in the various regions in which the Group operates. It is to be hoped that the recovery will occur gradually gradual beginning in May or June, with the second quarter set to still be heavily affected by the crisis, particularly in Europe and the United States. LVMH will rely on the talent and motivation of its teams, the diversity of its business activities and good geographical balance of its revenue to reinforce once again in 2020 its global leadership position in high-quality products.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

Ethics and responsibility

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1. BACKGROUND

LVMH has always sought to:

- ensure that its practices reflect the highest standards of integrity, responsibility and respect for its partners;
- offer a working environment that allows its employees to fully express their talents and implement their skills and expertise;
- ensure that its Maisons define and adapt their production processes, habits and behaviors in order to continuously improve their response to the environmental challenges they face;
- participate in the regional development of the areas in which it operates through its activities;
- mobilize resources and skills to serve philanthropic initiatives and projects of general interest, and promote access to art and culture for as many people as possible.

As a responsible and committed stakeholder, the Group seeks to anticipate and meet the expectations of civil society in relation to corporate social and environmental responsibility, which include the following:

- taking into account changing career expectations and helping employees navigate, in particular, new unique career paths, technological changes and new demographics;

- responding to environmental challenges in light, in particular, of urgent changes called for by climate change;
- greater transparency in supply management to ensure that every stakeholder in the value chain offers satisfactory living and working conditions and uses environmentally friendly production methods;
- a demand for integrity in business at a time of growing global emphasis on the obligation for major groups to detect and prevent financial crime;
- sensitivity to the use of personal data, a key issue in safeguarding the fundamental right to privacy.

In recent years, a number of regulations in these areas applicable to businesses have been passed at the French and European levels. These include the law on parent companies' duty of care with regard to social and environmental issues, the "Sapin II" Act on the prevention of corruption and influence-peddling, the European Directive on disclosure of non-financial information and measures to transpose it into domestic law, and Europe's General Data Protection Regulation.

Information about the Group's Vigilance Plan and Statement of Non-Financial Performance can be found in the cross-reference tables at the end of this section.

2. STANDARDS

The LVMH group stays true to its uniqueness through a meticulous dedication to excellence. This dedication requires an unwavering commitment to the highest standards in terms of ethics, corporate social responsibility and respect for the environment.

2.1 International instruments

For many years now, the LVMH group has demonstrated its desire to act as a responsible corporate citizen and align its operations and strategy to support various internationally recognized benchmarks, including the following:

- the United Nations Global Compact, to which the Group signed up in 2003, as well as the Caring for Climate initiative;

In recent years, the Group has supported or signed up for a number of international standards, implementation of which it promotes within its sphere of influence, as well as putting in place its own internal standards.

- the Universal Declaration of Human Rights;
- OECD Guidelines;
- the International Labor Organization's Fundamental Conventions;
- the 17 Sustainable Development Goals drawn up and developed by the United Nations;

- the French Diversity Charter, signed by the Group in 2007;
- the United Nations Women's Empowerment Principles, signed by the Group in 2013;
- France's national biodiversity protection strategy;
- the Kimberley Process, an international system for certifying rough diamonds;
- the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- UNESCO's intergovernmental scientific program, "Man and the Biosphere" (MAB), aimed at protecting global biodiversity;
- the United Nations' standards of conduct for business tackling discrimination against lesbian, gay, bi, trans and intersex (LGBTI) people.

2.2 Internal standards

LVMH Code of Conduct

In 2009, LVMH drew up its first Code of Conduct, designed to serve as a common ethical foundation for the Group and its Maisons. In 2017, the Code was fine-tuned and updated to reflect changes in country-specific contexts, business lines and cultures.

The LVMH Code of Conduct outlines the rules to be followed by all employees as they go about their work.

It is based on the following six core principles:

- acting responsibly and compassionately;
- offering a fulfilling work environment and valuing talent;
- committing to protect the environment;
- winning the trust of customers;
- winning the trust of shareholders;
- embodying and promoting integrity in the conduct of business.

Supported by the members of the Executive Committee and Presidents of the Maisons, it promotes consistency and continuous improvement across the Group's various entities. It does not replace existing codes and charters within Maisons, but serves as a shared foundation and source of inspiration. Where appropriate, its policies are defined in greater detail by Maison according to its business sector or location. Furthermore, locally applicable codes and charters are implemented where this is appropriate in the light of local laws and regulations.

The Code has been translated into more than 10 languages and is widely disseminated across the Group. Supplementary tools have also been developed to help employees better understand and apply the principles set out in the Code, including an e-learning module and various communication materials.

Supplier Code of Conduct

In 2008, the Group implemented a Supplier Code of Conduct, which sets out its requirements for its partners in the fields of corporate social responsibility, the environment and the fight against corruption. Like the LVMH Code of Conduct, the Supplier Code of Conduct was revised in 2017 to fine-tune and supplement the requirements set out in it.

The Supplier Code of Conduct has been disseminated across the Group's Maisons; providers subject to the Code are required to comply with the principles laid down in it.

This Code specifies requirements relating to labor (prohibition of forced labor, child labor, harassment and 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 states that suppliers to LVMH and its Maisons must take responsibility for work undertaken by their own subcontractors and suppliers, and make sure that they comply with the principles laid down in the Code and any other 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 by a supplier or subcontractor of one of its suppliers – LVMH or the Maison concerned reserve the right to end the commercial relationship, subject to the conditions provided by law and depending on the severity of the violations identified.

Environmental Charter

Adopted in 2001, the Environmental Charter is the founding document for LVMH's five main aims with regard to the environment:

- striving for high environmental performance;
- encouraging collective commitment;
- managing environmental risks;
- designing products that factor in innovation and environmental creativity;
- making a commitment that goes beyond the Company.

It encourages the President of each Maison to demonstrate commitment to this approach through concrete actions.

The Charter was given a significant boost by the strategic LIFE (LVMH Initiatives for the Environment) program, launched in 2011, described in the "Environment and sustainability" section.

Recruitment Code of Conduct

The LVMH Recruitment Code of Conduct, implemented 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.

Animal-Based Raw Materials Sourcing Charter

In 2019, the Group launched its Animal-Based Raw Materials Sourcing Charter. This charter is the result of a long process of scientific research and collaboration between LVMH's environmental experts, its Maisons and their suppliers. The exhaustive charter covers the full range of issues concerning the sourcing of fur, leather, exotic leather, wool and feathers. It allows the Group to make long-term commitments to achieving progress in three areas: full traceability in supply chains; animal farming and trapping conditions; and respect for local populations, the environment and biodiversity. Under the charter, a scientific committee has been formed, and each year it will support and supervise a number of research projects aimed at driving progress in this area.

Charter on Working Relations with Fashion Models

In 2017, the Group drew up a Charter on Working Relations with Fashion Models in consultation with the Kering group and sector professionals motivated by a shared desire to promote dignity, health and well-being among fashion models.

The Charter, which applies to all Maisons worldwide, aims to bring about genuine change in the fashion world by rooting out certain behaviors and practices not in keeping with the Group's values and raising awareness among fashion models that they are full-fledged stakeholders in these changes.

To help spread the principles laid down in the Charter, the LVMH and Kering groups have set up a dedicated website, wecareformodels.com. The site provides fashion models with best practice and advice from independent nutritionists and coaches.

Internal Competition Law Compliance Charter

In 2012, the Group formalized its commitment to uphold free and fair competition by adopting an Internal Competition Law Compliance Charter. The Charter aims to help develop a true culture of compliance with competition rules within the Group. The 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. In particular, LVMH prohibits any abuse of dominant position, concerted practice or unlawful agreement, through understandings, projects, arrangements or behaviors which have been coordinated between competitors concerning prices, territories, market shares or customers. The Charter is available on the Ethics & Compliance Intranet.

3. GOVERNANCE

Dedicated governance arrangements are in place to ensure the Group's values and ethical standards are put into practice.

The Board of Directors' Ethics & Sustainable Development Committee – the majority of whose members are Independent Directors – ensures compliance with the individual and shared values on which the Group bases its actions. The Committee provides leadership on matters of ethics as well as environmental, workforce-related and social responsibility. The mapping of non-financial risks established at Group level in 2018 was notably submitted to it for review.

The Group's Executive Management coordinates the efforts of LVMH's Audit & Internal Control, Operations, Purchasing, Environment, Social Development, Ethics & Compliance and Financial Communications Departments, which work together to raise awareness and help the Maisons make progress – especially

in the areas of risk management and supplier relations – with regard to environmental, social and integrity issues.

The Ethics & Compliance Department is led by the Group's Ethics & Compliance Director, who reports to the Group Managing Director. The department draws up behavioral standards and makes available various tools designed to help Group entities implement applicable regulations. It has its own budget and headcount and is also supported by representatives from various Group departments so as to promote coordination on cross-functional projects led by it.

Around this central function, a network of Ethics & Compliance Officers, designated by the President of each Maison, coordinate implementation of the compliance program within each Maison and help share best practice across the Group.

This governance structure is also supported by the following:

- the network of CSR Officers at Maisons, who help organize the measures to be implemented and facilitate their application by the Maisons, who will then make the necessary adjustments in line with their own values, their environment, and the expectations of their employees and customers;
- the Environment Committee, which brings together a network of Environment Officers from the Maisons. This body provides a forum for reflection and discussion about major objectives (LIFE program), environmental challenges and opportunities;
- Maison representatives in charge of purchasing, certain supply chains and supplier relations, who come together at the Responsible Purchasing seminar to review priority issues, launch new initiatives and share best practices within the Group;
- the network of Internal Control Officers led by the Audit & Internal Control Department, which coordinates the implementation of internal control and risk management systems. These officers are responsible, within the Maisons, for ensuring compliance with the Group's internal control procedures and preparing controls tailored to their business.

4. RISK IDENTIFICATION

The Group's activities involve exposure to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. The approach to identifying risks that the Group's business might generate for its stakeholders has been systematized through a comprehensive risk-mapping exercise covering the fight against corruption, respect for human rights and environmental protection, based on a shared methodology covering the whole Group.

This non-financial risk-mapping exercise was undertaken in 2018 with the assistance of global risk and strategic consulting firm Verisk Maplecroft, which specializes in analyzing political, economic, social and environmental risks. It will be updated in 2020.

The risk map was based on an assessment comparing external benchmarking indicators provided by Verisk Maplecroft with qualitative and quantitative information provided internally by various Group entities, such as their level of activity, the amount of purchases by category, the number of production, logistics and retail sites, and the number of employees.

The exercise analyzed a wide variety of factors by geography and sector, including corruption indices, child labor, decent pay and working hours, workplace discrimination, freedom of association and trade union membership, health and safety, forced labor, air quality, waste management, water stress, water quality, deforestation, climate change and risk of drought.

The resulting risk map separates out administration, production and distribution activities across these various risks, highlighting the severity of potential risks arising from the Group's own activities and those of its supply chain.

Based on an array of data – including this mapping work, feedback from the Maisons' networks of Ethics & Compliance, CSR and Environment Officers, and an assessment of the impact and probability of occurrence of the various risks identified – the following have been classified by representatives of the Group's central functions and senior management as “key risks” in light of the Group's activities:

- impact on ecosystems and depletion of natural resources;
- setting up and maintaining responsible supply chains;
- safeguarding health and safety at work;
- loss of key skills and expertise;
- implementation of a policy to promote employee inclusion and fulfillment;
- shortcomings in the implementation of rules governing the protection of personal data;
- shortcomings in the implementation of business practice compliance arrangements.

5. RISK MANAGEMENT

In keeping with its aim of constantly improving its management of non-financial risks, the Group has set up a system for regularly monitoring risks relating to ethical, social and environmental responsibility.

The comprehensive risk-mapping exercise (described in the previous section) helps the Maisons identify which countries and types of purchases are particularly at risk with respect to anti-corruption, respect for human rights, environmental protection and the scale of their business activities there (revenue, amount of purchases, number of employees). This helps make audit programs and risk mitigation measures more effective and efficient.

This information is taken into account in letters of representation concerning risk management and internal control arrangements under the “ERICA” approach, an overview of which can be found in the “Financial and operational risk management and internal control” section.

Each year, the Ethics & Compliance Department reports to the Ethics & Sustainable Development Committee of the Board of Directors on the implementation of the Group’s ethics and compliance policy.

The policies put in place to manage the key risks identified above, together with their results, where relevant, are set out in this section. Readers are referred to the “Attracting and retaining talent” and “Environment and sustainability” sections where applicable.

5.1 Comprehensive program to protect ecosystems and natural resources

Because its businesses celebrate nature at its purest and most beautiful, LVMH sees preserving the environment as a strategic imperative. The fact that this imperative is built into all the Group’s activities constitutes an essential driver of its growth strategy, enabling it to respond to stakeholders’ expectations and constantly stimulate innovation.

Built around nine key aspects of the Group’s environmental performance, the global LIFE (LVMH Initiatives for the Environment) program provides a structure for this approach, from design through to product sale. It is presented in detail in the “Environment and sustainability” section.

5.2 Supplier assessment and support

The LVMH group considers it very important that the Maisons and the Group’s partners abide by a shared body of rules, practices and principles in relation to ethics, corporate social responsibility and environmental protection. The complexity of global supply chains means there is a risk of exposure to practices that run counter to these rules and values.

The Group’s responsible supply chain management approach therefore aims to motivate suppliers and every link in the supply chains involved to meet ethical, social and environmental requirements.

Supporting suppliers has long been a strategic focus for LVMH, with a view to maintaining sustainable relationships based on a shared desire for excellence. The Group pursues an overarching approach aimed at ensuring that its partners adopt practices that are environmentally friendly and respect human rights.

This approach is based on a combination of the following:

- identifying priority areas, informed in particular by the non-financial risk-mapping exercise covering the activities of the Group and its direct suppliers by type of activity;
- site audits of our suppliers (Tier 1 and higher) to check that the Group’s requirements are met on the ground;
- supplier support and training;

- actively participating in cross-sector initiatives covering high-risk areas.

To a large extent, actions implemented address issues connected with both the environment and human rights.

Identifying priority areas

The non-financial risk-mapping exercise described under §4 helps determine which suppliers should be audited as a priority. It takes into account risks related to the country, purchasing category and amount of purchases in question.

In 2019, the Group also continued to expand its use of the EcoVadis platform, which helps identify the most at-risk suppliers by assessing their ethical, social and environmental performance through the collection of documentary data, external intelligence and online research. More than 1,000 suppliers were invited to join the platform in 2019. Two-thirds of suppliers improved their score upon reassessment, with an average 12-point improvement since the first assessment. Following sign-on by the Group Purchasing Department, Louis Vuitton and the Perfumes and Cosmetics business group, new Maisons came on board in 2019: Sephora in Europe and the United States, as well as the Wines and Spirits business group.

Assessment and corrective action plans

LVMH is unique in that it undertakes much of its own manufacturing in-house, with subcontracting accounting for only a small proportion of the cost of sales. The Group is therefore able to directly ensure that working conditions are safe and human rights respected across a significant part of its production.

The Maisons apply reasonable due diligence measures and audit their suppliers – and, above Tier 1, their subcontractors – to ensure they meet the requirements laid down in the LVMH Supplier Code of Conduct.

Contracts entered into with suppliers of raw materials and product components with whom the Group maintains a direct relationship include a clause requiring them to be transparent about their supply chain by disclosing their subcontractors.

For some Maisons, the majority of audits are above Tier 1: at Givenchy Couture, for example, more than two-thirds of audits completed in 2019 were of subcontractors of direct suppliers.

Maisons maintain collaborative working relationships with direct suppliers, helping them conduct audits and draw up any corrective action plans that might be required.

The Group uses specialist independent firms to conduct these audits. In 2019, 1,589 audits (not including EcoVadis assessments) were undertaken at 1,261 suppliers and subcontractors. Half of these audits cover both workforce-related aspects (health and safety, forced labor, child labor, decent pay, working hours, discrimination, freedom of association and collective bargaining, the right to strike, etc.) and environmental aspects (environmental management system, water usage and pollution, gas emissions and air pollution, management of chemicals, waste management, types of raw materials used, etc.). Some cover workforce-related aspects only (36%) or environmental aspects only (14%).

The Maisons continue to focus their efforts on follow-up audits (which accounted for 23% of audits completed in 2019) and pre-production audits of potential suppliers. In 2019, 15 potential business relationships were not initiated as a result of unsatisfactory audit findings.

	Europe	Asia	North America	Other
Breakdown of suppliers – all categories (as %)	66	13	14	7
Breakdown of audits (as %)	76	22	1	1

Some Maisons have supplemented their audits using measures to directly ask their suppliers' employees about their working conditions. These surveys help gain a clearer vision of working conditions at the sites concerned and check for problems such as forced labor or harassment, which may not be detected during audits. These fully anonymous, confidential surveys are carried out on WeChat. In 2019, Sephora USA teamed up with audit firm Elevate to pilot four such surveys (one in China and three in the United States) during site audits.

In 2019, 36% of suppliers audited failed to meet the Group's requirements based on a four-tier performance scale that takes into account the number and severity of compliance failures observed; 6% were found to have critical compliance failures. In such cases, the Group always works with the supplier to draw up a corrective action plan, implementation of which is monitored by the buyer responsible for the relationship within the relevant Maison. Support from specialized external consultants is sometimes offered: this is always the case for Fendi, Loro Piana and Bvlgari's jewelry business.

When, in spite of the support offered by LVMH, a supplier or its subcontractors prove unwilling to make the effort required to meet the relevant requirements, the relationship is terminated. In 2019, 21 such relationships were terminated, the vast majority of them with Tier 2 subcontractors, in agreement with the direct supplier.

Supplier and buyer training

In keeping with its aim of providing continuous support and fostering continuous improvement, the Group regularly offers its suppliers training opportunities. For example, in 2019:

- in February, the second “Chemical Management” training session was held in Milan in partnership with the Polytechnic University of Milan. This sector-focused initiative was spearheaded by the Group's main fashion Maisons based in Italy. 80 Group suppliers took part in the event, which helped identify a number of areas to focus on in the future;
- in September, 40 participants representing 27 Group suppliers based in Italy took part in training held in Milan on responsible cotton sourcing, in partnership with members of the Better Cotton Initiative (BCI);
- Bvlgari's Jewelry branch invited 97 suppliers (manufacturers, gem cutters and producers of semi-finished goods) to three group training sessions on key issues and action plans relating to corporate social responsibility;
- in December, Sephora's branches in the United States and Europe along with several other Maisons (including Givenchy, Kenzo and TAG Heuer) held training in Shenzhen for 59 managers of supplier sites based in China. This training focused on human rights, health and safety, and the environment. New sessions will be held in 2020.

At the same time, the Group ensures that its buyers receive training in issues relating to responsible purchasing. For example, in 2019:

- Christian Dior held a training session for its buyers on chemical management. This training was led by an outside audit firm;
- Loewe brought together all its raw materials buyers to raise their awareness of key issues and check compliance among all their suppliers;
- around 130 people took part in the annual full-day Responsible Purchasing seminar held in November by the Group Purchasing Department, in cooperation with the Environment and Ethics & Compliance Departments. The seminar's "marketplaces" served as a forum for attendees from different Maisons to share experience and best practices on social and environmental responsibility-related issues.

Participation in multi-party initiatives covering high-risk areas

In addition to its actions aimed at direct suppliers, LVMH takes part in initiatives intended to improve visibility along supply chains and throughout subcontractor networks, to ensure that it can best assess and support all stakeholders.

Working groups have been put in place and targeted programs rolled out to address issues specific to each of the industry sectors in which the Group operates. To maximize efficiency and optimize influence over subcontractors' practices, preference is generally given to sector-specific initiatives covering multiple purchasing entities.

For Maisons in the Watches and Jewelry business group, the mining sector, which is highly fragmented and relies substantially on the informal economy, carries significant risks to human rights. As such, the Maisons have formally committed under the LIFE 2020 program to ensuring that all gold supplies are certified by the Responsible Jewellery Council (RJC). Alongside suppliers

and other pioneering competitors, LVMH also participates in the Coloured Gemstones Working Group run by sustainable development consultancy The Dragonfly Initiative, aimed at optimizing oversight of supply arrangements for colored gemstones.

Maisons in the Perfumes and Cosmetics business group have signed up for the Responsible Beauty Initiative run by EcoVadis, working with major sector players to develop action plans in response to business-specific issues. The business group is also involved in the Responsible Mica Initiative, which aims to pool sector stakeholders' resources to ensure acceptable working conditions in the sector by 2022. Work to map Indian mica supply chains began in 2015, followed by a program of audits down to the individual mine level. Over 80% of the supply chain has been covered to date.

The business group also joined Action for Sustainable Derivatives (ASD), a collaborative initiative jointly managed and overseen by BSR and Transitions. ASD brings together large companies in the cosmetics sector and the oleochemical industry to achieve their shared goal of improving traceability, working conditions and practices throughout the entire palm derivatives supply chain.

For Maisons in the Fashion and Leather Goods business group, specific traceability requirements applicable to the leather and cotton sectors have been incorporated into the LIFE 2020 program. Leather traceability is taken into account via the score resulting from audits of the Leather Working Group standard. Meanwhile, 70% of cotton supplies must meet responsible criteria (such as the GOTS, Certified Recycled or BCI standards) by 2020.

For all Maisons, particular attention is paid to purchases of packaging materials due to fragmentation of production processes in this sector. Specific tools are used to assess and improve the environmental performance of packaging.

5.3 Unrelenting focus on quality and safety

LVMH is continuously looking to offer products of the highest quality, through research and innovation and high standards in the selection of materials and the implementation of expertise in its activities. The Group is motivated by a constant desire to protect the health and safety of its stakeholders.

As regards its own employees, LVMH pursues a health, safety and well-being policy that is set out in the "Attracting and retaining talent" section.

As regards its suppliers' employees, the assessment criteria used in workforce audits of suppliers at Tier 1 and above include aspects related to health and safety (see §5.2).

As regards its customers, the Group is particularly attentive to two key issues: prudent use of chemical compounds in production processes and promoting responsible consumption of wines and spirits.

Prudent use of chemical compounds in production processes

LVMH is committed to safeguarding against risks inherent in the use of chemical compounds, and complies with regulations, industry group recommendations and opinions issued by scientific committees in this field. The Group is constantly seeking to anticipate changes in this area, drawing on its employees' expertise to produce only the safest products.

The Group's experts regularly take part in working groups set up by domestic and European authorities and play a very active role within industry groups. Their ongoing monitoring of changes in scientific knowledge and regulations has regularly led LVMH to prohibit the use of certain substances and make efforts to reformulate some of its products.

The Group's Maisons have customer relations departments that analyze customer complaints, including those relating to adverse effects.

The Perfumes and Cosmetics business group has a dedicated team of specialists who provide the Maisons with access to a European network of healthcare professionals able to quickly respond to help consumers experiencing side effects. Such post-market surveillance makes it possible to explore new avenues of research and constantly improve the quality and tolerance with respect to the Group's products. The Maisons in this business group comply with the most stringent international safety laws, including the EU regulation on cosmetic products. Their products must meet very strict internal requirements covering development, quality, traceability and safety.

Maisons in the Fashion and Leather Goods, and Watches and Jewelry business groups abide by the LVMH Restricted Substances List, an in-house standard that prohibits or restricts the use of certain substances in products placed on the market, as well as their use by suppliers. This standard, which notably applies to metal parts, goes beyond regulatory requirements and is regularly updated in response to ongoing monitoring of scientific developments. In 2019, LVMH joined the ZDHC (Zero Discharge of Hazardous Chemicals) trade association, which aims to promote best practices concerning the use of dangerous substances at textile and leather manufacturing sites.

To help suppliers eliminate the substances on this list, the Group's Environment Department has produced specific technical guides suggesting alternatives. Training is regularly offered on this subject.

Another in-house tool, the LVMH Testing Program, reinforces the control system of Maisons in the Fashion and Leather Goods business group, allowing them to test the highest-risk substances for different materials at five partner laboratories.

Moët Hennessy: an ambassador for responsible consumption of wines and spirits

The LVMH group's Maisons specializing in wines and spirits are committed to combating practices that encourage inappropriate drinking. For many years, Moët Hennessy has promoted 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 Maisons.

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 Maisons' websites.

On the labels of all its wine and champagne bottles sold in the European Union (except in France for legal reasons), Moët Hennessy provides links to websites that provide consumers with information on responsible drinking, such as www.wineinmoderation.com for wines, www.responsibleddrinking.eu for spirits and www.drinkaware.co.uk in the United Kingdom. Links to these websites are also available on the websites of the Maisons in this business group.

Raising awareness also means educating consumers. For example, every year, Moët Hennessy's teams teach hundreds of consumers the rituals for tasting its exceptional products.

Moët Hennessy continues to provide its employees with training on the importance of responsible drinking, notably through an in-house mobile app, as well as running an internal communications campaign reminding employees that they are "all ambassadors for responsible drinking".

In recognition of the fact that responsible drinking is something the whole sector should be concerned about, Moët Hennessy has developed a fully digital training program for students at partner hotel management schools. The aim is to ensure that those who are likely to serve Moët Hennessy products will be familiar with and keen to pass on the principles of responsible drinking.

Lastly, Moët Hennessy continued to actively support responsible drinking programs run by the industry associations it belongs to around the world. In particular, Moët Hennessy is one of three ambassador companies of Wine in Moderation, a nonprofit that actively supports a wine culture based on a healthy and balanced lifestyle.

5.4 Ongoing efforts to attract and support talent

The pursuit of LVMH's strategy of growth, international expansion and digitalization relies on the Group's ability to identify talented individuals with the skills it needs and attract them in a highly competitive environment. In particular, the highly specific and demanding nature of the luxury goods industry means the Group must recruit staff with outstanding craftsmanship. Promoting the Group's business lines, passing on skills and

training the designers and craftspeople of the future are therefore key issues for LVMH.

This is why innovative recruitment initiatives, academic partnerships and professional education programs are key components of the Group's human resources policy, detailed in the "Attracting and retaining talent" section.

5.5 Constant focus on employee inclusion and fulfillment

LVMH is constantly seeking to create conditions that enable its employees to achieve their full potential and succeed within the business. At a time of shifting career expectations, it is vitally important to foster employees' aspirations and their fulfillment and to promote diversity.

5.6 Integrity in business

LVMH requires its employees and partners to conduct their work with exemplary integrity.

Any lapse in prevention and detection in its operations, or any practices contrary to applicable regulations, may bring serious harm to LVMH's reputation, cause disruptions in its business activities, and, in certain cases, expose the Group to various types of administrative and judicial penalties (such as fines, withdrawals of authorizations or lawsuits filed against employees or senior executives).

Due to their extraterritorial aspects, laws relating to the prevention of bribery and other forms of financial crime as well as policies regarding international sanctions are increasingly giving rise to enforcement actions and the announcement of judicial and financial penalties.

The Group's senior executives may now be held personally liable for any breach of their obligation to put in place adequate prevention and detection measures, possibly even in the absence of any noted illicit activity.

Given the global reach of its business, LVMH has operations in many countries around the world, including some with a level of maturity in the adoption of ethical business practices deemed unsatisfactory by organizations producing popular indices that rank countries worldwide.

The Group pays taxes in the countries and regions where it operates, and endeavors to fully comply with all its tax obligations. The risk management measures taken in connection with its tax policy are described in §1.3.2 of the "Financial and operational risk management and internal control" section.

Due to the nature of its business model, the Group does not enter into any significant contracts with governments. Consequently, it is not exposed to the corruption risks associated with public procurement procedures.

However, the Group's business activities involve contacts with government agencies, for the granting of various authorizations and permits. Similarly, out of a willingness to discuss and cooperate with authorities and decision-makers, LVMH contributes to public debate in countries where to do so is authorized and relevant. The Group's contributions in the public space always abide by the laws and regulations applicable to the institutions and organizations in question, and LVMH is registered with interest representatives where its activities so require.

Furthermore, the Group may be exposed, in the same way as any other private company, to the risk of corruption in its dealings with private business partners.

This is why workplace well-being, career guidance, reducing gender inequality, promoting employment for people with disabilities and retaining older employees are all priorities within the Group's human resources policy, detailed in the "Attracting and retaining talent" section.

Given the diversity of the LVMH ecosystem and its decentralized organizational model, Maisons have developed their own policies adapted to their specific business contexts. At a central level, the Ethics & Compliance Department develops and coordinates the rollout of cross-departmental initiatives to strengthen compliance programs already in place within the Group and ensure their consistency.

Communications, awareness and training efforts aiming to improve employee vigilance are implemented. Common rules, procedures and tools are also in place to facilitate day-to-day detection and prevention of prohibited conduct by operational staff.

Communications, awareness and training

Serving as the central information resource for the Group's ethics and compliance policy, the LVMH Ethics & Compliance Intranet provides access for all employees to a set of documents, tools and information relating to business ethics.

Specific information is provided by the relevant human resources departments to newly hired employees concerning the Code of Conduct and the whistleblowing system. An online training tool, available to all employees on the Ethics & Compliance Intranet, is designed to help them understand and better assimilate the rules, practices and values presented in the LVMH Code of Conduct. This module is available in around ten languages.

Awareness initiatives are coordinated by the Ethics & Compliance Department, which holds in-house events in various regions, aimed at staff in various roles. In 2019, these included initiatives aimed at the community of internal controllers in New York, Hong Kong and Paris; heads of legal departments in Paris; and the responsible purchasing community in Milan and New York.

At the annual seminar on the Group's ethics and compliance policy, held on October 10 and 11, 2019, Group Managing Director Antonio Belloni delivered a powerful message to the Ethics & Compliance Officers, which they shared with the Presidents of the Group's Maisons, reaffirming the Group's commitment in this area and accelerating the implementation of measures to prevent and detect data integrity risks throughout the entire Group.

The Group has also developed a specific 45-minute online anti-corruption training module, which is available to all Maisons and serves as a common core that supplements existing training materials. This module is aimed at staff identified as particularly exposed to corruption risk, and its results are regularly assessed. Since it was launched in late 2018, the module has been completed by several thousand employees throughout the Group.

Available in three languages (French, English and Chinese, with other languages coming soon), this module:

- reiterates LVMH's zero-tolerance policy on corruption;
- expresses the Group Chairman and Chief Executive Officer and Group Managing Director's commitment to promoting exemplary, responsible behavior;
- defines and illustrates the notions of corruption and influence-peddling;
- provides an overview of the policies, governance and tools involved in the Group's anti-corruption compliance program;
- illustrates the negative consequences of corruption on civil society and companies;
- provides information on anti-corruption laws in force around the world and obligations for businesses in combating corruption;
- introduces the concept of due diligence on third parties to combat corruption and the main items to check;
- includes a number of case studies and questionnaires to ensure that employees have fully understood the key concepts involved.

Rules, procedures and tools

The LVMH Code of Conduct defines and illustrates prohibited behaviors, in particular those that may constitute corruption or influence-peddling. It reaffirms the Group's zero-tolerance stance on this issue.

In addition to the LVMH Code of Conduct, the Group has internal guiding principles – a set of documents that apply to all entities intended to be used as a reference guide to help employees adopt appropriate behaviors in various areas to do with business ethics. In particular, these principles cover the following:

- preventing corruption and influence-peddling, including basic definitions of these concepts and information about how to identify various suspicious behaviors against which staff should be on their guard;
- mandatory rules on gifts and entertainment;
- preventing money laundering, including information on cash payment limits and formalities for reporting large payments;
- rules for preventing, reporting and resolving conflicts of interest; in this regard, an annual conflict of interest reporting campaign is undertaken within the governing bodies of the Group and the Maisons;
- use of assets belonging to the Group and the Maisons, including the fact that such assets are made available only for a temporary period and the requirement that they be used in a professional and conscientious manner;
- loans of clothes and accessories by Maisons to employees or individuals outside the Group;

- Group policy on travel and security, which includes rules on authorization of travel and payment of travel expenses.

These internal guidelines help employees recognize risky situations and act responsibly and appropriately, by drawing their attention to a number of key points to watch out for. It includes a number of everyday examples to illustrate how to react in risky situations.

These guidelines provide a common core that can be adjusted to fit each entity's specific situation.

LVMH's internal control framework includes a set of minimum requirements for ethics and compliance, which are checked through self-assessments and audits at the Group's various entities (as described in the "Financial and operational risk management and internal control" section).

In addition to the usual existing communication and warning channels within the Group and the Maisons, LVMH has set up a centralized whistleblowing system, available in around ten languages, to collect and process reports from all employees concerning infringements or serious risks of infringement of laws, regulations, the provisions of the LVMH Code of Conduct and other principles, guidelines and internal policies.

The system covers the following behaviors:

- corruption and influence-peddling;
- money laundering, fraud and falsification of accounting records;
- embezzlement;
- anti-competitive practices;
- data protection breaches;
- discrimination, harassment, violence and threatening behavior;
- infringements of workers' rights and labor law, illegal employment;
- infringements of occupational health and safety regulations, violation of environmental protection laws;
- practices contrary to ethical principles.

Alerts handled through dedicated whistleblowing systems can be used to help improve risk identification and prevention procedures, as part of a continuous improvement approach.

No instances of alleged corruption or influence-peddling were reported through the Group's whistleblowing system in respect of fiscal year 2019.

If employees fail to abide by rules laid down in the Code of Conduct, the guiding principles or, more generally, the Rules of Procedure (or equivalent document) of their employing Maison, the Group will take appropriate steps to put an end to the infringement in question, including appropriate disciplinary sanctions proportionate to the severity of the infringement, in accordance with the provisions of the Rules of Procedure (or equivalent document) and applicable laws and regulations.

5.7 Responsible management of personal data

In order to offer their customers exceptional products and experiences that meet their expectations, the LVMH group's Maisons must have access to high-quality customer data, and are committed to ensuring that all data collected is kept secure.

In an era of innovation for the LVMH group – which is moving ahead with an ambitious digital strategy, resolutely focused on its customers and their aspirations – every Maison in the LVMH group takes steps to comply with the regulations applicable to personal data, including the General Data Protection Regulation (GDPR).

Ensuring full compliance with data protection regulation requires adequate governance arrangements to be implemented within the LVMH group. Accordingly, each Group Maison has appointed a Data Protection Officer (DPO) to ensure that its operations are compliant, with support from the legal and cybersecurity departments and in close cooperation with staff in a range of roles (including IT, digital, marketing and HR).

This also means building and promoting a personal data protection culture that permeates all the Group's business lines and activities as well as taking into account technical and methodological developments. To this end, LVMH and its Maisons regularly hold in-person and/or e-learning training and awareness sessions on personal data protection-related issues. The privacy policies for customers and employees of the LVMH group's Maisons were updated to inform these individuals of their rights and obligations regarding personal data, pursuant to the principle of transparency required by the GDPR.

A strict cybersecurity policy is also applied within the Group to ensure a fresh customer experience without compromising on data security, privacy, integrity or availability requirements. Under this policy, LVMH and its Maisons monitor not only the security of their own information systems but also the security levels of the products and services offered by the third-party providers used by LVMH and its Maisons. Providers that have access to LVMH and/or its Maisons' data are assessed to ensure that the technical and organizational measures they have implemented provide a level of security that is sufficient and well suited to their work. Specific cybersecurity incident management and prevention policies are also applied within the Group.

As a general rule, projects carried out by LVMH and/or its Maisons are subject to a Security and Privacy Risk Assessment to check that any personal data protection and security-related issues have been adequately addressed by the business lines involved (Security and Privacy by Design), that only personal data that is necessary for the project's purposes is actually collected and processed (Privacy by Default), and that any data protection-related impact analyses that must be completed have been identified.

To ensure a consistent, effective approach, a data protection policy is proposed to all Maisons in order to provide them with a common framework of rules and recommendations, helping ensure that appropriate measures are taken to protect personal data within the LVMH group, in compliance with applicable regulations.

This policy defines a Group compliance program on the protection of personal data, aimed at putting in place clear and transparent governance arrangements to manage issues concerning data protection, together with a range of common directives, bodies and processes. Sample data processing records, impact analyses, privacy notices, security questionnaires and personal data clauses to be added to contracts signed with subcontractors who process personal data are also provided to the Maisons by the Group, which each Maison then adapts to its own context.

The LVMH group also has Binding Corporate Rules (BCR) approved by France's Commission Nationale de l'Informatique et des Libertés (CNIL), which govern international transfers within the LVMH group of the personal data of employees and job candidates.

An annual audit and assessment campaign is run as part of internal control or the Maisons' internal audit work, in order to assess compliance with their personal data protection obligations.

Lastly, communities to share experience and exchange ideas – made up of the DPOs and their local representatives as well as the heads of security and legal directors of the Group's Maisons – meet regularly to discuss shared issues related to personal data protection, with the goal of continuously improving practices in this area.

INDEPENDENT VERIFIER'S REPORT ON THE CONSOLIDATED STATEMENT OF NON-FINANCIAL PERFORMANCE

To the Shareholders' Meeting,

In our capacity as an Independent Verifier accredited by COFRAC (Accreditation No. 3-1681; scope of accreditation available at www.cofrac.fr and belonging to the network of a Statutory Auditor of your Company (hereinafter "Entity"), we hereby present our report on the consolidated statement of non-financial performance for the fiscal year ended December 31, 2019 (hereinafter "Statement"), as set out in the Management Report pursuant to the provisions laid down in Articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code.

Responsibility of the Entity

It is the Board of Directors' responsibility to prepare a Statement compliant with legal and regulatory requirements, including an overview of the business model, a description of key non-financial risks and an overview of the policies adopted in light of those risks, together with the results of those policies, including key performance indicators.

The Statement was prepared by applying the Entity's procedures (hereinafter "Guidelines"), the significant components of which are set out in the Statement and are available on request from your Group's Environment and Human Resources Departments.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the Code of Ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures designed to ensure compliance with ethical standards, professional guidelines and applicable laws and regulations.

Responsibility of the Independent Verifier

It is our responsibility, on the basis of our work, to express a reasoned opinion reflecting a limited assurance conclusion that:

- the Statement complies with the requirements laid down in Article R.225-105 of the French Commercial Code;
- the information provided is fairly presented in accordance with Point 3 of Sections I and II of Article R.225-105 of the French Commercial Code, namely the results of policies, including key performance indicators, and actions in relation to key risks, hereinafter "Information".

It is also our responsibility to express, at the Entity's request and outside the scope of our accreditation, a conclusion of reasonable assurance that the information selected by the Entity and identified by a check mark (✓) in Appendix 1 (hereinafter "Selected Environmental Information") was prepared, in all material respects, in accordance with the Guidelines.

It is not our responsibility, however, to express an opinion on whether the Entity complies with other applicable legal and regulatory provisions, notably concerning the vigilance plan and the prevention of corruption and tax evasion, or whether products and services comply with applicable regulations.

1. Reasoned opinion on the compliance and fair presentation of the Statement

Nature and scope of work

The work described below was carried out in accordance with the provisions of Articles A.225-1 *et seq.* of the French Commercial Code, the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) applicable to this engagement, and ISAE 3000.

- we familiarized ourselves with the business of all entities falling within the scope of consolidation and the key risks;
- we assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, objectivity and comprehensible nature, taking the sector's best practices into consideration, where applicable;
- we checked that the Statement covers each category of information laid down in Section III of Article L.225-102-1 of the French Commercial Code on workforce-related and environmental issues, as well as compliance with human rights and the prevention of corruption and tax evasion;

- we checked that the Statement provides the information required by Section II of Article R.225-105 wherever relevant with respect to the key risks and, where applicable, includes an explanation of the reasons for the absence of information required by Section III, Paragraph 2 of Article L.225-102-1 of the French Commercial Code;
- we checked that the Statement provides an overview of the business model and a description of the key risks associated with the business of all entities falling within the scope of consolidation, including, where relevant and proportionate, risks arising from business relationships, products and services as well as policies, actions and results, including key performance indicators related to key risks;
- we consulted source documents and conducted interviews to:
 - assess the process used to select and validate key risks, as well as the consistency of results, including key performance indicators related to the key risks and policies presented, and
 - corroborate what we considered the most important qualitative information (actions and results) set out in Appendix 1. For all risks, work was carried out at the level of the consolidating Entity and on a selection of the entities listed below:
 - for environmental risks: Wines and Spirits: MHCS (France), Hennessy (France), Glenmorangie (Ardbeg, Scotland), Chandon Argentina (Argentina); Perfumes and Cosmetics: Parfums Christian Dior (Saint-Jean-de-Braye, France), Guerlain La Ruche (Chartres, France); Fashion and Leather Goods: Loro Piana (Quarona, Italy), Christian Dior (Paris, France), Tanneries Roux (Romans-sur-Isère, France), Loewe (Maison and stores) (Getafe, Spain); Watches and Jewelry: Bvlgari (Valenza, Italy), Hublot (Nyon, Switzerland); Selective Retailing: Sephora North America (Sephora BDC, Canada and Sephora USA); Sephora North Asia, Southeast Asia, Middle East (Neuilly, France); Le Bon Marché (Paris, France); DFS (Hong Kong); Other activities: headquarters of Les Echos – Le Parisien (Paris, France),
 - for workforce-related risks: Wines and Spirits: Glenmorangie (Edinburgh, Scotland); Perfumes and Cosmetics: Benefit Cosmetics UK (London, United Kingdom), Parfums Christian Dior UK (London, United Kingdom); Fashion and Leather Goods: Christian Dior (Paris, France); Watches and Jewelry: Bvlgari Gioielli S.p.A. (Valenza, Italy); Selective Retailing: Sephora SAS (Neuilly, France), DFS (Singapore); Other activities: Les Echos (Paris, France),
 - for social risks:
 - responsible supply chains: Moët-Hennessy (Paris, France), Parfums Christian Dior (Neuilly, France), Christian Dior (Paris, France), Sephora Europe Middle East (Neuilly, France),
 - protection of personal data: Louis Vuitton Malletier (Paris, France), Sephora SAS (Neuilly, France),
 - compliant business practices: Fendi (Rome, Italy), Moët-Hennessy (Paris, France);
- we checked that the Statement covers the scope of the consolidated Group, i.e. all companies falling within the scope of consolidation in accordance with Article L.233-16, within the limits set out in the Statement;
- we reviewed the internal control and risk management procedures put in place by the Entity and assessed the collection process aimed at ensuring that the Information is complete and fairly presented;
- for key performance indicators and those other quantitative results we considered the most significant, set out in Appendix 1, we carried out the following:
 - analytical procedures that consisted in checking that all data collected had been properly consolidated, and that trends in that data were consistent,
 - detailed, sample-based tests that consisted in checking that definitions and procedures had been properly applied and reconciling data with supporting documents. This work was carried out on a selection of contributing entities listed above and covers between 8% and 84% of the consolidated data selected for these tests (10% of the workforce, 48% of energy consumption and an average of 27% of certified supplies);
- we assessed the Statement's overall consistency with our knowledge of all the entities falling within the scope of consolidation.

We consider that the work we performed 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.

Means and resources

Our work was undertaken by a team of twelve people between September 2019 and February 2020, for a period of fourteen weeks.

We conducted around fifteen interviews with those responsible for preparing the Statement, notably representing Executive Management and the Administration and Finance, Risk Management, Ethics and Compliance, Human Resources, Environment and Purchasing Departments.

Conclusion

On the basis of our work, we found no material misstatements that might have led us to believe that the consolidated statement of non-financial performance is not compliant with applicable regulatory requirements or that the Information, taken as a whole, is not fairly presented, in accordance with the Guidelines.

2. Reasonable assurance report on the Selected Environmental Information

Nature and scope of work

Concerning the Selected Environmental Information identified by a check mark (✓) in Appendix 1, we carried out the same type of work as set out in Section 1 above for what we considered the most important key performance indicators and other quantitative results, though in greater depth, particularly as regards the extent of tests.

The sample selected represents on average 53% 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 Entity has been established, in all material aspects, in compliance with the Guidelines.

Paris-La Défense, February 3, 2020

The Independent Verifier

EY & Associés

Éric Duvaud

Sustainable Development Partner

Jean-François Bélorgey

Partner

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.

Appendix 1: Information considered the most important

Workforce-related information

Quantitative information

(including key performance indicators)

- Breakdown of the workforce as of December 31 by gender and professional category.
- Recruitment on permanent contracts from January 1 to December 31 (breakdown by gender).
- Turnover among employees on permanent contracts from January 1 to December 31 (breakdown by reason).
- Proportion of employees on permanent contracts trained, by professional category.
- Number of days' training for employees on permanent contracts.
- Absence rate by reason.
- Work-related accident frequency rate.
- Work-related accident severity rate.

Qualitative information (actions and results)

- Attracting and training students and recent graduates.
- Preventing discrimination during the recruitment process.
- Training and support for employees throughout their careers.
- Workplace health and safety.

Environmental information

Quantitative information

(including key performance indicators)

- Proportion of manufacturing sites certified ISO 14001 (%). ✓
- Total energy consumption (MWh). ✓
- Energy-related greenhouse gas emissions (metric tons of CO₂ equivalent). ✓
- Total water consumption for process requirements (m³). ✓
- Chemical Oxygen Demand after treatment (metric tons/year). ✓
- Total waste produced (metric tons). ✓
- Total hazardous waste produced (metric tons). ✓
- Waste recovery rate (%). ✓
- Total packaging that reaches customers (metric tons). ✓
- Environmental Performance Index for packaging (value).
- Greenhouse gas emissions avoided per year by projects under the banner of the Carbon Fund (metric tons of CO₂ equivalent avoided).

Qualitative information (actions and results)

- Organization of the environmental approach, particularly governance and commitments, including the LIFE program.
- Environmental impact of packaging and monitoring of the LIFE "Products" target.
- Environmental standards applied to the supply chain and monitoring of the LIFE "Sourcing" targets.
- Combating climate change and monitoring the LIFE "Climate change" target.
- Environmental management of sites and monitoring of the LIFE "Sites" targets.

Social information

Quantitative information

(including key performance indicators)

- Proportion of grape supplies (in kg) with sustainable winegrowing certification (%).
- Proportion of palm oil derivative supplies (in kg) certified RSPO Mass Balance or Segregated (%).
- Proportion of leather supplies (in m²) sourced from LWG-certified tanneries (%).
- Proportion of gold supplies (in kg) certified RJC CoC.
- Proportion of gold supplies (in kg) sourced from RJC CoP-certified suppliers.
- Proportion of diamond supplies (in carats) sourced from RJC CoP-certified suppliers.
- Proportion of cotton supplies (in metric tons) certified BCI, organic, etc. (%).

Qualitative information (actions and results)

- Implementation of the Charter on Working Relations with Fashion Models and Their Well-Being.
- Supplier assessment and support.
- Management of personal data.
- Business conduct and ethics.

6. CROSS-REFERENCE TABLES

6.1 Statement of non-financial performance

Like any other economic actor, the LVMH group is exposed to a number of non-financial risks that may affect its performance, cause harm to its reputation, and impact its stakeholders and/or the environment. The following risks have been classified by representatives of the Group's central functions and senior management as "key risks" in light of the Group's activities (see §3 of the "Ethics and responsibility" section):

- impact on ecosystems and depletion of natural resources;
- setting up and maintaining responsible supply chains;
- safeguarding health and safety at work;
- loss of key skills and expertise;
- implementation of a policy to promote employee inclusion and fulfillment;
- shortcomings in the implementation of rules governing the protection of personal data;
- shortcomings in the implementation of business practice compliance arrangements.

LVMH is committed to addressing each of these risks by putting the appropriate policies in place. The cross-reference tables below provide a summary presentation of the information constituting the Group's statement of non-financial performance, as required by Article L.225-102-1 of the French Commercial Code, indicating for each item the location in this Management Report where further details may be found. They include cross-references to the specific disclosures required by this article with regard to respect for human rights and measures to combat corruption, climate change, and discrimination.

The remaining disclosures required by this article may be found in the following locations:

- with regard to the Group's business model, in the sections entitled "The LVMH business model" and "Business overview, highlights and outlook" in the introduction to this report;
- with regard to the presentation of the workforce for each business group and geographic region, in §1.3 of the "Attracting and retaining talent" section;
- with regard to collective bargaining agreements signed at the level of companies across the Group, in §3.2 of the "Attracting and retaining talent" section;
- with regard to efforts to promote the circular economy, in §1.2.2 and §5.4 of the "Environment and sustainability" section;
- with regard to combating food waste, in §5.4.2 of the "Environment and sustainability" section;
- with regard to social commitments to promote sustainable development, apart from the topics covered by the cross-reference tables below in terms of social consequences, respect for human rights and the environment, in §1 and §2 of the "Corporate philanthropy" section;
- with regard to protecting animal welfare, in §3.1 and §3.3 of the "Environment and sustainability" section;

Lastly, given the nature of the Group's business activities, topics relating to the fight against food insecurity or efforts to promote responsible and sustainable food production as well as fair food systems are not discussed in this Management Report.

6.1.1 Social consequences

Risk	Policies	Results
Loss of key skills and expertise	<ul style="list-style-type: none"> - Academic partnerships (§2.2 of the "Attracting and retaining talent" section) - Institut des Métiers d'Excellence (§2.2 of the "Attracting and retaining talent" section) - Employee training and support (§3.1 of the "Attracting and retaining talent" section) - EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.3 of the "Attracting and retaining talent" section) - Support for high-potential female employees to help them move into key positions (§3.1 of the "Attracting and retaining talent" section) 	<ul style="list-style-type: none"> - Joiners by business group and geographic region (§2.1 of the "Attracting and retaining talent" section) - Investment in training (§3.1 of the "Attracting and retaining talent" section) - Internal mobility data (§2.1 of the "Attracting and retaining talent" section) - Awards, recognition and rankings obtained as an employer (§2.1 of the "Attracting and retaining talent" section)
Health and safety issues faced in the Group's business activities	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Whistleblowing system (§5.6 of the "Ethics and responsibility" section) - Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section) - Investments in health, safety and security (§3.2 of the "Attracting and retaining talent" section) - Employee training in health, safety and security (§3.2 of the "Attracting and retaining talent" section) - Social audits of suppliers and subcontractors including a health and safety dimension (§5.2 of the "Ethics and responsibility" section) - Measures relating to the use of chemicals and cosmetovigilance (§5.3 of the "Ethics and responsibility" section) - Promoting responsible consumption of wines and spirits (§5.3 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Breakdown, frequency and severity of work-related accidents (§3.2 of the "Attracting and retaining talent" section) - Data relating to social audits that include a health and safety dimension (§5.2 of the "Ethics and responsibility" section) - Training for employees and suppliers focusing on the LVMH Restricted Substances List (§5.3 of the "Ethics and responsibility" section)
Implementation of a policy of employee inclusion and fulfillment (aspects related to fulfillment at work)	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Whistleblowing system (§5.6 of the "Ethics and responsibility" section) - DARE program (§3.1 of the "Attracting and retaining talent" section) - Employee induction seminars (§3.1 of the "Attracting and retaining talent" section) - Specific training for managers (§3.1 of the "Attracting and retaining talent" section) - Group Works Council and SE Works Council (§3.2 of the "Attracting and retaining talent" section) 	<ul style="list-style-type: none"> - Number of meetings held by employee representative bodies in 2019 (§3.2 of the "Attracting and retaining talent" section)

6.1.2 Respect for human rights

Risk	Policies	Results
Setting up and maintaining responsible supply chains (aspects relating to respect for human rights)	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section) - Whistleblowing system (§5.6 of the "Ethics and responsibility" section) - Risk mapping (§4 of the "Ethics and responsibility" section) - Social audits of suppliers and subcontractors (§5.2 of the "Ethics and responsibility" section) - Collection of information on suppliers' social and ethical performance via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Breakdown of suppliers and audits (§5.2 of the "Ethics and responsibility" section) - Data on combined audits and audits examining only social aspects carried out at suppliers (§5.2 of the "Ethics and responsibility" section) - Data on follow-up audits (§5.2 of the "Ethics and responsibility" section) - Proportion of suppliers not meeting the Group's standards (§5.2 of the "Ethics and responsibility" section) - Number of contracts terminated following audits (§5.2 of the "Ethics and responsibility" section) - Number of business relationships not initiated following audits (§5.2 of the "Ethics and responsibility" section)
Implementation of a policy of employee inclusion and fulfillment (aspects relating to the fight against discrimination and the promotion of diversity)	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Whistleblowing system (§5.6 of the "Ethics and responsibility" section) - Recruitment Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Specific training for recruiters (§2.3 of the "Attracting and retaining talent" section) - Independent review of hiring practices (§2.3 of the "Attracting and retaining talent" section) - EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.3 of the "Attracting and retaining talent" section) - Support for high-potential female employees to help them move into key positions (§3.1 of the "Attracting and retaining talent" section) 	<ul style="list-style-type: none"> - Proportion of employees with disabilities (§2.3 of the "Attracting and retaining talent" section) - Proportion of women among joiners and in the Group's workforce (§3.1 of the "Attracting and retaining talent" section) - Number of participants in the EXCELLhanCE initiative (§2.3 of the "Attracting and retaining talent" section)
Shortcomings in the implementation of rules governing the protection of personal data	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Data protection policy (§5.7 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Creation of a network of Data Protection Officers (§5.7 of the "Ethics and responsibility" section)

6.1.3 Environmental consequences

Risk	Policies	Results
Business impacts on ecosystems and depletion of natural resources (including aspects relating to the fight against climate change)	<ul style="list-style-type: none"> - LVMH Environmental Charter (§1.1 of the "Environment and sustainability" section) - LIFE program and LIFE 2020 targets (§1.1 and §1.2 of the "Environment and sustainability" section) - Combating climate change and the LVMH Carbon Fund (§4 of the "Environment and sustainability" section) 	<ul style="list-style-type: none"> - Improvement in the Environmental Performance Index scores of product packaging for Wines and Spirits companies and Perfumes and Cosmetics companies (§2.3 of the "Environment and sustainability" section) - Accelerated and expanded rollout of sustainable and organic winegrowing (§3.6 of the "Environment and sustainability" section) - Certification of materials used in products: leather, cotton, fur, palm oil derivatives, diamonds and precious metals (§3.6 of the "Environment and sustainability" section) - Achievement of targets set for the LVMH Carbon Fund (§4.2 of the "Environment and sustainability" section) - Increase in the proportion of renewable energy in the Group's energy mix (§4.5 of the "Environment and sustainability" section) - Implementation of an environmental management system at manufacturing sites (§5.5 of the "Environment and sustainability" section)
Setting up and maintaining responsible supply chains (environmental aspects)	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - LVMH Environmental Charter (§1.1 of the "Environment and sustainability" section) - LIFE program and LIFE 2020 targets (§1.1 and §1.2 of the "Environment and sustainability" section) - Whistleblowing system (§5.6 of the "Ethics and responsibility" section) - Risk mapping (§1.2 of the "Environment and sustainability" section) - Collection of information on suppliers' environmental performance via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Data on environmental audits carried out at suppliers, both combined audits and audits examining only environmental aspects (§5.2 of the "Ethics and responsibility" section) - LIFE 2020 program – "Sourcing" target, particularly relating to supply chains for grapes, leather, skins and pelts, gemstones and precious metals, palm oil derivatives and regulated chemicals (§3 of the "Environment and sustainability" section)

6.1.4 Fight against corruption

Risk	Policies	Results
Shortcomings in the implementation of business practice compliance arrangements	<ul style="list-style-type: none"> - LVMH Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Whistleblowing system (§5.6 of the "Ethics and responsibility" section) - Group Ethics and Compliance Intranet site (§5.6 of the "Ethics and responsibility" section) - Risk mapping (§4 of the "Ethics and responsibility" section) - Role of the Ethics & Compliance Department (§3 and §5.6 of the "Ethics and responsibility" section) - Internal guiding principles (§5.6 of the "Ethics and responsibility" section) - Anti-corruption training (§5.6 of the "Ethics and responsibility" section) - Compliance rules included in the internal audit and control framework (§5.6 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - No instances of alleged corruption or influence-peddling were reported through the Group's whistleblowing system in 2019 (§5.6 of the "Ethics and responsibility" section) - Several thousand people throughout the Group have completed the anti-corruption training module (§5.6 of the "Ethics and responsibility" section)

6.2 Vigilance plan

As a responsible, actively engaged corporate citizen on a global scale, the LVMH group strives to exert a positive influence on the communities, regions and countries where it operates and to minimize the potential adverse impacts of its activities, as well as those of its suppliers and subcontractors, for its stakeholders and the environment.

The cross-reference tables below provide a summary presentation of the information constituting the Group's vigilance plan, as required by Article L.225-102-4 of the French Commercial Code, indicating for each item the sections within this Management Report where further details may be found.

6.2.1 Human rights and fundamental freedoms

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section) - Risk mapping by the Group (§4 of the "Ethics and responsibility" section)
Frequent risk assessments	<ul style="list-style-type: none"> - Internal control and audit framework (§3.2 of the "Financial and operational risk management and internal control" section) 	<ul style="list-style-type: none"> - Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) - Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	<ul style="list-style-type: none"> - Specific training for recruiters to prevent discrimination (§2.3 of the "Attracting and retaining talent" section) - Independent review of hiring practices (§2.3 of the "Attracting and retaining talent" section) 	<ul style="list-style-type: none"> - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) - Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)
Whistleblowing system	<ul style="list-style-type: none"> - Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Group employees can use the whistleblowing system to report violations committed by suppliers or subcontractors (§5.6 of the "Ethics and responsibility" section) - Some Maisons have implemented measures to directly ask their suppliers' employees about their working conditions (§5.2 of the "Ethics and responsibility" section)
Follow-up and assessment measures	<ul style="list-style-type: none"> - Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) - Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) - Risk mapping exercise carried out regularly 	<ul style="list-style-type: none"> - Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) - Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

6.2.2 Individuals' health and safety

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) - Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	<ul style="list-style-type: none"> - Internal control and audit framework (§3.2 of the "Financial and operational risk management and internal control" section) - Accident analysis and prevention (§3.2 of the "Attracting and retaining talent" section) 	<ul style="list-style-type: none"> - Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) - Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	<ul style="list-style-type: none"> - LVMH Restricted Substances List (§5.3 of the "Ethics and responsibility" section) - LVMH Testing Program (§5.3 of the "Ethics and responsibility" section) - Promoting responsible consumption of Wines and Spirits (§5.3 of the "Ethics and responsibility" section) - Third-party liability insurance and product recalls (§2.3 of the "Financial and operational risk management and internal control" section) - Specific insurance policies in countries where work-related accidents are not covered by social security systems (§2.3 of the "Financial and operational risk management and internal control" section) 	<ul style="list-style-type: none"> - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) - Supply chain certification targets (§5.2 of the "Ethics and responsibility" section) - Assistance guides provided to suppliers for the elimination/substitution of chemicals whose use is restricted or prohibited by LVMH (§5.3 of the "Ethics and responsibility" section) - Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section)
Whistleblowing system	<ul style="list-style-type: none"> - Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Group employees can use the whistleblowing system to report violations committed by suppliers or subcontractors (§5.6 of the "Ethics and responsibility" section) - Some Maisons have implemented measures to directly ask their suppliers' employees about their working conditions (§5.2 of the "Ethics and responsibility" section)
Follow-up and assessment measures	<ul style="list-style-type: none"> - Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) - Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) - Risk mapping exercise carried out regularly 	<ul style="list-style-type: none"> - Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) - Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

6.2.3 Environment

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) - Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	<ul style="list-style-type: none"> - Environmental management system (§5 of the "Environment and sustainability" section) 	<ul style="list-style-type: none"> - Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) - Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	<ul style="list-style-type: none"> - LIFE 2020 targets (§2 to §5 of the "Environment and sustainability" section) - Insurance for environmental damage (§2.3 of the "Financial and operational risk management and internal control" section) 	<ul style="list-style-type: none"> - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) - Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) - Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)
Whistleblowing system	<ul style="list-style-type: none"> - Centralized whistleblowing system (§5.6 of the "Ethics and responsibility" section) 	<ul style="list-style-type: none"> - Group employees can use the whistleblowing system to report violations committed by suppliers or subcontractors (§5.6 of the "Ethics and responsibility" section)
Follow-up and assessment measures	<ul style="list-style-type: none"> - Tracking achievement of LIFE 2020 targets (§2 to §5 of the "Environment and sustainability" section) - Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) - Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) - Risk mapping exercise carried out regularly 	<ul style="list-style-type: none"> - Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) - Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

Environment and sustainability

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1. GENERAL ENVIRONMENTAL POLICY

1.1 Organization of the Group's environmental approach

1.1.1 Governance

For LVMH, protecting the environment is much more than an obligation: it is an imperative and a key driver for competitiveness. Having recognized the importance of action in this area 27 years ago, the Group formed an Environment Department in 1992 reporting directly to Executive Management. With a staff of ten, this 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 Environmental Charter;
- conduct internal audits to assess Maisons' environmental performance;
- monitor regulatory and technical developments;
- create management tools that address issues such as packaging design, supplier relations and regulatory monitoring;
- help the Group's 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 (nonprofits, rating agencies, public authorities, etc.).

Each Maison also draws on its own in-house expertise in environmental matters. These experts make up a network of nearly 200 Environment Officers from Maisons, known as the Environment Committee, which meets several times a year, in particular to share and discuss best practices.

In addition, LVMH's ability to drive continuous improvement is closely tied to the Group's success at making sure that its 163,000 employees understand their role as active participants in its approach to environmental matters. The Environment Department thus works to inform, train and raise awareness among employees with regard to the conservation of natural resources and biodiversity, as well as climate change. In 2016, the Group established an in-house Environment Academy to serve this role. The Academy designs training programs based on the major objectives of the LIFE program, using a range of learning materials – including face-to-face training sessions, e-learning modules and virtual classes – covering a large number of subjects, from sustainable design to environmental audits. In addition, almost all Maisons continued with their employee environmental training and awareness programs. These programs totaled 21,225 hours.

1.1.2 Commitments

Signed in 2001 by the Group's Chairman, the Environmental Charter is the founding document for LVMH's five main aims with regard to the environment:

- striving for high environmental performance;
- encouraging collective commitment;
- managing environmental risks;
- designing products that factor in innovation and environmental creativity;
- making a commitment that goes beyond the Company.

The Environmental Charter also encourages all Maison Presidents to become directly involved in the approach through concrete actions, and requires each Maison to set up an effective environmental management system, create think tanks to assess the environmental impacts of its products, manage risks, and adopt environmental best practices.

In 2003, the Group joined the United Nations Global Compact, which aims to promote responsible corporate citizenship through business practices and policies based on ten universal principles, including the following three relating to the environment:

- support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility;
- encourage the development and diffusion of environmentally friendly technologies.

Launched in 2011, the LIFE (LVMH Initiatives for the Environment) program is designed to reinforce the incorporation of environmental concerns into brand strategy, facilitate the development of new coordination tools, and take into account developments and improvements arising from innovative practices at Maisons. The Maisons have incorporated the LIFE program into their strategic plans since 2014. The LIFE program was implemented by a Steering Committee at each Maison 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;
- keeping customers and key stakeholders informed.

In 2019, 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. LVMH also took part in the "Wake-Up Call on the Environment" student manifesto organized by several French schools.

Environmental expenses are recognized in accordance with the recommendations of the Autorité des Normes Comptables, France's accounting standards authority. 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.

In 2019, expenses related to environmental protection broke down as follows:

- operating expenses: 15.9 million euros;
- capital expenditure: 10.7 million euros.

Provisions for environmental risks amounted to 12.4 million euros as of December 31, 2019. This amount corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

1.2 Identification of LIFE 2020 risks and targets

1.2.1 Methodology

The environmental indicator reporting process covered the following scope in 2019:

Production facilities, warehouses and administrative sites (number)	2019
Sites covered ^(a)	263
Sites not covered ^{(b)(c)}	134
Total number of sites	397

(a) Integration of new manufacturing sites (Thélis, Shangri-La vineyard and Louis Vuitton).

(b) Main components: certain regional administrative sites of Louis Vuitton and Moët Hennessy as well as administrative sites with fewer than 20 employees.

(c) The Belmond group is not included in the 2019 environmental reporting scope.

93% 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 total store floor space used to calculate energy consumption and greenhouse gas emissions is as follows, expressed as a percentage of the Group's total store floor space:

	% of Group's total store floor space taken into account in calculating energy consumption and greenhouse gas emissions^(a)	
	2019	2018
Group total	65	70

(a) The reporting scope does not cover the stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.

The total store floor space of the main Maisons used to calculate energy consumption and greenhouse gas emissions is as follows, expressed as a percentage of the total store floor space of each Maison:

	% of Maison's total store floor space taken into account in calculating energy consumption and greenhouse gas emissions^(a)	
	2019	2018
DFS	77	77
Louis Vuitton	69	69
Sephora (North America and Latin America)	63	59
Sephora (Europe, Asia and Middle East)	64	80
Le Bon Marché	100	100
Christian Dior	64	74

(a) The reporting scope does not cover the stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.

Calculations of energy consumption and greenhouse gas emissions also include all French stores operated by Berluti, Givenchy, Guerlain, Kenzo and Make Up For Ever, and certain stores operated by Acqua di Parma, Benefit, Bvlgari, Celine, Chaumet, Fendi, Fred, Hublot, Loewe, Loro Piana, Marc Jacobs, Parfums Christian Dior, Pucci, TAG Heuer, Pink Shirtmaker and Zenith.

Sephora's stores in China and Saudi Arabia are not included. Data for 2018 has been restated.

For waste production and water consumption, only certain stores operated by DFS (53% of floor areas in 2019 and 52% in 2018) and stores operated by the Le Bon Marché group are included. Data for 2018 has been restated.

1.2.2 Main risks

The main environmental risks identified at the Group level relate to the following topics:

1. impact on ecosystems;
2. depletion of natural resources;
3. setting up and maintaining responsible supply chains.

The policies implemented and their results are presented primarily in §3 "LIFE 2020 – 'Sourcing' target" below.

The full materiality matrix provides detailed information on the following environmental issues relating to the Group's business activities:

	Wines and Spirits	Fashion and Leather Goods	Perfume and Cosmetics	Watches and Jewelry	Selective Retailing
Depletion of energy resources and climate change	<ul style="list-style-type: none"> - Grape growing; - Packaging production; - Distillation; - Product transport. 	<ul style="list-style-type: none"> - Store lighting and air conditioning; - Product transport; - Production of resources needed to manufacture products: <ul style="list-style-type: none"> - Plant fibers used for textiles (cotton, etc.), - Leather, including exotic leather, - Fur, - Wool. 	<ul style="list-style-type: none"> - Packaging production; - Store lighting and air conditioning; - Product transport. 	<ul style="list-style-type: none"> - Store lighting and air conditioning. 	<ul style="list-style-type: none"> - Store lighting and air conditioning; - Product transport.
Impact on water resources	<ul style="list-style-type: none"> - Water consumption (vineyard irrigation in Australia, New Zealand, Argentina and California); - Production of effluents containing organic matter during winemaking and distillation. 	<ul style="list-style-type: none"> - Water consumption (crocodile farms and tanneries); - Production of effluents containing organic matter. 	<ul style="list-style-type: none"> - Protection and conservation of water resources. 		
Impact on ecosystems and depletion of natural resources	<ul style="list-style-type: none"> - Production of plant resources needed for other production processes (grape vines, barley, rye, etc.). 	<ul style="list-style-type: none"> - Production of resources needed to manufacture products: <ul style="list-style-type: none"> - Plant fibers used for textiles (cotton, etc.), - Leather, including exotic leather, - Fur, - Wool. 	<ul style="list-style-type: none"> - Production of plant resources needed to manufacture products (rose, jasmine, etc.). 	<ul style="list-style-type: none"> - Extraction of resources needed to manufacture products: <ul style="list-style-type: none"> - Gems and precious metals, - Exotic leather. 	
Waste recovery and the circular economy	<ul style="list-style-type: none"> - Residues from winemaking and distillation processes. 	<ul style="list-style-type: none"> - Recycling of raw materials and products at the end of their useful life. 	<ul style="list-style-type: none"> - Recycling of packaging. 	<ul style="list-style-type: none"> - WEEE (Waste Electrical and Electronic Equipment, such as batteries). 	<ul style="list-style-type: none"> - Recycling of point-of-sale advertising and packaging materials.

1.2.3 LIFE 2020 targets

After having conducted an in-depth analysis and mapping of its environmental risks (see above), the Group decided to give its Maisons – regardless of business sector – four shared targets resulting from the LIFE program to be achieved by 2020 (the reference year being 2013, with the level of each indicator in 2013 presented in the “Baseline” column of the tables below):

- sustainable product design: By 2020, the Group’s Maisons must make all their products more environmentally friendly. The Group’s Perfumes and Cosmetics Maisons, and Wines and Spirits Maisons undertake to improve their Environmental Performance Index (EPI) score by 10%. The Group’s Fashion and Leather Goods Maisons, and Watches and Jewelry Maisons are working to reduce their environmental impact arising from the sourcing of raw materials;
- suppliers and raw materials: Maisons 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 CO₂ emissions by 25% by raising the proportion of renewables in the Group’s energy mix to at least 30%, improving store energy efficiency by 15%, and ensuring that new stores achieve a minimum performance of 50% according to the LVMH Store Guidelines score chart;
- make all production sites and stores more environmentally friendly: Maisons undertake to reduce at least one of three indicators (water consumption, energy consumption and waste production) by 10% at each of their sites, and to have an effective environmental management system focused on continuous improvement.

In 2019, the Group held two Future LIFE events in Paris and New York, which offered a chance to share updates on progress made toward achieving LIFE 2020 targets as well as the new partnerships described in the following sections.

2. LIFE 2020 – “PRODUCTS” TARGET

2.1 Objectives

LVMH’s Maisons have always worked to limit the impact of their products on the natural environment. LIFE 2020 encourages them to do more by setting a new goal: improving the environmental performance of all their products, across their entire life cycle. The other LIFE 2020 targets cover the environmental impact of the steps involved in sourcing raw materials, production, transport and sales. With respect to the “Products” target, sustainable design is the key priority for all of the LVMH group’s Maisons. Two of its essential components are the guarantee of superior quality and a constant focus on innovation. In taking up this challenge, the Maisons have access to the range of tools developed with their input by the Environment Department. These tools include Edibox, a web-based tool that calculates environmental performance indices (EPIs) for product packaging as well as the carbon footprint of the materials used to manufacture this packaging. This calculation results in a score for each product’s packaging, depending on its weight and volume, the number of layers of packaging used, and the separability of the various components. Positive points (for rechargeable packaging, recycled materials, etc.) and negative points (for packaging features that hinder recycling, etc.) are also included in calculating scores.

LVMH’s Perfumes and Cosmetics Maisons, and Wines and Spirits Maisons undertake to improve their Environmental Performance Index (EPI) score for product packaging by 10% by 2020. The Group’s Fashion and Leather Goods Maisons, and Watches and Jewelry Maisons are working to reduce their environmental footprint arising from the sourcing of raw materials, which is the step that generates the most substantial environmental impact.

The quantities of packaging consolidated by the Maisons concern the following items:

- 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, boxes, etc.
- Selective Retailing: Boutique bags, pouches, cases, etc.

Packaging used for transport is not included in this breakdown.

2.2 Tracking target achievement

Progress toward meeting the LIFE 2020 “Products” targets:

Indicators	Baseline	Performance in 2019	Target for 2020
EPI score for Perfumes and Cosmetics packaging	8.32	9.3 (+12%)	+10%
EPI score for Wines and Spirits packaging	Champagne: 16.03 Cognac: 10.60	16.76 (+5%) 12.6 (+19%)	+10%

The weight of packaging that reaches customers changed as follows between 2018 and 2019:

(in metric tons)	2019	2018	2019 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Wines and Spirits	181,319	159,844	181,319	13 ^(a)
Fashion and Leather Goods	13,375	11,059	13,375	21 ^(a)
Perfumes and Cosmetics	31,115	29,167	31,115	7
Watches and Jewelry	4,416	4,834	4,416	(9) ^(b)
Selective Retailing	6,375	4,651	6,375	37 ^(a)
Other activities	2		2	-
Total	236,602	209,555	236,602	13

(a) Change related to business activity.

(b) Change related to sustainable packaging design.

The total weight of packaging that reaches customers, by type of material, broke down as follows in 2019:

(in metric tons)	Glass	Paper/ cardboard	Plastic	Metal	Fabric	Other packaging materials
Wines and Spirits	159,247	16,816	1,821	1,640	86	1,709
Fashion and Leather Goods	324	10,937	303	68	1,711	32
Perfumes and Cosmetics	16,053	5,182	7,446	2,063	93	278
Watches and Jewelry	1,624	1,193	1,198	163	158	80
Selective Retailing	226	3,683	2,315	83	1	67
Other activities		2				
Total	177,474	37,813	13,083	4,017	2,049	2,166

3. LIFE 2020 – “SOURCING” TARGET

3.1 Joint actions and common goals

LVMH's heavy dependence on natural resources, together with its strong values and commitments, prompted the Group to put in place a sustainable sourcing policy a number of years ago. LVMH pays very close attention to the traceability and compliance of the materials and substances used to manufacture its products. The Group promotes responsible purchasing practices and works to ensure that its supply chains are more environmentally sustainable, in close collaboration with its suppliers and subcontractors.

The LVMH group has a strategy in place for sourcing and preserving raw materials, governed by the LIFE 2020 targets, which commit Maisons, 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 which components to use is an essential part of preserving the environment, especially rare resources that are vital for product manufacturing. To reinforce this approach, 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.

Furthermore, the Maisons 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.

The “Sourcing” target concerns the following raw materials in particular:

- grapes;
- leathers, raw lamb and calf skins, exotic leathers and furs;
- cotton;
- gems and precious metals;
- palm oil and its derivatives;
- regulated chemicals. All the Maisons have incorporated the requirements of international regulations, including REACH, into their contractual documents so as to engage all suppliers in this undertaking.

(1) Value and change at constant scope.

LVMH takes a long-term, global approach to its actions in this area alongside many partners working to conserve biodiversity. 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). The Group 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 promote biodiversity – the Group has focused in particular on the issue of access to genetic resources

and sharing the benefits resulting from their use. In 2019, LVMH stepped up its involvement by signing a five-year partnership with UNESCO to support its intergovernmental scientific program, “Man and the Biosphere” (MAB). This tool for international cooperation is aimed at protecting global biodiversity. Both partners will appear side by side at international events. For example, the Group's Maisons will draw on UNESCO's scientific expertise and its network of 686 biosphere reserves to develop their sustainable sourcing policies.

LVMH has also implemented many tools to improve and monitor the use of chemicals in products. These are described in §5.3 “Unrelenting focus on quality and safety”.

3.2 Wines and Spirits

For historical and strategic reasons, the Wines and Spirits business group is actively committed to sustainable and/or organic winegrowing, both of which are helping to considerably reduce its environmental impact, in particular by limiting the use of plant protection products.

Stepping up the roll-out of sustainable and/or organic winegrowing at the Maisons' vineyards and among independent grape suppliers has thus been adopted as a LIFE 2020 target. Various certification systems have been established across winegrowing regions: Viticulture Durable en Champagne for champagne houses, Haute Valeur Environnementale (HVE) 3 for cognac, organic farming for certain vineyards, Napa Green in California, etc.

3.3 Fashion and Leather Goods

The Fashion and Leather Goods business group has adopted five major targets for 2020:

- at least 70% of leather purchased from LWG-certified tanneries. LWG certification is a standard created by the Leather Working Group to improve the environmental performance of tanneries (energy, water, waste, traceability);
- at least 70% of cotton purchased from sustainable cotton sources. 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 global scale;
- certification for all crocodile farms supplying the Group's tannery;
- at least 80% of pelts supplied by certified fur farms by the end of 2019, in particular by rolling out FurMark certification;

- integration of the Animal Sourcing Principles – developed with Business for Social Responsibility (BSR) – into supplier contracts. LVMH shares civil society's aim of improving animal welfare, which is connected to many raw materials such as leather, wool and fur. In 2019, the Group unveiled its Animal-Based Raw Materials Sourcing Charter. This undertaking is the result of a long process of scientific research and collaboration between LVMH's environmental experts, its Maisons and its suppliers. The exhaustive charter covers the full range of issues concerning the sourcing of fur, leather, exotic leather, wool and feathers. It allows the Group to make commitments to achieving progress by 2020 and 2025 in three areas: full traceability in supply chains; animal farming and trapping conditions; and respect for local communities, the environment and biodiversity.

3.4 Perfumes and Cosmetics

The Perfumes and Cosmetics business group has set LIFE 2020 targets relating to its suppliers and supply chains, in particular by developing a system to assess their environmental and social performance. Initial performance targets have been set for suppliers of packaging and ingredients. The business group also takes part in specific initiatives related to the sourcing of palm oil (RSPO) and mica (RMI). The Group's Research & Development Department and Maisons have been carrying out ethnobotanical studies for a number of years. They seek to identify plant species with a particular interest as components of cosmetic 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 LVMH's staff with its partners. As part of this initiative, Parfums Christian Dior's Dior Gardens are plots dedicated to cultivating plant species 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.

3.5 Watches and Jewelry

As part of the LIFE 2020 targets, all of the Watches and Jewelry Maisons have received certification under the Responsible Jewellery Council (RJC) system. In line with this certification, which has been extended to their gold and diamond supply chains, they are expanding their responsible sourcing efforts. Bvlgari is particularly active in this area, and has become the

first company in its market to obtain the RJC Chain of Custody (CoC) certification for gold. The Group and its Maisons are also involved in the Coloured Gemstones Working Group run by The Dragonfly Initiative, which aims to promote environmental and social best practices in the sourcing of colored gemstones. Several audits have already been carried out.

3.6 Tracking target achievement

Progress toward meeting the LIFE 2020 “Sourcing” targets:

Indicators	Baseline (2013)	Performance in 2019	Target for 2020
Wines and Spirits			
Sustainable winegrowing certification (certified grapes by weight, as %)	LVMH vineyards: French vineyards: 100%	LVMH vineyards: French vineyards: 100% Rest of the world: 58%	LVMH vineyards: French vineyards: 100% Rest of the world: 100%
	Independent grape suppliers: Champagne: 7%	Independent grape suppliers: Champagne: 15%	
Fashion and Leather Goods			
LWG-certified tanneries (leather from certified tanneries by weight, as %)	25%	66%	70%
Certified cotton (GOTS- or Better Cotton-certified cotton by weight, as %)	2%	54% ^(a)	70%
Perfumes and Cosmetics			
Perfume ingredient supplier performance	64	89	90
Cosmetics ingredient supplier performance	56	84	80
Palm oil derivatives (RSPO-certified Mass Balance or Segregated palm oil derivatives by weight, as %)	0%	86%	70%
Watches and Jewelry			
Diamonds: RJC COP certification (carats of diamonds from COP-certified direct suppliers, as %)	90%	98%	100%
Gold: RJC COP certification	94%	82%	100%
RJC CoC certification For Maisons without CoC certification, gold is included within the reported indicator if it is sourced from CoC-certified precious metal refiners, regardless of any intermediate subcontractors (between the precious metal refiner and the Maison)	-	79%	100%

(a) Change related to improvements in Maison practices and reporting.

4. LIFE 2020 – “CLIMATE CHANGE” TARGET

4.1 Common goal

Combating climate change is a major focus of LVMH’s environmental policy. The Group has often played a pioneering role in this area. In the early 2000s, for example, it took part in testing the carbon assessment method that would later become the Bilan Carbone®. In 2015 it was also the first luxury company to set up an internal carbon fund. From energy consumption to manufacturing, transport and logistics to work habits, LVMH is looking at all possible ways to reduce the climate impact of its activities. In 2019, LVMH announced a partnership with Bertrand Piccard’s Solar Impulse Foundation, aimed at identifying innovative solutions to reduce the environmental impact of human activities, in particular as part of the effort to combat climate change.

As part of LIFE 2020, the Group is aiming to cut Scope 1 and 2 greenhouse gas emissions by 25%, in absolute values, between 2013 (baseline year) and 2020. The performance of production, logistics and administrative sites is calculated by comparing data for each site between 2013 and the reporting year. Store CO₂ performance is calculated by multiplying CO₂ efficiency for the

reporting year (in metric tons of CO₂ equivalent per square meter) by the baseline floor area (total floor area of stores reported in 2013). The CO₂ value generated for the reporting year covers 65% of total emissions in 2019. Actions are being pursued on three fronts: improving monitoring and reporting processes; increasing the energy efficiency of operations, particularly at the Group’s stores; and expanding the use of renewable energy.

In 2016, a specific study was carried out assessing the environmental impact of the Group’s raw material production and supply chain. Across the Group’s entire value chain, 50% of emissions are generated by the production of raw materials and 30% by inbound and outbound transport. Next come emissions generated by the Maisons’ production sites, logistics centers, offices and stores (20%), either direct (Scope 1) or indirect (Scope 2). Downstream emissions generated by using products (washing of fashion products, rinsing certain cosmetic products, etc.) or when products come to the end of their useful life will be refined in 2021.

4.2 The LVMH Carbon Fund

Created in 2016, the LVMH Carbon Fund is a key element of LIFE 2020’s strategy to address climate change. Each Maison’s expected annual contribution is calculated by multiplying the greenhouse gas emissions resulting from its business activities by the carbon price set by LVMH, which went from 15 to 30 euros

per metric ton in 2018. The amount thus obtained must be invested the following year in projects aimed at reducing emissions. The LVMH Carbon Fund reached its target in 2019, with 16.5 million euros in financing for 138 projects that could help avoid 5,658 metric tons of greenhouse gas emissions per year.

4.3 Energy efficiency and renewable energy

Improving energy efficiency and expanding the use of renewable energy are the main thrusts of LVMH’s strategy to limit its carbon

footprint, an approach that also entails better energy management, which is vital to help reduce overall energy consumption.

4.3.1 Energy consumption

Total energy consumption amounted to 1,059,892 MWh in 2019 for the Group’s subsidiaries included in the reporting scope. This 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 changed as follows between 2018 and 2019:

(in MWh)	2019	2018	2019 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Wines and Spirits	223,395	220,454	222,785	1
Fashion and Leather Goods	394,620	393,598	385,516	(2)
Perfumes and Cosmetics	93,923	94,044	94,021	-
Watches and Jewelry	40,726	40,935	38,773	(5)
Selective Retailing	286,142	286,514	306,319	7
Other activities	21,086	22,006	21,086	(4)
Total	1,059,892	1,057,551	1,068,500	1

Energy consumption by business group and by energy source was as follows in 2019:

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane/ Propane	Steam	Ice water	Renewable energies
Wines and Spirits	22,842	80,479	117	43,921	3,253	-	-	72,784
Fashion and Leather Goods	158,241	110,816	-	9,114	5,851	2,182	2,238	106,179
Perfumes and Cosmetics	7,871	31,564	-	2,532	-	1,234	378	50,345
Watches and Jewelry	11,822	5,783	-	907	144	285	-	21,785
Selective Retailing	124,270	14,383	-	662	13	5,878	8,611	132,323
Other activities	5,750	4,634	-	1,231	-	1,445	2,979	5,046
Total	330,796	247,659	117	58,367	9,261	11,024	14,206	388,462

4.3.2 Direct emissions (Scope 1) and indirect emissions (Scope 2)

Scope 1 emissions are those generated directly by sites, mainly through the combustion of fuel oil and natural gas. Scope 2 emissions are those generated indirectly from energy use, mainly electricity used on-site. Measures to reduce these emissions have been in place for a number of years at Maisons' production sites. The Maisons are also working hard to improve energy efficiency at stores, the main source of LVMH's greenhouse gas emissions.

Thanks to their efforts, one of the LIFE 2020 targets has already been achieved: a 15% improvement in the average energy efficiency of existing stores, in particular by installing the advanced lighting systems offered by the LVMH Lighting program and by rolling out the LVMH Store Guidelines (see §5 "LIFE 2020 – 'Sites' Target").

CO₂ emissions by business group changed as follows between 2018 and 2019:

(in metric tons of CO ₂ equivalent)	CO ₂ emissions in 2019	Of which:		CO ₂ emissions in 2018	CO ₂ emissions in 2019 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
		Direct CO ₂ emissions (as %)	Indirect CO ₂ emissions (as %)			
Wines and Spirits	40,893	71	29	40,845	40,442	(1)
Fashion and Leather Goods	113,314	23	77	113,783	108,692	(4)
Perfumes and Cosmetics	12,971	56	45	12,807	12,832	-
Watches and Jewelry	7,257	20	80	7,027	6,332	(10) ^(a)
Selective Retailing	72,643	4	96	88,089	70,764	(20) ^(a)
Other activities	3,340	38	62	3,319	3,340	1
Total	250,418	27	73	265,870	242,402	(9)

(a) Change related to the switch to renewable energy and the rollout of energy-saving technologies.

(1) Value and change at constant scope.

4.3.3 Raw materials and transport (Scope 3)

The study carried out in 2016 on the environmental impact of producing the raw materials needed to manufacture the Maisons' products was updated in 2018. It showed that over 70% of emissions come from leather, grapes and glass for packaging. With the help of its partners, the Group is continuing to work on quantifying these emissions, as well as 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 (432,000 tCO₂e), winegrowing (172,000 tCO₂e, which includes vineyards belonging to the Group's Maisons as well as independent grape suppliers) and glass for packaging (158,000 tCO₂e);
- inbound transport: Movement of raw materials and product components to production sites. Only the main raw materials and components are taken into account;
- outbound transport: Movement of finished products from production sites to distribution platforms.

In 2019, greenhouse gas emissions generated by inbound transport broke down as follows:

<i>(in metric tons of CO₂ equivalent)</i>	Road	Air	Ship	Total
Wines and Spirits	16,254	1,457	898	18,609
Fashion and Leather Goods	1,048	12,510	45	13,603
Perfumes and Cosmetics	1,029	40,903	470	42,402
Watches and Jewelry	3	1,715	-	1,718
Selective Retailing	-	-	-	-
Total	18,334	56,585	1,413	76,332

In 2019, greenhouse gas emissions generated by outbound transport broke down as follows:

<i>(in metric tons of CO₂ equivalent)</i>	Road	Rail	Air	Ship	Inland barge	Electric vehicle	Liquid natural gas	Total
Wines and Spirits	22,086	690	41,674	20,176	149	2	117	84,894
Fashion and Leather Goods	3,240	51	218,402	106	-	-	171	221,970
Perfumes and Cosmetics	3,111	-	323,136	2,109	-	-	-	328,356
Watches and Jewelry	221	-	37,484	70	-	-	-	37,775
Selective Retailing	3,875	-	9,724	205	-	79	-	13,883
Total	32,533	741	630,420	22,666	149	81	288	686,878

Rimowa, Le Bon Marché, Château d'Yquem, DFS, Fred, Rossimoda and Les Echos did not report their data for this indicator.

4.3.4 Renewable energies

Alongside actions to reduce its fossil fuel consumption, LVMH is rapidly expanding its use of renewable energy. Between 2013 and 2019, the proportion of renewables in the Group's energy mix rose from 1% to more than 36%. Framework agreements

signed with energy suppliers have been one of the main drivers of the Group's progress in this area. The first of these dates back to 2015 and supplies green electricity to more than 90% of LVMH's sites in France, belonging to 23 of its Maisons. A similar agreement was signed in 2016 for the supply of electricity to several Maisons in Italy and a third is in preparation for sites in Spain. Many sites have also installed solar panels or geothermal systems. As of 2019, all of Sephora's sites in the United States are powered by green electricity.

4.4 Prospects for adapting to climate change

To accompany its initiatives, the Group is also conducting a review of 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 (such as widening rows, increasing the size of grapevine stocks and employing irrigation in certain countries) and testing new grape varieties. For vineyards in Argentina and California, the main issue is the availability of water (see §5.3 "Water consumption and preventing pollution").

4.5 Tracking target achievement

Progress toward meeting the LIFE 2020 “Climate change” targets:

Indicators	Baseline	Performance in 2019	Target for 2020
CO ₂ emissions	220,480 tCO ₂ e	-25%	Cut energy-related CO ₂ emissions by 25% (Scope 1 and 2 at constant scope)
Proportion of renewable energy in the Group's energy mix	1%	36%	Raise the proportion of renewables in the Group's energy mix to at least 30%
Store energy efficiency (electricity consumption in kWh/m ²)	460 kWh/m ²	-21%	Improve store energy efficiency by 15% (electricity consumption in kWh/m ²) (target met as of 2017)

5. LIFE 2020 – “SITES” TARGET

5.1 Objectives

Since it was launched in 2012, the LIFE program has focused on ensuring that the Group's sites are environmentally friendly. LIFE 2020 further strengthens these commitments. As a major player in the luxury industry, LVMH aims to ensure that its 397 manufacturing and administrative sites as well as its 4,915 stores are exemplary in this area. The Group has asked its Maisons to put in place environmental management systems at all of their production sites, and at their administrative sites with more than 50 employees.

The Maisons must also commit to a focus on continuous improvement. Taking 2013 as the baseline, LVMH is asking them to reduce at least one of the following indicators by at least 10%: water consumption, energy consumption, or waste production. Specific targets have also been set for their stores. Stores must

achieve a score of at least 50 out of 100 for their environmental performance on the LIFE in Stores Guidelines scale, which was developed in 2016 on the basis of the most stringent international standards (including LEED, BREEAM, Green Star, HQE, WELL and BEAM). It identifies the ten most important factors contributing to a store's environmental performance, from the building's insulation and lighting density to heating and air conditioning. This checklist was drawn up as part of the LVMH LIFE in Stores program. Its aim is to encourage the integration of environmental issues at an early stage in the development of store projects, preferably from the design phase. A LIFE in Stores event held this year in New York was an opportunity to present architects with the best technologies to reduce energy consumption at the Maisons' stores and sites.

5.2 Environmental management and certification systems

The Group has decided to extend the implementation of environmental certification programs to all its sites, because this can serve as a dynamic, unifying and motivating tool to promote continuous improvement. This approach to certification is not new for the Maisons: the LVMH Environmental Charter already requires that they put in place an environmental management system reporting to Executive Management. Many of them

have opted for ISO 14001 certification. Hennessy has played a pioneering role in this regard, becoming the world's first wines and spirits company to obtain ISO 14001 certification in 1998. At the end of 2019, 60% of the Group's manufacturing, logistics and administrative sites (and 71% of its manufacturing sites alone) were ISO 14001-certified.

5.3 Water consumption and preventing pollution

5.3.1 Breakdown of water consumption

Water consumption is broken down into 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 used for vineyard irrigation outside France, as irrigation is not used for the Group's vineyards in France. Water is taken directly from the natural environment for irrigation purposes, with water use from year to year closely linked to changes in weather conditions. However, it should be noted that water consumption for agricultural requirements is assessed by sites with a higher level of uncertainty than water consumption for process requirements.

Water consumption changed as follows between 2018 and 2019:

(in m ³)	2019	2018	2019 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Process requirements	3,927,034	3,985,070	3,930,956	1
Agricultural requirements (vineyard irrigation)	7,018,856	5,568,770	6,946,556	25 ^(a)

(a) Change mainly related to increased irrigation requirements in Argentina and New Zealand.

Water consumption for process requirements broke down as follows by business group:

(process requirements in m ³)	2019	2018	2019 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Wines and Spirits	1,247,673	1,193,364	1,247,673	5
Fashion and Leather Goods	1,918,215	1,840,355	1,911,342	4
Perfumes and Cosmetics	194,720	204,089	195,700	(4)
Watches and Jewelry	75,955	80,566	80,516	-
Selective Retailing	306,062	401,708	311,317	(23) ^(a)
Other activities	184,408	264,989	184,408	(30) ^(b)
Total	3,927,034	3,985,070	3,930,956	(1)

(a) Change related to the installation of equipment at a site.

(b) Change related to exceptional construction work in 2018 and improvements in reporting processes.

An in-depth analysis of sensitivity to local constraints was carried out at each of the Group's Maisons 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 Maisons 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 Domaine Chandon Argentina vineyards (Agrelo and Terrazas), which represent 80% of the Group's agricultural water requirements;

- the Domaine Chandon California and Newton vineyards, which represent 6% of the Group's agricultural water requirements.

Vineyard irrigation requires authorization and is regulated in California and Argentina due to the climate. Such irrigation is necessary for winegrowing. Nevertheless, the Group has taken the following measures to limit water consumption: harvesting rainwater; implementing protocols to measure and specify 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 improves grape quality and grapevine size, yielding an enhanced concentration of aroma and color.

(1) Value and change at constant scope.

5.3.2 Preventing pollution

The only significant, relevant indicator related to preventing water pollution is the release of substances into water by Wines and Spirits, Fashion and Leather Goods, and Perfumes and Cosmetics operations contributing to eutrophication. The Group's other activities have only 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 affects the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of effluents from the Group's own plants or external plants with which the Group has agreements. The following operations are considered treatment: city and county wastewater collection and treatment, independent collection and treatment (aeration basin), and land application.

COD after treatment changed as follows between 2018 and 2019:

COD after treatment (metric tons/year)	2019	2018	2019 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Wines and Spirits	967	1,066	967	(9) ^(a)
Fashion and Leather Goods	37	64	37	(42) ^(b)
Perfumes and Cosmetics	26	40	26	(35) ^(c)
Total	1,030	1,170	1,030	(11)

(a) Change related to measurement method.

(b) Change related to improvements in reporting processes and changes in business activity.

(c) Change related to improvements in reporting processes (2018 data restated).

Measurement frequencies at the highest-contributing Maisons 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.

5.4 Reducing and recovering waste

5.4.1 Waste produced and recovered

In 2019, 91% of waste was recovered (91% in 2018). 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. using the waste for the same purpose as the one for which the product was initially intended;

- recovery of materials, i.e. recycling (direct reintroduction of waste into its original manufacturing cycle resulting in the total or partial replacement of an unused raw material) or 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.

The weight of waste generated changed as follows between 2018 and 2019:

(in metric tons)	Waste produced in 2019	Of which: hazardous waste produced in 2019 ^(a)	Waste produced in 2018	Waste produced in 2019 pro forma ⁽¹⁾	Change in waste produced ⁽¹⁾ (as %)
Wines and Spirits	62,667	502	65,423	62,667	(4)
Fashion and Leather Goods	16,327	2,421	15,888	15,963	1
Perfumes and Cosmetics	9,112	1,764	10,186	9,118	(10) ^(b)
Watches and Jewelry	992	311	869	988	14 ^(b)
Selective Retailing	4,806	9	4,895	4,806	(2)
Other activities	1,716	129	2,234	1,716	(23) ^(c)
Total	95,620	5,136	99,495	95,258	(4)

(a) Waste that must be sorted and processed separately from non-hazardous waste (such as cardboard, plastic and paper).

(b) Change related to business activity.

(c) Change related to exceptional construction work at one site in 2018.

(1) Value and change at constant scope.

Waste was recovered as follows in 2019:

(as % of waste produced)	Re-used	Recovery of materials	Waste-to-energy recovery	Total recovery
Wines and Spirits	35	59	3	97
Fashion and Leather Goods	3	40	29	72
Perfumes and Cosmetics	2	69	26	97
Watches and Jewelry	18	24	30	72
Selective Retailing	4	47	28	79
Other activities	6	39	44	89
Total	24	56	12	91

In France, the Perfumes and Cosmetics Maisons, as well as Sephora since 2010 and Louis Vuitton since 2011, have used the CEDRE (*Centre Environnemental de Déconditionnement, Recyclage Écologique*) recovery and recycling facility 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 2019, around 2,447 metric tons of waste were processed. The various materials (glass, cardboard, wood, metal, plastic, alcohol and cellophane) are resold to a network of specialized recyclers.

5.4.2 Actions to combat food waste

La Grande Épicerie de Paris, which has a number of fresh food production facilities, has developed a reliable system for predicting sales in order to adapt production to sales volumes on a daily basis.

The store has signed a partnership with the French Red Cross, which collects any unsold prepared food each day. Another partnership was launched in 2018 with Too Good To Go, an app that lets stores give their unsold items to its users.

Both La Grande Épicerie Rive Droite and La Grande Épicerie Rive Gauche are looking into setting up new partnerships with organizations and companies active in this field, and plan to extend the selection of products offered under these partnerships.

In light of the Group's business activities, food insecurity and actions promoting responsible, fair and sustainable food use do not constitute key risks.

5.5 Tracking target achievement

Progress toward meeting the LIFE 2020 "Sites" targets:

Indicators	Baseline	Performance in 2019	Target for 2020
Presence of environmental management systems (ISO 14001, EMAS, etc.) at manufacturing sites	60%	71%	Rollout of an environmental management system (ISO 14001, EMAS, etc.) at all manufacturing sites

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

Attracting and retaining talent

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1. GENERAL POLICY

At the center of the Group's actions is a strong conviction: people make the difference. To support its growth, LVMH must attract and develop the best people on every continent. Fostering the right conditions to enable them to succeed within the Group's ecosystem is vital to its long-term success.

The Group's critical objectives include attracting the best people through an ambitious recruitment process open to all talented

individuals and offering employees a work environment that encourages them to flourish and give the very best of themselves.

These two key components of LVMH's human resources policy are therefore both presented in this section, preceded by general information about the Group's approach to workforce-related responsibility, how workforce-related reporting is organized and key data about the workforce.

1.1 Organizational arrangements with regard to workforce-related responsibility

A dedicated annual survey is run on the workforce-related responsibility measures taken by the Maisons. This survey, which spans all Maisons, covers human rights, diversity, preventing discrimination, skills development, working conditions, listening to employees, labor relations and engaging with local communities. The survey form includes references to the conventions and recommendations of the International Labor Organization, where relevant.

The Group's approach to workforce-related responsibility is structured around four priorities, identified through discussions and interactions with its various stakeholders and an analysis of the challenges facing the Group.

The risk-mapping exercise carried out at Group level and within each of the Maisons has supplemented this approach, notably

by identifying factors relating to individual countries where the Group operates and the types of activities undertaken in regard to the following subjects: decent pay and working hours, non-discrimination in the workplace, freedom of association and trade union membership.

These components 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 priorities, which are common to all the Maisons, provide an overall framework for action while leaving the Maisons free to identify other priorities specific to their business and environment, and to draw up their own action plans.

1.2 Organization of workforce-related reporting

The Group works hard to ensure the quality and completeness of workforce-related data through rigorous collection and validation processes.

Collection and validation of workforce-related reporting data

Human Resources Directors at each Maison, who are responsible for reporting across their respective scope, appoint a reporter for each company who is tasked with collecting and reporting all workforce-related data, as well as a reviewer responsible for checking the data thus reported and verifying that it is accurate by applying an electronic signature when validating the online questionnaire. Each Maison's Human Resources Director approves the process as a whole by signing a letter of representation.

Computer checks are implemented throughout the reporting cycle to confirm the reliability and consistency of the data entered.

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 2019, company data was verified by Ernst & Young, in accordance with Article R.225-105-2 of the

French Commercial Code (in its version resulting from the transposition into French law of European Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups).

A support guide is available to everyone involved in Group workforce-related reporting. This guide is intended to familiarize staff with the goals of the Group's approach and to help them better understand the methods used to calculate key indicators. 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.

Scope of workforce-related reporting

The reconciliation of organizational and legal entities ensures consistency between the workforce and financial reporting systems. 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.

Workforce information set out below includes all consolidated companies as of December 31, 2019, including LVMH's share in joint ventures, with the exception of certain companies that have been part of the Group for less than a year, such as Belmond. Other employee-related indicators were calculated for a scope of 798 organizational entities covering over 99% of the global workforce and encompass staff employed during the fiscal year, including those employed by joint ventures.

LVMH's employees in China and its regions are included in the number of staff working under permanent contracts (24,335 as of December 31, 2019). Although Chinese labor law limits the duration of employment contracts, which can only become permanent after several years, the Group considers employees working under such contracts as permanent.

1.3 Key workforce data

Total headcount as of December 31, 2019 stood at 163,309 employees, an increase of 5% compared with 2018. Of this total, 147,230 employees were working under permanent contracts and 16,079 under fixed-term contracts. Part-time employees represented 17% of the total workforce, or 27,248 individuals. Staff outside France represented 79% of the global workforce.

The Group's average total full-time equivalent (FTE) workforce in 2019 comprised 147,684 employees, up 8% compared with 2018.

1.3.1 Breakdown of the workforce by business group, geographic region and professional category

Breakdown by business group

Total workforce as of December 31 ^(a)	2019	%	2018	%	2017	%
Wines and Spirits	7,671	5	7,380	5	7,157	5
Fashion and Leather Goods	53,456	33	48,101	31	41,212	28
Perfumes and Cosmetics	30,427	19	29,141	18	26,699	18
Watches and Jewelry	9,426	6	8,784	6	8,100	6
Selective Retailing	57,383	35	57,975	37	57,360	40
Other activities	4,946	3	4,707	3	4,719	3
Total	163,309	100	156,088	100	145,247	100

(a) Total permanent and fixed-term headcount.

Breakdown by geographic region

Total workforce as of December 31 ^(a)	2019	%	2018	%	2017	%
France	33,701	21	31,156	20	29,578	20
Europe (excluding France)	40,453	25	38,645	25	34,159	24
United States	31,483	19	32,724	21	32,717	23
Japan	7,391	5	6,905	4	6,397	4
Asia (excluding Japan)	38,109	23	34,802	22	31,102	21
Other markets	12,172	7	11,856	8	11,294	8
Total	163,309	100	156,088	100	145,247	100

(a) Total permanent and fixed-term headcount.

Breakdown by professional category

Total workforce as of December 31 ^(a)	2019	%	2018	%	2017	%
Executives and managers	32,004	20	29,288	19	26,631	18
Technicians and supervisors	15,333	9	14,500	9	14,009	10
Administrative and sales staff	93,575	57	91,624	59	86,742	60
Production workers	22,398	14	20,676	13	17,865	12
Total	163,309	100	156,088	100	145,247	100

(a) Total permanent and fixed-term headcount.

1.3.2 Average age and breakdown by age

The average age of the global workforce employed under permanent contracts is 36 and the median age is 33. 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	11.7	6.1	9.0	17.9	4.3	13.1	20.7
25-29	20.0	16.6	15.9	21.2	12.9	26.5	22.2
30-34	20.1	16.8	17.6	18.0	18.4	27.1	20.0
35-39	15.2	13.9	15.7	13.1	20.3	16.4	15.3
40-44	11.1	12.4	13.9	8.5	21.2	7.8	9.3
45-49	8.5	11.8	11.7	6.7	13.6	4.1	5.3
50-54	6.4	10.2	8.5	5.5	6.3	2.6	3.3
55-59	4.5	8.5	5.3	4.5	3.0	1.4	2.1
60 and up	2.5	3.8	2.4	4.6	0.2	1.0	1.1
	100	100	100	100	100	100	100
Average age	36	40	38	36	38	33	33

1.3.3 Average length of service and breakdown by length of service

The average length of service within the Group is 9 years in France and ranges from 4 to 8 years in other geographic regions. This difference is mainly due to the predominance in these

other regions of retail activities characterized by a higher rate of turnover.

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Length of service: Less than 5 years	61.0	46.1	54.8	70.4	49.3	70.5	75.5
5-9 years	18.4	18.6	19.5	17.3	18.1	18.6	16.2
10-14 years	9.1	11.3	12.3	6.8	14.5	6.1	4.6
15-19 years	5.5	9.9	6.8	3.3	11.8	2.1	1.8
20-24 years	2.6	5.0	3.5	1.2	4.0	1.1	1.0
25-29 years	1.5	3.5	1.5	0.5	1.6	0.8	0.3
30 years and up	1.9	5.6	1.5	0.5	0.8	0.7	0.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average length of service	6	9	7	5	8	5	4

2. AN AMBITIOUS, INCLUSIVE RECRUITMENT POLICY

Recruitment is a strategic pillar of the Group’s human resources policy and is critical to its momentum. Given the huge diversity of opportunities it offers, LVMH is seen as a highly attractive employer, and is constantly working to improve its attractiveness

by training promising individuals and ensuring that it models exemplary recruitment practices so as to welcome talented people without regard for gender, age, disability or any other characteristic not relevant to an advertised vacancy.

2.1 A diverse, inclusive recruitment policy

The ability to recruit and develop top talent is key to performance and is therefore a fundamental part of the Group's human resources policy.

LVMH is a group where creativity and expertise are fundamental – where people make all the difference, and are an essential competitive advantage driving the Maisons' success.

Hiring takes place across all levels of seniority, from recent graduates to experienced managers and senior executives, in all the countries and regions where the Group operates.

Beyond the question of numbers to deal with growth, the Maisons' highly creative worlds require people who are passionate about their work, in constant pursuit of excellence in their field, and able to combine technical skills, craft expertise and interpersonal skills.

The Group looks for people who share its core values, who are both pragmatic and creative, with an entrepreneurial spirit, and who are highly attuned to luxury products and the services that go with them. To succeed in LVMH's ecosystem, agility, entrepreneurial spirit and a sense of quality are essential. New employees must be able to grasp the duality of LVMH's world: the enduring, lasting nature of its Maisons combined with the need to be quick-witted, agile entrepreneurs.

The diverse range of backgrounds, cultures and talents embodied by the Group's employees throughout the world are a unique asset and a source of its unrivaled success in the luxury market. It is also a key factor in its competitiveness. All the Maisons combine a global vision with a local approach. This requires multicultural teams, collaboration between talent from all different backgrounds and all different countries, and offering employees international career paths to open up to different cultures. The Group's size and the diversity of its Maisons, their vast geographic scope and the multitude of opportunities they offer favor this geographic mobility and constitute a unique source of appeal in terms of career perspectives. In 2019, 66% of senior executive positions were filled through internal promotion.

In a highly competitive environment, LVMH works continuously on building its employer brand and ensuring that its work environment draws top talent. In 2019, LVMH held 250 events at schools and universities throughout the world to raise awareness of the Group and its different professions.

The Group's strong appeal was recognized on a number of occasions in 2019: for the 14th consecutive year, Universum ranked LVMH the number-one preferred employer for business school students in France, and the Group also rose in international rankings.

Average compensation

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 %)	2019	2018	2017
Less than 1,500 euros	1.9	1.5	1.6
1,501 to 2,250 euros	15.3	16.2	19.5
2,251 to 3,000 euros	22.6	22.8	21.5
Over 3,000 euros	60.2	59.5	57.4
Total	100.0	100.0	100.0

Personnel costs^(a)

Worldwide personnel costs break down as follows:

(EUR millions)	2019	2018	2017
Gross payroll – Fixed-term or permanent contracts	6,544.7	5,787.2	5,746.6
Employer social security contributions	1,619.3	1,490.9	1,412.6
Temporary staffing costs	324.0	306.0	287.6
Total personnel costs	8,488.0	7,584.2	7,446.9

(a) Indicators are taken from the HR reporting system, which covers 798 organizational entities, with the exception of certain companies that have been part of the Group for less than a year, such as Belmond.

Outsourcing and temporary staffing costs decreased year over year, accounting for 6.7% of the total worldwide payroll (versus 7% in 2018), including employer social security contributions.

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 320 million euros in 2019, paid in respect of 2018, an increase compared to the previous year.

(EUR millions)	2019	2018	2017
Profit sharing	138.3	131.4	118.2
Incentive	148.8	123.6	102.7
Employer's contribution to company savings plans	32.9	26.7	24.0
Total	320.0	281.7	244.9

In 2019, a total of 34,319 employees working under permanent contracts left the Group (all reasons combined); of these, 48% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate.

Turnover by geographic region

(as %)	2019	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets	2018	2017
Total turnover ^(a)	23.1	12.9	16.5	40.4	12.0	26.1	29.2	22.9	22.7
of which: Voluntary turnover ^(b)	17.2	5.7	12.0	34.1	10.8	20.2	21.3	17.5	16.4
Involuntary turnover ^(c)	5.4	6.2	4.1	6.0	0.9	5.7	7.7	4.9	5.8

(a) All reasons. Excluding internal mobility and non-Group transfers.

(b) Resignations.

(c) Dismissals/end of trial period.

Breakdown of movements^(a) of employees working under permanent contracts by business group

(number)	Joiners			Leavers		
	2019	2018	2017	2019	2018	2017
Wines and Spirits	844	855	854	717	708	724
Fashion and Leather Goods	13,563	11,915	8,509	8,609	7,610	6,884
Perfumes and Cosmetics	7,468	8,113	6,895	6,340	6,343	5,458
Watches and Jewelry	1,799	1,697	1,356	1,253	1,124	1,187
Selective Retailing	16,719	17,176	14,782	16,508	15,458	14,566
Other activities	894	858	795	892	844	821
Total	41,287	40,614	33,191	34,319	32,087	29,640

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

2.2 Nurturing future talent

To ensure its long-term success, the Group is constantly seeking to attract and train those individuals who best match its current and future needs. LVMH runs a number of initiatives aimed at students and graduates, key examples being the Institut des Métiers d'Excellence (IME), the immersive "Inside LVMH" program and various international academic partnerships.

Institut des Métiers d'Excellence

In 2014, LVMH established the Institut des Métiers d'Excellence, a vocational training program that helps the Group ensure its expertise in craftsmanship, design and sales is successfully passed on to the younger generation and those retraining in a new profession.

This work-linked training program was designed in partnership with prestigious schools and universities selected for their high academic standards and wide recognition of the qualifications they offer. Participants complete technical and theoretical coursework at these partner institutions and gain practical

experience at the 35 partner Maisons through paid work-linked training or vocational training contracts. Through IME, work-linked training students take foreign language courses and masterclasses featuring opportunities to meet craftspeople, experts and designers and visit workshops and stores.

After being launched in France in 2014, the IME opened in Switzerland in 2016, then in Italy in 2017, and most recently in Spain in 2019. 800 apprentices have taken part in this program since it was launched, including 300 new students in this year's class.

In 2019, the IME offered 28 training programs, including 26 as work-linked training in 21 professions such as flou and tailored fashion design, knits, silk, leather goods, winegrowing and winemaking, makeup formulation, design and sales. The program has a 97% pass rate, with a 74% placement rate within the profession studied or in a higher-education program, and a 61% placement rate at LVMH and its outside partners.

Inside LVMH

Year after year, the Group continues to build very strong ties with schools and universities around the world in order to expose students to its diverse range of business lines and career opportunities. Following two initiatives in Europe, in April 2019 the Inside LVMH program was launched in China, where nearly 10,000 students from 40 Chinese universities applied using an innovative system on the WeChat social media platform. 120 of them were chosen to take part in a major event in Shanghai attended by leaders from the Group and its Maisons, and nearly 100 of them were offered an internship at the end of the program.

International academic partnerships

In 2019, LVMH continued to strengthen its historical links with recognized schools and universities such as ESSEC, HEC Paris, École Polytechnique and CentraleSupélec in France, Central

Saint Martins in the United Kingdom, Bocconi University in Italy and Fudan University in China. The Group's partnerships with these institutions take a variety of forms, including research and teaching initiatives, scholarship funding and support for student projects.

In addition to the three major initiatives detailed above, the Group's policy on attracting talented young people is translated into hundreds of events at which the Group and its Maisons have the opportunity to reach out to students in person, offering internships, apprenticeships, international corporate volunteering opportunities and fixed-term or permanent positions. As a signatory of the Apprenticeship Charter, the Group has been a particularly strong supporter of apprenticeships as a route into employment. As of December 31, 2019, more than 1,500 young people were working under apprenticeship or vocational training contracts (including the Institut de Métiers d'Excellence) across the Group's French companies.

2.3 Recruiting without discriminating

LVMH is open to talented people of all kinds and is constantly working to prevent any form of discrimination in its recruitment practices.

Since 2011, the Group's recruiters have received specific training in preventing discrimination through a mandatory training session, the content of which was expanded and updated in 2018. Specific training sessions have also been rolled out across the Group's various locations to align with applicable national laws. These are supplemented by Group training on decision-making biases, launched starting in December 2019. The Group has also created a Diversity & Inclusion Department.

Furthermore, since 2008 the Group has put in place arrangements for independent oversight of its recruitment practices by appointing an independent firm to carry out discrimination testing on its posted job offers, and in 2019, conduct the first survey about potential discrimination in the recruitment process. These testing campaigns are run regularly and over long periods; since 2014, they have been worldwide in scope. Results are presented to Human Resources Directors at Group and Maison level, and appropriate action is taken if necessary.

The LVMH group is particularly keen to attract the best candidates regardless of disabilities. A number of initiatives are in place aimed at selecting and training people with disabilities and ensuring that they are optimally integrated into the workforce. The Group's approach in this area is coordinated by LVMH's Mission Handicap initiative, established in 2007 and supported by a network of 40 disability officers at the various Maisons who meet twice a year.

This policy of hiring people with disabilities concerns every level of the Group and every country, such as the United States, for example, where Sephora has implemented a system to ultimately hire more than 350 people with disabilities over the next three years. In late 2019, more than 122 people with disabilities had already been hired through this system.

In France, the Group has entered into a number of partnership agreements with AGEFIPH, the country's leading partner for the employment for people with disabilities (with the latest such agreement in 2014-2016). Sephora signed its own agreement with AGEFIPH in 2017. Hennessy, Christian Dior and Parfums Christian Dior also have their own formal agreements with the organization.

In 2014 LVMH launched EXCELLhanCE, which enables people with disabilities to simultaneously obtain a degree, gain significant experience at the Group's Maisons and companies, and build up expertise specific to the world of luxury goods. This program is based on work-linked training 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, which help objectively identify each individual's aptitudes and skills. The third series of EXCELLhanCE sessions for potential employees began in fall 2018. In partnership with six Maisons, this has allowed twelve people with disabilities to enter employment on vocational training contracts, most of them retraining in a new profession, in the roles of sales associate, inventory manager and human resources assistant. Around 50 people have participated in the program since its launch, and 35 people are still working under a vocational training contract or have successfully secured a job or further training or education (24 of whom within the Group).

Worldwide, people with disabilities make up 1.0% of the LVMH group's workforce. In France, the Group's employment of people with disabilities was estimated at 4.2% (sum of direct and indirect employment rates) as of end-2019, based on official standards for the definition of disabilities.

3. A FULFILLING WORK ENVIRONMENT

The LVMH group seeks to create conditions under which all employees can flourish in their roles and achieve their full potential. Achieving this objective means offering high-quality

career support to each and every employee, adopting best practice on health and safety, and fostering constructive labor relations.

3.1 Learning and developing: Key elements in valuing each person's individuality and potential

LVMH's human resources policy aims to enable our employees to fully express their personalities and skills. By developing our talent – a priority shared by the Group's senior executives, managers and human resources staff – LVMH cultivates its wealth and contributes to a fulfilling work environment for its employees. LVMH offers them specific learning and skills development opportunities to help them meet their aspirations: individual career planning, participation in "intrapreneurship" and interdisciplinary projects. DARE is a powerful illustration of this philosophy, enabling employees to experience open innovation and intrapreneurship, work alongside LVMH group senior executives and gain first-hand knowledge of new ways of working. This program helps LVMH employees develop and capitalize on their individuality.

While employees themselves play the leading role in their skills and career development, LVMH's human resources staff and managers are fully engaged in supporting and promoting the development of the Group's talent pool. Career planning sessions let employees express their aspirations and discuss how to achieve them with their manager and HR advisor. Lastly, to help employees set and achieve their career development goals, human resources staff post job openings within the Group on an in-house digital platform and hold monthly career meetings.

In addition to the Maisons' many training opportunities, the Group's LVMH House offers all executives and managers – from the most junior new managers to the most senior members of the Executive Committee – learning and development initiatives in four different areas:

- **understanding and promoting our company culture:**

LVMH believes that a good understanding of its company culture drives strong performance. The Group therefore places special emphasis on supporting new employees, offering induction seminars to introduce them to LVMH's values and fundamental management principles as well as the history and positioning of the various Maisons;

- **management and leadership:**

Through a comprehensive range of programs for new managers/leaders (e.g. fundamentals) as well as more advanced initiatives for experienced or high-potential managers, as well as senior executives, LVMH House provides learning opportunities on management and leadership, where the notions of respect, inclusion, collective intelligence and collaboration are considered key to success;

- **developing business excellence in roles that are just as strategic as the appeal of the Group's brands: retail, supply chains and operations;**

- **open innovation:**

Initiatives that are now recognized both in-house and outside the Group, such as DARE and LVMH's La Maison des Startups (at Station F) are powerful examples of what can be done in terms of innovation pipelines, openness to the outside world and intrapreneurship, and are also highly effective learning and development opportunities for participants. New incubation initiatives launched in 2019 (such as the innovative digital canvas bags unveiled in May 2019 at the Louis Vuitton cruise collection runway show held in New York, and the Shero app offered to all employees with the aim of promoting gender equality within the LVMH group's Maisons) are yet another testament to the Group's desire to constantly meet and exceed learners' expectations, both at an individual level and in terms of collective intelligence experiences.

The opening of two new LVMH Houses in Tokyo and New York (following the launch of the original program in London in 2000 and then in Singapore) demonstrates the LVMH group's commitment to open spaces where participants learn from one another, building up the Group's wealth of diversity in terms of economic backgrounds, cultures, nationalities and more.

Measures taken to reorganize and develop training synergies between the LVMH group's training and development entities around the world, under the aegis of LVMH House, help provide a clearer overview and offer new programs that are more effective in terms of accessibility and impact, with a complementary positioning alongside the solid, recognized training initiatives offered by each of the Maisons.

These LVMH House initiatives illustrate the LVMH group's desire to constantly enhance the diversity of its talent pool through programs such as EllesVMH Coaching, which promotes women's career development, and the content and teaching philosophy of the Management and Leadership programs, which pride themselves on their dual focus on the uniqueness of each participant as well as the collective intelligence of groups of learners and communities.

Helping employees be actively involved in their career mobility and professional development

The LVMH group encourages its staff to be actively involved in their career mobility and professional development. Working closely with human resources departments, managers play a proactive role in planning skills development and helping manage their team members' career paths.

Proportion of women among joiners and in the Group's workforce ^(a)

(% women)	Joiners			Group workforce		
	2019	2018	2017	2019	2018	2017
Breakdown by business group						
Wines and Spirits	45	45	43	38	38	37
Fashion and Leather Goods	65	66	65	67	69	68
Perfumes and Cosmetics	85	86	85	83	83	83
Watches and Jewelry	60	58	60	59	59	59
Selective Retailing	83	83	83	83	83	83
Other activities	42	33	34	37	35	35
Breakdown by professional category						
Executives and managers	65	65	65	65	65	65
Technicians and supervisors	68	67	71	68	68	68
Administrative and sales staff	79	80	81	80	81	81
Production workers	61	57	47	59	58	55
Breakdown by geographic region						
France	66	63	62	64	64	64
Europe (excluding France)	74	76	75	72	74	73
United States	79	80	78	78	79	79
Japan	73	69	71	73	74	75
Asia (excluding Japan)	75	76	77	77	77	76
Other markets	79	79	81	73	73	73
LVMH group	75	75	75	73	73	73

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

Training investment

Overall, in 2019, training expenses incurred by Group companies throughout the world represented a total of 138 million euros, or 2.1% of total payroll. A substantial portion of training also takes place on the job on a daily basis and is not factored into the indicators presented below:

	2019	2018	2017
Training investment (EUR millions)	138.0	131.0	121.5
Proportion of total payroll (as %)	2.1	2.3	2.1
Number of days of training per employee	1.9	2.0	2.0
Average cost of training per employee (EUR)	930.0	943	832
Employees trained during the year (as %)	57.5	58.9	56.6

Note: Indicators are calculated for fiscal years 2018 and 2019 on the basis of the total number of employees under permanent contracts present at the workplace as of December 31. Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during fiscal year 2017, 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, 2017.

The average training investment per full-time equivalent employee was approximately 930 euros. In 2019, the total number of training days was 283,630, equivalent to around 1,233 people

receiving full-time training for the entire year. In 2019, 57.5% of employees received training and the average number of days of training was 1.9 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 (<i>EUR millions</i>)	42.6	30.5	14.7	5.9	36.9	7.1
Proportion of total payroll (<i>as %</i>)	2.6	2.1	1.0	1.7	2.8	2.0
Employees trained during the year (<i>as %</i>)	50.1	56.7	51.9	59.5	68.1	57.4
of which: Executives and managers	52.5	71.7	55.9	71.2	64.2	50.7
Technicians and supervisors	67.1	69.5	49.3	57.5	64.8	66.7
Administrative and sales staff	48.0	58.1	52.5	57.3	70.4	57.4
Production workers	37.7	37.9	40.2	9.1	33.6	65.1

Note: Indicators are calculated on the basis of the total number of employees under permanent contracts present at the workplace as of December 31 of that fiscal year.

3.2 Promoting workplace health and safety and fostering constructive labor relations

The Group is constantly working to offer all staff a high-quality working environment by ensuring their health and safety, adapting workspaces – particularly for older employees and those with disabilities – and fostering constructive labor relations.

Ensuring health and safety for all staff

LVMH cares about the health and safety of its employees, makes sure that all its activities comply with current health and safety laws and regulations in all the countries in which it operates, and pays particular attention to implementing best practice with regard to safety in the workplace.

Given the wide range of situations encountered within the different business groups, the Maisons are responsible for their own health and safety initiatives. Actions aimed at ensuring appropriate workplace health and safety conditions and preventing accidents take a variety of forms under the banner of an overarching investment, certification and training program.

In 2019, the Group invested over 38.4 million euros in health and safety. This includes costs related to occupational health, protective equipment, and health and safety improvement programs covering compliance for new equipment, signage, replacement of protective equipment, fire prevention training and noise reduction. More generally, the total amount spent on and invested in improving working conditions came to more than 129.1 million euros, or 2% of the Group's gross payroll worldwide.

Initiatives for awareness-raising and training in workplace safety and risk prevention are expanding. In 2019, 49,095 employees received training in these areas at the Group's companies worldwide.

Health, safety and ergonomics assessments are regularly conducted at production sites, workshops and vineyards as well as stores and headquarters. These assessments are followed up with structured action plans to meet the needs identified.

Arrangements are made to improve workspace ergonomics, and workspaces are redesigned to meet employees' needs. The Group is particularly attentive to working conditions for staff members over 50 and those with disabilities, aiming to enable them to continue working under optimal conditions.

This means putting in place arrangements to improve workstation ergonomics and reduce physical strain, particularly for those positions most exposed to physical or mental stress in workshops and at production facilities.

As retirement approaches, the Maisons offer end-of-career interviews, dedicated training, special working arrangements or even specific healthcare and retirement support arrangements.

For employees with disabilities, the Maisons offer solutions on a case-by-case basis to help people keep their jobs, such as making adjustments to their workspaces or helping them transition to a different role. In March 2011, to help employees make this transition, Moët & Chandon founded MHEA, a company that offers facilities adapted to employees with disabilities. MHEA maintains a workforce made up entirely of people with disabilities and provides optimum working conditions for employees affected by disabilities, without any change in their compensation conditions. Since it was founded, MHEA has enabled 50 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.

	Number of accidents	Frequency rate ^{(a)(b)}	Severity rate ^{(b)(c)}
Breakdown by business group			
Wines and Spirits	110	8.32	0.20
Fashion and Leather Goods	404	4.49	0.12
Perfumes and Cosmetics	198	3.82	0.14
Watches and Jewelry	67	4.06	0.04
Selective Retailing	630	6.64	0.16
Other activities	123	17.51	1.09
Breakdown by geographic region			
France	719	14.97	0.51
Europe (excluding France)	341	5.17	0.09
United States	193	4.04	0.18
Japan	10	0.81	0.01
Asia (excluding Japan)	186	2.43	0.04
Other markets	83	3.65	0.09
LVMH group			
2019	1,532	5.60	0.16
2018	1,416	5.55	0.16
2017	1,232	5.16	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.

(b) 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 (FTE) employees present within the Group as of December 31 of the fiscal year and a ratio of hours worked per FTE employee per country taken from OECD knowledge bases.

(c) The severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked.

The Group's worldwide absence rate for employees working under permanent and fixed-term contracts was 5.2%. This represents a year-on-year increase (4.9%).

Absence rate^(a) by region and by reason

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Illness	2.6	4.1	4.0	1.2	0.4	1.6	1.5
Work/commuting accidents	0.1	0.3	0.1	0.1	0.0	0.0	0.1
Parental leave	1.7	1.3	3.0	0.8	1.4	1.4	1.1
Paid leave (personal leave)	0.4	0.4	0.5	0.2	0.2	0.3	0.2
Unpaid leave	0.5	0.9	0.2	0.4	0.3	0.6	0.2
Overall absence rate	5.2	7.1	7.9	2.6	2.3	4.0	3.2

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

Fostering constructive labor relations

Employee representatives also play an important part in enabling the Group's employees to flourish, by passing on their colleagues' needs and expectations at various levels of the organization. A Group Works Council was formed in 1985. This employee representative body – which currently has thirty members, whose appointments were renewed in 2018 – covers personnel based in France and holds one plenary meeting each year. Delegates meet with the Presidents of all of the Group's business areas to receive and exchange information on strategic direction, business

and financial issues, employment trends within the Group and future prospects.

At the European level, the SE Works Council is an employee representative body comprised of 28 members from the 22 European countries where the Group has operations. The rules for this representative body are laid down in an agreement that was unanimously approved on July 7, 2014 by employee representatives from these 22 countries and by the Group's Executive Management. In 2019, following elections, the SE Works Council held a plenary session on June 6.

Attracting and retaining talent

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 Maisons' works councils which, in keeping with the Group's culture of decentralization, handle most employee-related issues.

In France, the Group's Maisons now have employee representative bodies known as CSEs (Comités Sociaux et Économiques), pursuant to the Orders of September 22, 2017. A CSE combines employee representatives, the works council and the health and safety committee, or replaces the DUP (Délégation Unique du Personnel) where such a body was in place. Its remit depends on the size of the Company's workforce.

In 2019, employee representatives attended 1,599 meetings:

Type of meeting	Number
Works council	650
Employee representatives	367
Health and Safety Committee	253
Other	329
Total	1,599

As a result of these meetings, 180 company-wide agreements were signed.

Worldwide, 16% of employees have variable or adjusted working hours, and 47% have shift work or alternating working hours.

Global workforce affected by various forms of working time adjustments: Breakdown by geographic region

Employees concerned ^(a) (as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Variable/adjusted working hours	16	27	21	1	21	9	15
Part-time	17	12	19	35	4	5	21
Shift work or alternating hours	47	14	31	78	79	66	49

(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 adjustments: Breakdown by professional category

Employees concerned ^(a) (as %)	Workforce in France	Executives and managers	Technicians and supervisors	Administrative and sales staff	Production workers
Variable/adjusted working hours	27	16	61	48	2
Part-time	12	2	6	18	22
Shift work or alternating hours	14	0	14	12	34
Employees benefiting from time off in lieu	12	2	26	19	11

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

The total cost of overtime was 118 million euros, averaging 1.8% 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	1.8	1.6	1.8	1.6	4.7	1.8	1.0

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

In 2019, Group companies allocated a budget totaling over 26.5 million euros (1.6% of total payroll) to social and cultural activities in France via contributions to works councils.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

Outreach and giving back

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LVMH's ambition with regard to corporate social responsibility is based on two guiding principles: respect for each individual's unique identity, and a commitment to use excellence as a driver of social inclusion and employment. The LVMH group and its Maisons mobilize resources and skills to support community-oriented initiatives that help give back to the regions where the Group is located, with the aim of amplifying the positive social impact of their activities.

LVMH pursues a wide range of initiatives to support education, young people, culture and the arts, with the Group's approach also reflecting its attachment to historical and artistic heritage, as well as its involvement in major social and humanitarian causes.

With regard to education and young people, LVMH's initiatives include democratizing access to the richness of the world's cultural heritage and encouraging the emergence of future talent. These commitments are pursued over the long term and are reflected in real-world contributions to society. Maisons pursue their own commitments according to their specific priorities and operating environments, while the Group coordinates and provides overall leadership.

LVMH's innovative corporate giving program aims to benefit a wide audience through a range of initiatives that reflect and transmit the cultural values that unite the Maisons, upon which they have built their success.

1. LOCAL INVOLVEMENT AND SOCIAL IMPACT

LVMH puts its values to work in society, not only to ensure the successful integration of its Maisons and their activities at the local and national levels, but also to create positive grassroots outcomes where it operates.

1.1 Supporting job creation, entrepreneurship and regional development

LVMH helps drive economic growth and social development in the regions where it operates, both directly at its own sites and indirectly at its partners' locations, through its initiatives and contributions to public revenue in the countries and regions where it carries out its activities, and as a result of the steady growth achieved by its Maisons. These companies create many jobs in the regions where they operate, particularly as a result of the expansion of the network of directly operated stores.

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.

The LVMH group is a long-standing supporter of entrepreneurship. In early 2018, to help connect open innovation and business development with new ways of learning, the LVMH group launched La Maison des Startups, a startup accelerator for the luxury industry, housed within the world's biggest startup incubator, Station F. For participating entrepreneurs, La Maison des Startups can be a stepping stone to the Group's Maisons. It reaffirms LVMH's entrepreneurial spirit by giving these entrepreneurs the opportunity to reflect on the future of luxury and the Group, together with colleagues from varying backgrounds, within an innovative ecosystem.

1.2 Facilitating access to employment and social inclusion for people who have been marginalized on the job market

As major employers in many labor markets, LVMH and its Maisons pay close attention to each region's specific employment situation, and have forged partnerships with nonprofits and NGOs to promote social inclusion and employment for people who have been marginalized on the job market.

In France, the Group is a long-term partner and board member of nonprofit Nos Quartiers ont des Talents, which offers young graduates from underprivileged backgrounds the chance to be mentored by an executive or manager working at the Group. In 2019, 67 experienced managers participated as mentors, 51 of whom were still participating at the end of 2019. Since 2007,

630 young people have found jobs after being mentored by a Group employee.

To speed up access to employment, LVMH has put in place job coaching sessions. These job coaching sessions are led by recruiters from the Group's Maisons 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.

1.3 Facilitating employment for 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 works with organizations that support young people with disabilities in training programs, and with organizations that foster employment and social inclusion.

In France, the Group is a co-founder of ARPEJEH, a nonprofit organization that brings together some sixty companies to offer support and guidance to students with disabilities in secondary and post-secondary education. Employees lend their support to this initiative and 21 young people benefited from LVMH's involvement in 2019.

The Maisons also take action outside France. For example, in Japan Parfums Christian Dior partnered with specialized agency Startline and recruited a team of seven employees with mental disabilities to grow plants within the Ibuki greenhouse. The pace, tasks and working conditions are adapted to each employee.

The team is overseen by an experienced Startline employee, who works closely with Parfums Christian Dior's human resource staff in Japan. In addition to enabling certain people with disabilities to enter the workforce, this initiative also serves as a springboard for those who are able to grow professionally and move into a long-term position at the offices of Parfums Christian Dior.

LVMH also encourages its Maisons to develop their relationships with companies specifically employing people with temporary or permanent severe disabilities, and provide them with special facilities and support (known as the *secteur protégé et adapté* in French). Services entrusted to companies specifically employing people with disabilities totaled 8.8 million euros in 2019, up 6% relative to 2018 and representing 440 full-time-equivalent jobs. To raise its profile in this area, the Group organizes the Disability, Employment and Responsible Purchasing trade fair, which is open to the general public. The fourth Disability, Employment and Responsible Purchasing trade fair confirmed the event's success, drawing 4,500 visitors.

2. SUPPORTING HUMANITARIAN AND SOCIAL CAUSES

LVMH encourages its Maisons to support the causes it feels are most important, in particular ensuring access to education for young people and helping the most vulnerable communities.

2.1 Helping young people get an education

The same focus on excellence that has enabled the Maisons to succeed drives our efforts to provide educational opportunities for young people. Following the Group's lead, the Maisons have developed numerous partnerships with schools located near their sites or further away.

To promote equal opportunity in access to world-class higher education, LVMH supports the priority education program run by the Institut d'Études Politiques (Sciences Po Paris), by offering grants to students and giving young Sciences Po graduates the chance to be mentored by Group managers. In 2019, LVMH renewed its commitment – under which it will provide financial support and mentoring by Group managers for around ten students – for two years.

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 inclusion. Young people benefit from a wide range of initiatives, including “business discovery” internships for 120 middle school students

in 2019, visits to the Group's Maisons, internships for vocational school students and career orientation.

The national work-linked training fair showcasing the positions on offer at the Institut des Métiers d'Excellence was held once again on January 15, attended by over 600 people. The Group also supports the “Cultures et création” fashion show, which showcases the region's creative talent. It provides early training for young people through masterclasses and organizes events where they can meet designers and craftspeople. At the fashion show, the Group awards the Young Talent Prize to one young but underprivileged fashion design enthusiast, helping winners gain wider recognition within the profession. The 2019 winner, Tëena Franchi, got to exhibit her designs at Neonyt, a trade fair dedicated to environmentally responsible fashion held in Berlin from July 2 to 4, and completed an internship at Christian Dior, while the previous year's winner trained at Loewe. Since the program was launched, a number of young people have had the opportunity to join the Group's Maisons 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.

2.2 Helping those in need

LVMH and its Maisons are committed to helping disadvantaged communities in the regions where they operate. Their support may take the form of employee volunteering in these communities, product donations, or financial assistance, and has led to the launch of major new initiatives.

In January 2016, Louis Vuitton launched an international partnership with the United Nations International Children's Emergency Fund (UNICEF). By the end of 2019, 9 million euros had been raised since it was launched, with funds going to support children in emergencies, notably at Syrian refugee camps in Lebanon and Rohingya refugee camps in Bangladesh. In 2019, a charity run was held to get employees more involved in the partnership with UNICEF, and raised 150,000 euros. Once a year, volunteer employee-reporters travel with UNICEF to refugee camps to experience life there and share their first-hand accounts of this situation.

In 2019, significant progress was made on the "Sephora Stands" CSR program developed in the Americas, Europe, the Middle East and Asia. The aim of this initiative is to generate positive social and environmental impacts on Sephora's employees, communities and the planet in the following areas:

- **Giving back and promoting inclusion:** Sephora has forged ties with more than 500 local NGOs around the world, providing them with financial support, involving its employees through volunteering initiatives and mobilizing customers to round up purchase amounts as a donation and buy products that raise funds for good causes. In 2019, more than 4 million euros were raised to promote inclusion, support education for women and help underprivileged populations. Progress was also made in the field of disabilities. In the United States, Sephora's partnership with a specialized logistics facility helped create jobs for more than 120 people with disabilities. Sales of fundraising products – the proceeds of which are donated to partner nonprofits – increased. For example, its stores in most European countries offer fundraising products around International Women's Day and the Christmas season.
- **Empowering women:** Even in the beauty industry, women entrepreneurs are under-represented. In 2016, Sephora launched "Sephora Accelerate" to support women who have started their own businesses in all areas of the beauty industry and in different countries around the world. In 2019 – the fourth year of this initiative – the goal of backing 50 women entrepreneurs was met. In addition, all the startups supported were able to successfully launch their business. As is the case every year, 12 finalists from different countries participated in a mentoring program with Sephora's top experts and a week of coaching in San Francisco, where they met potential investors. In Saudi Arabia, for the second year running, Sephora partnered with the Glowork women's job fair, helping women prepare with résumé workshops and mock interviews.

- **Building self-confidence:** Through Classes for Confidence, Sephora offers both beauty classes and coaching to help people facing major life transitions show themselves in the best light and regain self-confidence. In 2019, a total of over 800 classes were held for cancer survivors, people who have been marginalized on the job market and members of the transgender community. Classes were launched in the United States and were expanded in seven countries across Europe (France, Russia, Poland, Spain, Italy, Greece, Portugal) and the United Arab Emirates. Since its launch, and thanks to new materials available online, the program has already reached over 70,000 people.

In 2009, Bvlgari decided to get involved with Save the Children, and has so far donated over 90 million US dollars, helping 2 million children. Four main priority areas are targeted: education, youth empowerment, emergencies and combating poverty. More than 114 projects have been launched in 34 countries around the world. The partnership is supported by 300 celebrities. Bvlgari also involves its staff: more than 400 employees have visited Save the Children projects on the ground, and more than 600 have participated in awareness-raising sessions and interactive workshops to learn more about the organization.

LVMH also supports Secours Populaire to help underprivileged women. The Group's partnership with this nonprofit has already made it possible to hold the first event in the Une Journée Pour Soi ("A Day All Your Own") initiative. In the spring of 2019, 400 women supported by Secours Populaire in six cities across France were able to put their day-to-day worries aside for a special day focused on regaining self-confidence and building positive momentum.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maisons Dinner. This event – which LVMH has held every year since 2013, and is organized by Chantal Gaemperle, the Group's Director of Human Resources and Synergies, and attended by Antonio Belloni, Group Managing Director – is an opportunity for the Maisons to come together and celebrate the Group's commitment to its people and society. Led by Human Resources, the event brings together stakeholders who play an active role in LVMH's social responsibility, internal champions and external partners of the Maisons and the Group as a whole. On December 11, 2019, the dinner was held at the Palais Brongniart and attended by nearly 400 people, including six Executive Committee members and 17 Maison Presidents, as well as numerous partners, opinion leaders, and heads of NGOs and other nonprofit organizations.

This occasion also raises funds for the Robert Debré Hospital in Paris, the leading center for sickle cell anemia, to which LVMH has donated 1,100,000 euros since 2011 to improve patient care and fund research. Every year, LVMH also provides financial support to a cause that is close to its heart. In 2019, this support went to Secours Populaire.

3. CORPORATE PHILANTHROPY TO SUPPORT CULTURE AND THE ARTS

For more than twenty years, LVMH's groundbreaking corporate philanthropy has expressed the artistic and humanitarian values shared by all its Maisons, while respecting each one's specific communications approach and image.

3.1 Culture, heritage and contemporary creative arts

3.1.1 Restoring and enriching historical heritage

For French and world heritage, 2019 will be remembered first and foremost as the year of the fire that devastated Notre-Dame de Paris Cathedral in the spring. LVMH, spurred by its Chairman, Bernard Arnault, offered a forceful response, pledging a 100 million euros donation to help save the monument and ensure the long restoration process is followed through to completion.

3.1.2 Commitments to culture and expanding access to it

In the fall, LVMH reaffirmed its commitment to France by contributing to the installation, in the Champs-Élysées gardens, of Bouquet of Tulips, a monumental sculpture offered by artist Jeff Koons as a tribute to the victims of the 2015 and 2016 terrorist attacks. By doing so, LVMH wished to show its support for the cultural values and the universality of France and of Paris, offering Parisians and visitors from the entire world an opportunity to come together in a shared spirit of freedom around a work of art that symbolizes the unbreakable bonds of friendship and brotherhood between France and the United States.

Furthermore, in 2019, LVMH maintained its commitment to supporting art, culture, heritage and contemporary design. LVMH has been a loyal patron of the Nuit Blanche night-time arts festival for more than 11 years, and once again in 2019 provided support alongside the City of Paris to the French and international arts scene, giving center stage to contemporary artists at an event open to all in the heart of Paris. LVMH also renewed its support for the Giacometti Institute, helping it develop its scientific and cultural program.

3.1.3 LVMH Prize

In 2019, LVMH held the sixth edition of the LVMH Prize for Young Fashion Designers. South African designer Thebe Magugu was awarded the Grand Prize, presented by Swedish actress Alicia Vikander in a ceremony held at the Fondation Louis Vuitton, along with a 300,000 euros grant and a year of mentoring by a dedicated team. The special jury prize – now called the Karl Lagerfeld Prize – was awarded to Hed Mayner, who will receive 150,000 euros and a year of mentoring by LVMH as well. Since it was first awarded in 2014, the LVMH Prize has received more than 6,500 applications from designers of all backgrounds.

The previous winners of the Prize for Young Fashion Designers are Thomas Tait (from Canada, 2014), Marta Marques and Paulo Almeida (Portugal, 2015), Grace Wales Bonner (United Kingdom, 2016), Marine Serre (France, 2017) and Masayuki Ino (Japan, 2018).

3.1.4 Fondation Louis Vuitton

Since it was opened in 2014, the Fondation Louis Vuitton (see note (1) next page) has consolidated its position as a leading institution on the international arts scene and has been a resounding success with a French and international audience. For the Fondation Louis Vuitton, the theme of 2019 was support for the arts, illustrated by its exhibitions dedicated to two major figures of 20th century modernity: Samuel Courtauld and Charlotte Perriand. This groundbreaking program, spanning multiple disciplines and eras, drew more than a million visitors to the Fondation Louis Vuitton.

In the first half of the year, "The Courtauld Collection: A Vision for Impressionism" paid tribute to the exacting standards and keen eye of English industrialist Samuel Courtauld (1876-1947), who amassed one of the world's largest Impressionist collections. The exhibition at the Fondation Louis Vuitton featured around 110 works, brought together for the first time in Paris in 60 years, allowing nearly 500,000 visitors to rediscover masterpieces of art history such as Manet's *A Bar at the Folies-Bergère* (1882), Gauguin's *Nevermore* (1897), Renoir's *The Theatre Box* (1874) and Van Gogh's *Self-Portrait with Bandaged Ear* (1889). In parallel, "A Vision for Painting" presented a new selection of contemporary works, including pieces by Gerhard Richter, Pierre Soulages, Bernard Frize, Joan Mitchell, Albert Oehlen and Mark Bradford.

Then, in the second half of the year, the Fondation Louis Vuitton launched a major exhibition celebrating the immense, multifaceted body of work of Charlotte Perriand (1903-1999), a pioneer of modernity and one of the leading lights of 20th century architecture and design, who helped define a new art of living as well as a new role of the artist in society by bringing together different disciplines and forms of artistic expression. The exhibition included spectacular reconstructions – built with the utmost scientific rigor and in very close collaboration with Perriand's successors – that plunged visitors into the heart of the "synthesis of the arts" championed by this maverick creative visionary, whose works were in constant dialogue with contemporary artists (such as Léger, Picasso and Calder) and cultures (Japan in particular) the world over.

Lastly, the end of 2019 saw the inauguration in Seoul of a spectacular edifice designed by Frank Gehry – the architect of the Fondation – to house a store and a new Espace Louis Vuitton, where an exhibition was held to mark the occasion, featuring an exceptional set of eight works by Alberto Giacometti.

In 2020, the Fondation Louis Vuitton will hold two major exhibitions: first, an extensive retrospective on one of the world's most influential living artists: American photographer Cindy Sherman; and then – for the first time in Europe, in partnership with the State Hermitage Museum in Saint Petersburg, the Pushkin State Museum of Fine Arts and the State Tretyakov Gallery in Moscow – one of the most legendary collections in the history of modern art: the Morozov Collection.

3.2 Opportunities for arts education initiatives

In 2019, LVMH's patronage of programs for young people focused on music. It renewed its support for Orchestre à l'École, a nonprofit that enables hundreds of children all over France

to learn a musical instrument as part of a special educational program. LVMH also once again loaned out the Stradivariuses in its collection.

3.3 Backing medical research and certain social causes

Lastly, the Group supported numerous institutions well-known for their work with children, the elderly and people with disabilities, and for their efforts to combat major causes of suffering and exclusion. In particular, LVMH has supported the Fondation des Hôpitaux de Paris-Hôpitaux de France and the Association Le Pont Neuf in France, Save the Children Japan, and the Robin Hood Foundation in New York in their initiatives for children, as well as the Fondation Claude Pompidou, which

provides support in France for seniors and people with disabilities, and Association Fraternité Universelle, which works in Haiti to improve access to health care and education alongside actions in favor of agricultural development, especially in the Central Plateau. The Group is also a long-standing supporter of a number of scientific teams and foundations engaged in cutting-edge public health research.

(1) Fondation Louis Vuitton

The Fondation Louis Vuitton is a *fondation d'entreprise* (corporate foundation) established by prefectural 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 philanthropy. The Fondation is a nonprofit 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 the Group's Maisons. 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: THE GROUP

Financial and operational risk management and internal control

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1. STRATEGIC, OPERATIONAL AND FINANCIAL RISKS

The risk factors to which the LVMH group is exposed, and the occurrence of which could jeopardize the Group's ability to carry on its normal business activities and to execute its strategy, are presented under the following three headings:

- Operational and business risks
- External risks
- Financial risks

Only major risks, classified as such based on their probability of occurrence and their adverse impact on the Group are presented below. Risk magnitude was assessed after taking into account the preventive measures and risk management procedures put in place by the Group. The severity of the risks has been rated on a scale from 3 (moderate risk) to 1 (critical risk).

Type of risk	Risk description	Degree of severity ^(a)	See §
Operational and business risks	Risks related to products or communication at odds with the Maisons' image	1	1.1.1
	Risks arising from the loss of strategic competencies	3	1.1.2
	Risks arising from access to and pricing of raw materials	3	1.1.3
	Information system-related risks	3	1.1.4
External risks	Counterfeit and parallel retail network-related risks	1	1.2.1
	Risks arising from regulations adversely affecting the Group	2	1.2.2
	Risks arising from the political, public-health and economic environment	3	1.2.3
	Climate change-related risks	2	1.2.4
Financial risks	Risks arising from the occurrence of serious adverse events	3	1.2.5
	Foreign exchange risks	1	1.3.1
	Liquidity risks and risks linked to fluctuations in interest rates	3	1.3.1
	Risks arising from tax policy	3	1.3.2

(a) 1: Critical; 2: Major; 3: Moderate.

1.1 Operational and business risks

1.1.1 Risks related to products or communication at odds with the Maisons' image

Risk description	Risk management
The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks and the marketing strategy applied. Products, production methods, distribution networks or marketing methods not in line with brand image could affect brand awareness and adversely impact revenue. The net value of brands, trade names and goodwill recorded in the Group's balance sheet as of December 31, 2019 amounted to 33.2 billion euros.	<ul style="list-style-type: none"> • The Group is highly vigilant with regard to the inappropriate use by third parties of its brand names, in particular through the systematic registration of brands and main product names and communications to limit the risk of confusion between LVMH brands and others with similar names. • The Group supports and develops the reputations of its Maisons 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, the Group's key priority is to respect and bring to the fore each Maison's unique characteristics. • At every stage in the production process, LVMH implements an exacting control and quality audit process and selects its subcontractors based on the most stringent product quality and production method standards. • Lastly, the Group is introducing a strict approval process for its advertising spend (visual, types of medium, media, etc.).

Risk description	Risk management
Circulation of information prejudicial to the Group in the media or on social media.	<ul style="list-style-type: none"> • LVMH conducts an ongoing media watch and monitors social media. Where appropriate, it takes legal action, and has a crisis management unit on permanent stand-by. • 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 care with regard to unlawful acts online to be shared by all actors at every link in the digital value chain.
Inappropriate conduct by brand ambassadors, employees, distributors or Group suppliers, and breaches of compliance rules (Sapin II Act, GDPR, etc.).	<ul style="list-style-type: none"> • Employees and the Maisons are made aware of the ethical rules in force at the Group through codes of conduct, charters and other guidelines including the LVMH Code of Conduct, the Supplier Code of Conduct and the LVMH Charter on Working Relations with Fashion Models. Additional arrangements have been put in place to provide guidance on how to interpret and apply these principles (see the <i>Management Report of the Board of Directors</i> – “Ethics and responsibility”, §2.2). • The Group’s distribution agreements include strict guidelines on these matters, which are also regularly monitored by the Maisons through on-site audits. • LVMH has also implemented a responsible supply chain management approach (see the <i>Management Report of the Board of Directors</i> – “Ethics and responsibility”, §5.2).

1.1.2 Risks arising from the loss of strategic competencies

Risk description	Risk management
Around the world, the LVMH group is known for its brands, unrivaled expertise and production methods unique to its products. The loss of these strategic skills and expertise, especially in leather goods and watchmaking, could severely affect product quality.	<ul style="list-style-type: none"> • To avoid any dissipation of this expertise, LVMH implements a range of measures to encourage training and to safeguard these professions, 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 (see the <i>Management Report of the Board of Directors</i> – “Attracting and retaining talent”, §2.2). • In order to safeguard and develop the Fashion and Leather Goods Maisons’ access to the high-quality raw materials and expertise they need, LVMH Métier d’Arts invests in, and provides long-term support to, its best suppliers (see the <i>Management Report of the Board of Directors</i> – “Business overview, highlights and outlook”, §2.5).
The pursuit of LVMH’s strategy of growth, international expansion and digitalization relies on the Group’s ability to identify talented individuals with the skills it needs and attract and retain them in a highly competitive environment.	<ul style="list-style-type: none"> • LVMH is constantly seeking to create conditions that enable its employees to realize their full potential and succeed within the business. The Group devotes special care to matching employee profiles and responsibilities, formalizing annual performance reviews, developing skills through ongoing training, and promoting internal mobility (see the <i>Management Report of the Board of Directors</i> – “Attracting and retaining talent”, §3.1).

1.1.3 Risks arising from access to and pricing of raw materials

Risk description	Risk management
<p>LVMH relies heavily on certain raw materials, and the natural resources used to design products are often in short supply, valuable and hard to access. Likewise, the Group is heavily exposed to fluctuations in raw material prices (gold, grapes, leather, cotton, etc.).</p>	<ul style="list-style-type: none"> • Just as for its strategic expertise, the Group has adopted a policy of sourcing a portion of its strategically important raw materials in-house (Champagne vineyards, investments made by LVMH – Métiers d'Art in Fashion and Leather Goods). • Since 1996, industry agreements have established a qualitative reserve in order to cope with variable harvests and secure grape supplies in the Champagne region (see the <i>Management Report of the Board of Directors</i> – “Business overview, highlights and outlook”, §1.1.4). • The Maisons seek to build longstanding partnerships with their suppliers. The Perfumes and Cosmetics Maisons do so via the Research and Development Department, the Fashion and Leather Goods Maisons forge partnerships with farmers, and the Wines and Spirits business group enter into multi-year sourcing agreements for grapes and <i>eau-de-vie</i>. • LVMH has secured the precious metals component of its production costs for Watches and Jewelry, either by purchasing hedges from banks or by negotiating the forecast price of future deliveries of alloys with precious metal refiners or producers.

1.1.4 Information system-related risks

Risk description	Risk management
<p>The Group is exposed to cyber risks arising either from internal or external attacks or from unintended events. The occurrence of these risks may result in the loss, corruption or disclosure of sensitive data, including information relating to products, customers or financial data. Such risks may also involve the partial or total unavailability of some systems, impeding the normal operation of the processes and business activities concerned.</p> <p>LVMH may be exposed to shortcomings in the implementation of rules governing the protection of personal data.</p>	<ul style="list-style-type: none"> • In order to safeguard against such risks, the Group has implemented a decentralized information system architecture, thereby limiting the spread of risks between Maisons. • A shared cyber-security unit set up by the Group to monitor and detect suspicious security events and provide support to every Maison by responding to verified incidents. • The network of Information Systems & Security Officers run by the Group Chief Information & Security Officer (CISO) monitors IS risks and implements preventative measures. • The Group regularly conducts audit campaigns, intrusion testing and vulnerability audits. LVMH also offers a “Business Continuity Plan” methodology toolkit, based on which business continuity and disaster recovery plans are drawn up for material entities (see also §3.3 “Information and communication systems” below). • The LVMH group takes steps to comply with the regulations applicable to personal data, including the General Data Protection Regulation (GDPR), and requires adequate governance arrangements to be implemented within the Group. Accordingly, each Group Maison has appointed a Data Protection Officer. This role involves ensuring that the Maison’s operations are compliant, with the support of the legal and cybersecurity departments and close cooperation from the relevant functions (IT, digital, marketing, HR, etc.) (see the <i>Management Report of the Board of Directors</i> – “Ethics and responsibility”, §5.7).

1.2 External risks

1.2.1 Counterfeit and parallel retail network-related risks

Risk description	Risk management
<p>Counterfeiting or copying the brands' products or the Group's expertise or production methods can have an immediate adverse effect on revenue and profit, and over time may damage the brand image of the products concerned and erode consumer confidence.</p> <p>Similarly, some Group products – leather goods, perfumes and cosmetics in particular – may be distributed through parallel retail networks, including online sales networks, without LVMH's consent.</p>	<ul style="list-style-type: none"> • To address the counterfeiting of products, the Group systematically trademarks its brands and main product names in France and other countries. 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 plays a 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. • LVMH and several Internet companies work together to better protect the Group's intellectual property rights and combat the online advertising and sale of counterfeit products. • In addition, LVMH fights the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels. In 2019, anti-counterfeiting measures generated internal and external costs for the Group of around 43 million euros.

1.2.2 Risks arising from regulations adversely affecting the Group

Risk description	Risk management
<p>Unfavorable changes to customs tariffs or import bans on luxury goods products (e.g. as a result of uncertainties arising from the trade tariffs introduced by the United States on French wines and Scotch whiskies), unfavorable changes to the tax laws applicable to the Group's activities and unfavorable changes to Competition Law liable to impede the full exercise of the selective retail distribution policy could be prejudicial to the Group.</p>	<ul style="list-style-type: none"> • The Group has established a regulatory monitoring system in each of the regions where it operates in order to prevent and protect itself from the risks associated with an inadvertent failure to comply with changes in regulations. • LVMH 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. • Commission Regulation (EC) No. 2790-1999, which authorizes selective retail distribution systems, including for online sales, provides legal protection for the LVMH group and its customers, and gives the Group additional resources to combat counterfeiting and the parallel distribution of its products, both offline and online.

1.2.3 Risks arising from the political, public-health and economic environment

Risk description	Risk management
Geopolitical and security-related instability as well as the occurrence of public-health crises disrupting tourism can have a negative impact on the travel retail activities within Selective Retailing, as well as the Fashion and Leather Goods business group, whose stores are frequented by tourists.	The Group maintains very few operations in politically unstable regions. It is important to Note that the Group's activity is spread for the most part between three geographic regions – Asia, Western Europe and the United States – favoring a geographic balance between its businesses and regions that offset one another.

1.2.4 Climate change-related risks

Risk description	Risk management
Environmental risks, and climate change chief among them, may impact ecosystems, causing depletion of the natural resources essential for the manufacture of the Group's products and pose a threat to the continued operation of its supply chains.	<ul style="list-style-type: none"> • The Group is conducting a review of 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, such as by altering harvest dates and developing different methods of vineyard management (widening rows, increasing the size of grapevine stocks, employing irrigation in certain countries and more generally considering the key issue of water availability). • LVMH's heavy dependence on natural resources prompted the Group to put in place a sustainable sourcing and raw material preservation policy a number of years ago. To promote this approach, a number of projects are underway to develop new, responsible supply chains for the Perfumes and Cosmetics, Fashion and Leather Goods, and Watches and Jewelry business groups (see the <i>Management Report of the Board of Directors</i> – "Environment and sustainability", §3).

1.2.5 Risks arising from the occurrence of serious adverse events

Risk description	Risk management
In its production and storage activities, the Group is exposed to the risk of losses from events such as fires, water damage or natural disasters.	<ul style="list-style-type: none"> • To identify, analyze and provide protection against industrial and environmental risks, LVMH relies on a combination of independent experts and qualified professionals from the Group (in particular safety, quality and environmental managers). • Protecting the LVMH group's assets is part of an industrial risk prevention policy that meets the highest safety standards (FM Global and NFPA fire safety standards). • Working with its insurers, LVMH has adopted HPR (Highly Protected Risk) standards, in order 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 (see the <i>Management Report of the Board of Directors</i> – "Environment and sustainability", §5). • In addition, prevention and protection plans include contingency planning to ensure business continuity.

1.3 Financial risks

1.3.1 Foreign exchange, interest rate and liquidity risks

The Group applies a foreign exchange and interest rate risk management strategy mainly aimed at reducing the negative impact of any foreign currency or interest rate fluctuations related to its business, financing 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 and 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 that allows 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 and are covered in regular presentations to the Group's Executive Committee, along with detailed documentation.

Foreign exchange risk

Risk description	Risk management
<ul style="list-style-type: none"> • Exchange rate fluctuations between the euro (the currency in which most of the Group's production expenses are denominated) and the main currencies in which the Group's sales are denominated (in particular the US dollar, pound sterling, Hong Kong dollar, Chinese renminbi and Japanese yen) can significantly impact its revenue and earnings reported in euros. See Note 23.5 to the consolidated financial statements for the analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed. • LVMH is exposed to foreign exchange risk with respect to the Group's net assets, as it owns substantial assets denominated in currencies other than the euro. See the analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved in Note 23.5 to the consolidated financial statements. 	<ul style="list-style-type: none"> • Exposure to foreign exchange risk is actively managed in order to reduce sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options. See Note 23.5 to the consolidated financial statements on the extent of forecast cash flow hedging for 2020 relating to the main invoicing currencies. • This foreign exchange risk may be hedged either partially or in full using borrowings or financial futures denominated in the same currency as the underlying asset.

Liquidity risks and risks linked to fluctuations in interest rates

Risk description	Risk management
<ul style="list-style-type: none"> • LVMH could have difficulty accessing the liquidity it needs to meet the Group's financial obligations; see Note 23.7 to the consolidated financial statements for the breakdown of financial liabilities by contractual maturity. • LVMH could have to pay higher borrowing costs if interest rates were to rise. See Notes 19.4 and 19.6 to the consolidated financial statements for the 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. 	<ul style="list-style-type: none"> • The amount of short-term borrowings excluding derivatives, i.e. 7.6 billion euros, is close to the 6.5 billion euro balance of cash and cash equivalents. • In addition to the credit lines recently set up in connection with the acquisition of Tiffany (see the <i>Management Report of the Board of Directors</i> – “Business and financial review”, §7.2), the Group has access to undrawn confirmed credit lines totaling 5.9 billion euros. • The Group has access to a diversified investor base (bonds and private short-term investments), long-term financing and strong banking relationships, whether evidenced or not by confirmed credit lines. Lastly, LVMH has a high level of credit quality, as reflected by its credit ratings (A1/P1 by Moody's and A+/A1 by Standard & Poor's), both of which were confirmed following the announcement of the Group's acquisition of Tiffany. • Interest rate risk is managed using swaps or by purchasing options (protection against an increase in interest rates) designed to limit the adverse impact of unfavorable interest rate fluctuations. Contracts for loans and borrowings do not include any specific clauses likely to significantly modify their terms and conditions.

1.3.2 Risks arising from tax policy

Risk description	Risk management
<p>Failure by the Group to comply with its tax obligations.</p>	<p>The Group's tax policy reflects its real activities and the Group's development, while preserving its competitiveness. Through its activities, the Group plays a key role in local and regional development in the areas where it operates, in particular by means of its tax payments. Apart from corporate income tax, the Group pays and collects a number of other taxes and contributions, including taxes on revenue, customs duties, excise taxes, payroll taxes, land taxes, and other local taxes specific to each country, which are all part of the Group's economic contribution to the regions where it operates.</p> <p>The Group adopts an attitude of transparency in its relations with tax authorities and undertakes to consistently provide them with relevant information enabling them to successfully carry out their duties. The Group complies with country-by-country reporting obligations and sends the required information to the tax authorities in accordance with applicable provisions.</p>

2. 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 business continuity and 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 0.14% 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 losses due to property damage, business interruption, terrorism, political violence, cybercrime, construction, transportation, credit and third-party liability.

2.1 Property and business interruption insurance

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and 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 was doubled in 2018 and now totals 150 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 and 2018, specific coverage in the amount of 20 billion yen has been taken out for this risk. A similar study was carried out in 2018 for earthquake risk in California, following which coverage in the amount of 75 million US dollars was taken out, representing a considerable increase from 2017. These coverage levels are in line with Group companies' exposure to such risks.

2.2 Transportation insurance

The Group's operating entities are covered by an international cargo and transportation (goods in transit) insurance contract. The coverage limit of this program is 50 million euros, which corresponds to the maximum possible transport loss arising as a result of transportation in progress at a given moment.

2.3 Third-party liability

The LVMH group has established a third-party liability 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.

Accidental and gradual environmental damage (Directive 2004/35/EC) is covered under this program.

Specific insurance policies have been implemented for countries where work-related accidents are not covered by social security systems, 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.

2.4 Coverage for special risks

Insurance coverage for political risks, company officers' liability, fraud and malicious intent, trade credit risk, acts of terrorism and political violence, loss or corruption of computer data and, more broadly, all cyber risks, real estate construction project

risks and environmental risks is obtained through specific worldwide or local policies.

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 consists 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 are based on the following organizational principles:

- Group companies – including the parent company, LVMH SE – are responsible for their own risk management and internal control systems. LVMH SE also helps lead and coordinate the entire Group in this area by providing guidelines, methods and a risk assessment and internal control application platform. In addition, initiatives to raise awareness of internal control-related matters are held throughout the year.
- each Maison's President 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 set out below, 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 policies comply with the standards in force, reviews the parent company and consolidated financial statements, and monitors effective implementation of the Group's internal control and risk management procedures.

The Board of Directors contributes to the general control environment through its members' expertise and oversight, its help in clarifying issues and its transparent decision-making process. 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.

The Board and its Performance Audit Committee are regularly informed of the results of the operation of these systems, any shortcomings and the action plans drawn up to address them.

The Ethics & Sustainable Development Committee monitors 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 senior executives 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 senior 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 the Maisons 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 Maisons are also in charge of the system for managing major risks; they review the risk mapping each year and 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 & Compliance Department** reports to Executive Management. The department draws up professional standards and makes available various tools designed to help the Group's different Maisons implement applicable regulations related to business ethics and the protection of personal data. It takes part in the updating of the internal control framework for ethics and compliance issues, to make sure that its requirements are met by all entities. It also administers the Group's centralized whistleblowing system and contributes to the identification and assessment of the main risks. The department is assisted by representatives from the Group's various departments, and by the network of Ethics & Compliance Officers appointed at each of the Maisons, and reports on its actions to the Ethics & Sustainable Development Committee.

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 for major disputes involving the Maisons. 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 handles stock market law and corporate law-related matters. It promotes Group-wide compliance with the 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 Maisons. With teams based in Paris and Brussels, the department keeps a watchful eye on developments and, where applicable, plays an active role in discussions on any topics that may have an impact on the Group's business priorities and its reputation. To this end, the department analyzes relevant policies and laws, considers the strategic issues at stake, coordinates actions in support of the Group's external positioning, and participates, in conjunction with the Maisons and LVMH's regional divisions, in the decision-making processes of authorities in Europe, the Americas and Asia, directly and/or in collaboration with representative associations. Key fields for its businesses include intellectual property, the digital economy, distribution and competition, corporate governance, issues relating to supply chains (raw materials, production, etc.), as well as the promotion and protection of high-end cultural and creative industries.

The **Environment Department** works to ensure that the Group and all its Maisons deliver 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 LIFE 2020 targets. The department's structure and actions, and how these are reflected within the Maisons, can be found in the *Management Report of the Board of Directors: the Group* – "Environment and sustainability".

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 the "Financial and accounting information: Organization and parties involved" section below, help manage risks related specifically to financial and accounting information.

The **Internal Control Department**, which reports to the Audit & 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 Maisons 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 Group's Internal Control Department set up the LVMH Internal Control Academy, the aim of which is to coordinate and develop the entire international network of controllers, internal auditors. A three-day training course – called "The Fundamentals" – has been introduced in France and abroad; the entire course is designed and taught by selected senior internal controllers from LVMH group Maisons. This training is included in the catalog of courses offered by the Group.

The **Protection of Assets and Persons Department** determines and implements anti-counterfeiting and anti-gray-market policy on behalf of 21 of the Group's Maisons 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 the Maisons and for employees traveling 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 working 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 at the main business groups and brands.

Third line of defense

The **Audit & Internal Control Department** covers the entire Group and operates according to an audit plan, which is revised 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 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. Regular follow-ups are run on the internal control recommendations resulting from past audits at subsidiaries with the most significant internal control issues.

Internal Audit reports on its findings to the management of the entity concerned and to Executive Management of the Group by way of an audit report explaining its assessment, presenting its 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 Financial and accounting information: Organization and parties involved

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

Accounting & Consolidation 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 Universal Registration Document. To this end, the Accounting Standards & Practices team defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any necessary training. The Consolidation Department also coordinates the Group's Statutory Auditors.

Management Control is responsible for coordinating the budget process, updating 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; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators. By virtue of 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 functions are placed under the responsibility of the Deputy CFO.

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 cross-functional 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 by business group and by entity. It defines strategic orientations in terms of cybersecurity, draws up and circulates internal policies and shared action plans, and helps brands implement systems to detect and respond to incidents, and develop contingency plans.

Corporate Finance & 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 & 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 department, the separation of front office and back office activities, combined with an independent control team reporting to the Deputy CFO, help ensure proper segregation of duties. The backbone of this organization is an integrated information system that allows hedging transactions to be monitored in real time. The hedging mechanism is presented regularly to the Group Executive Committee as well as the Performance Audit Committee and is supported by 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 relevant training to adapt to major changes in tax law and ensures uniform reporting of tax data.

The **Financial Communications Department** is responsible for coordinating all information issued to the financial community so as to provide it 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 hold joint finance committee meetings. Run and coordinated by the central departments, these committee meetings deal in particular 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**, which may be accessed by all Group employees, the Group disseminates a set of codes, charters and principles intended to guide the holding company and the Maisons in conducting their activities. These primarily include the LVMH group's Code of Conduct, the LVMH group's internal guidelines, the Supplier Code of Conduct and various charters (Board of Directors' Charter, Charter on Working Relations with Fashion Models and their 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 the general control environment as well as 11 key business processes shared by all of the Group's activities (Sales, Retail Sales, Purchases, Travel, Inventory, Cash Management, Fixed Assets, Human Resources, Information Systems and Accounting Period-End

Procedures, Cybersecurity and Personal Data Protection) as well as business-specific processes (Insurance, Licenses, Production, Product End of Life, Environment and Concessions);

- the minimum basis for internal control, known as IC Base, made up of 68 key controls taken from LVMH guidelines, supporting annual self-assessment; IC Base is reviewed and updated annually to include new standards and new regulatory requirements;
- 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 and Selective Retailing).

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. This material is available to everyone involved in risk management.

Lastly, the **Group Legal Department** prepares tools for the Maisons 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, embargoes and economic sanctions imposed by certain countries, and (ii) the European Union's new General Data Protection Regulation (GDPR).

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 solutions are implemented consistently across the Group and do not disrupt operations. 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 Plan" 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 major entities have appointed a Chief Information & Security Officer (CISO). The entity-level CISOs are coordinated by the Group CISO, forming a network to monitor the development of IT risks and implement appropriate preventive measures according to the likelihood of a given risk and its potential impact.

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

In April 2015, LVMH set up an operations center to monitor and assess information systems security for all of the Group's Maisons.

3.4 Internal and external accounting control procedures

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 the level of each Maison and business group, 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 full 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 subsidiaries 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 interim 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 monitoring of risk management and internal control systems

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

In line with EU directives, the Group has implemented an approach known as ERICA (Enterprise Risk and Internal Control Assessment), a comprehensive process for improving and integrating systems for managing major risks and internal control related to its day-to-day activities.

Since 2015, this approach has been rolled out across all of the Group's brands. It includes annual mapping of the major risks for each brand and self-assessment of 68 key controls taken from the internal control framework by all Group entities at least every three years. During this three-year period, the Group applies self-assessment across a limited scope of entities that is reviewed every year, with the Maisons having free rein to extend the process to a wider scope as they see fit. A full self-assessment was completed by all Group entities generating over 10 million euros in revenue in the period to June 30, 2019 (during the 2018-2019 campaign).

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

The Maisons 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 this letter, the President, CFO and/or members of the Management Committee at each entity 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, Maison and business group); they are forwarded to the Group's Finance Department and to its Audit & 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.

Since 2013, depending on the circumstances, Presidents of Maisons 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 Monitoring of major risks and internal control

Major risks relating to the Group's brands and businesses are managed at the level of each business group and Maison. 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 occurred. Lastly, 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.

A full-day session dedicated to business continuity planning was held in 2019 and was attended by all the relevant staff members from the Maisons. All the Group's Maisons were then provided with a decision-making toolkit for implementing a business continuity plan (BCP).

Ongoing monitoring of the internal control system and periodic reviews of its functioning take place on a number of levels:

- managers and operational staff at the Maisons, with support from internal control staff, are given responsibility for 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;
- 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 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 Maisons 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 LVMH's Audit & 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 the Maisons.

The Audit & Internal Control Department has therefore introduced a program to raise awareness of the risk of fraud through periodic newsletters identifying scenarios of actual and attempted fraud within the Group. A prevention plan is presented for each scenario. The Maisons and subsidiaries are responsible for verifying whether or not these scenarios apply to their operations. These communiqués are widely circulated within the Group to ensure heightened awareness among staff most exposed to this risk.

Measures raising awareness throughout our internal control community about the risk fraudulent bank transfers were conducted throughout 2019.

Lastly, a specific fraud module has been added that forms part of the LVMH Internal Control Academy's "The Fundamentals" training program.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS

Parent company:
LVMH Moët Hennessy - Louis Vuitton

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1. KEY EVENTS DURING THE FISCAL YEAR

On November 24, 2019, LVMH Moët Hennessy - Louis Vuitton SE and Tiffany & Co. - an international high jewelry house listed on the New York Stock Exchange - entered into a definitive agreement for the LVMH group to acquire Tiffany for a price of 135 US dollars per share, paid in cash. The transaction valued Tiffany at around 16.2 billion US dollars. For more than 180 years, Tiffany has epitomized elegance, innovative design,

expert craftsmanship and creative excellence. Founded in 1837, Tiffany is now the number-one luxury brand created in the United States, serving an exacting clientele at more than 300 stores around the world. The transaction is expected to close in mid-2020, subject to approval at Tiffany's Shareholders' Meeting convened on February 4, 2020, and subject to customary approval by regulatory authorities.

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, 2019 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 28.2 billion euros, 1 billion euros higher than in 2018. This change corresponds to LVMH subscribing to the capital increase of its subsidiary LVMH Miscellanées (formerly LVMH Finance) in the amount of 1 billion euros; LVMH's ownership interest in LVMH Miscellanées remained unchanged following this transaction, at 99.99%.

2.1.2 Financial structure

In February 2019, LVMH completed two fixed-rate bond issues totaling 1 billion euros, comprised of 300 million euros in bonds maturing in 2021 and 700 million euros in bonds maturing in 2023.

During the fiscal year, LVMH repaid the 300 million euro bond issued in 2014, the 600 million euro bond issued in 2013 and 2014, and the 150 million Australian dollar 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, 2019, the share capital comprised 505,431,285 fully paid-up shares totaling 151.6 million euros.

During the fiscal year, 403,946 shares were issued as a result of the exercise of share subscription options and 2,156 shares were retired.

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, 2019:

- trade accounts payable past due at the fiscal year-end date, based on the legal deadline for payment, amounted to 0.3 million euros, corresponding to 0.1% of other net management charges for the 2019 fiscal year;
- trade accounts receivable past due at the fiscal year-end date, based on the legal deadline for payment, amounted to 0.7 million euros, corresponding to 0.2% of services provided and other income for the 2019 fiscal year.

2.2 Parent company results and outlook

The Company reported net financial income of 3,995.7 million euros for the fiscal year, compared with 3,344.8 million euros in 2018.

Management income from subsidiaries and other investments totaled 4,083.6 million euros in 2019, compared with 3,417.5 million euros in 2018. This change was mainly the result of an increase in financial income from subsidiaries and other investments (4,252.7 million euros in 2019, compared with 3,550.5 million euros in 2018).

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

Net financial income in 2019 also included the cost of net financial debt and related interest rate derivatives totaling 29.5 million euros, as well as losses on foreign exchange transactions and derivatives totaling 36.4 million euros.

Net operating income reflected operating expenses not recharged to subsidiaries and other investments, which equated to a net expense of 304.6 million euros in 2019, compared with

191.5 million euros in 2018.

The exceptional expense comprised LVMH SE's donation of 100 million euros to restore Notre-Dame de Paris Cathedral and its 10 million euro contribution to help fight forest fires in the Amazon.

Taking into account the 130.4 million euro positive impact of corporate income tax, including the effect of tax consolidation, net profit came to 3,711.5 million euros, up from 3,384.1 million euros in fiscal year 2018.

Given the current environment resulting from the Covid-19 pandemic, the amount of dividends paid to LVMH SE by its subsidiaries and other investments in 2020 is expected to be lower than in 2019.

Lastly, 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

At its meeting of April 15, 2020, the Board of Directors decided to modify the total amount of the dividend in respect of the fiscal year ended December 31, 2019 proposed by the Board of Directors at its meeting of January 28, 2020. Consequently, the proposed appropriation of the amount available for distribution in respect of the fiscal year to be approved at the Shareholders' Meeting of June 30, 2020 is as follows:

(EUR)	
Net profit for the fiscal year ended December 31, 2019	3,711,544,933.36
Addition to the legal reserve	(12,053.70)
Retained earnings	11,131,301,810.37
Amount available for distribution	14,842,834,690.03
Proposed appropriation:	
Total dividend to be paid out for the fiscal year ended December 31, 2019	2,426,070,168.00
- of which: Dividend payable under the Bylaws of 5% or EUR 0.015 per share	7,581,469.28
- of which: Additional dividend of EUR 4.785 per share	2,418,488,698.72
Retained earnings	12,416,764,522.03
	14,842,834,690.03

As of December 31, 2019, the Company held 1,778,911 of its own shares, corresponding to an amount not available for distribution of 403 million euros, equivalent to the acquisition cost of these shares.

Subject to approval at the Shareholders' Meeting of June 30, 2020, the total dividend in respect of the fiscal year ended December 31, 2019 will be 4.80 euros per share. As an interim dividend of 2.20 euros per share was paid on December 10, 2019, the final dividend per share will be 2.60 euros. The ex-dividend date will be July 7, 2020 and the final dividend will be paid on July 9, 2020.

Based on the tax legislation applicable to securities income as it stands since January 1, 2019, these dividends carry an entitlement for French tax residents who have opted for their income on all eligible securities income to be taxed at a progressive rate 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
2018	Interim	December 6, 2018	2.00
	Final	April 29, 2019	4.00
	Total		6.00
2017	Interim	December 7, 2017	1.60
	Final	April 19, 2018	3.40
	Total		5.00
2016	Interim	December 1, 2016	1.40
	Final	April 21, 2017	2.60
	Total		4.00

4. SHAREHOLDERS – STOCK OPTION AND BONUS SHARE PLANS

4.1 Main shareholders

Information on the Company's main shareholders as of December 31, 2019 is provided in the “*Other information*” section under §3.1 “Share ownership of the Company” on page 305 of this Universal Registration Document.

4.2 Shares held by members of the management and supervisory bodies

Information on the shares held by members of the management and supervisory bodies as of December 31, 2019 is provided in the “*Other information*” section under §3.1 “Share ownership of the Company” on page 305 of this Universal Registration Document.

4.3 Employee share ownership

Information on the employee share ownership as of December 31, 2019 is provided in the “*Other information*” section under §3.1 “Share ownership of the Company” on page 305 of this Universal Registration Document.

4.4 Share subscription and purchase option plans

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

No share subscription option plans were in effect as of December 31, 2019. The share subscription option plan set up by LVMH SE on May 14, 2009 expired on May 13, 2019. The exercise price of these options as of the plan's commencement date was equal to the reference price, calculated in accordance with applicable laws. This plan had a term of ten years. Provided the conditions set by the plan were met, options could have been exercised after the end of a period of four years from the plan's commencement date. One option entitled the holder to one share.

Apart from a condition relating to attendance within the Group, the exercise of options granted on May 14, 2009 was contingent on performance conditions, based on the following three indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, and 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 fiscal year 2008. The performance condition was met with respect to the 2009, 2010, 2011 and 2012 fiscal years, as a result of which options could be exercised as of May 14, 2013.

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, as a result of which options could be exercised as of May 14, 2013.

Company officers – whether senior executives or employees – were also required to comply with certain 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 decided to exercise their options, they were required to retain possession, in registered form and until the end of their respective terms of office, of a number of shares representing a sliding percentage of between 50% and 30% (according to the date at which the options were exercised) 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, with this obligation expiring when the value of shares held exceeds twice the gross amount of their most recently disclosed fixed and variable compensation at the exercise date of the options.

4.4.1 Share purchase option plans

No share purchase option plans were in effect as of December 31, 2019.

4.4.2 Share subscription option plans

Date of Shareholders' Meeting	05/11/2006
Date of Board of Directors' meeting	05/14/2009
Total number of options granted at plan inception ^(a)	1,301,770
of which: Company officers ^{(b)(c)}	541,000
of which: Top ten employee recipients ^(d)	327,013
Number of recipients	653
Earliest option exercise date	05/14/2013
Expiry date	05/13/2019
Subscription price (EUR) ^{(e)(f)}	50.861
Number of options exercised in 2019 ^(e)	403,946
Number of options expired in 2019 ^(e)	7,142
Total number of options exercised as of December 31, 2019 ^(e)	1,310,756
Total number of options expired as of December 31, 2019 ^(e)	59,447
Options outstanding as of fiscal year-end ^(e)	-

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

(b) Options granted to active company officers as of the plan's commencement date.

(c) A breakdown of the options granted at plan inception to company officers serving as of December 31, 2019 is provided in §2.2.2.7.2 of the *Board of Directors' report on corporate governance*.

(d) Options granted to the top ten employee recipients – other than company officers – in service as of the plan's commencement date.

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

(f) Subscription price for Italian residents: 50.879 euros.

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 non-senior-executive company officers can be found in §2.2.1.2 and in §2.2.2.5 (for senior executive officers) 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 set up in 2019.

Options exercised by the top ten Group employees - other than company officers - who exercised the largest number of options^(a)

Company granting the options	Plan date	Number of options	Subscription price (EUR)
LVMH Moët Hennessy - Louis Vuitton	05/14/2009	53,652	50.861 ^(b)

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

(b) Subscription price for Italian residents: 50.879 euros.

4.5 Allocation of bonus shares and bonus performance shares

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

- For the plans set up on April 16, 2015 and October 22, 2015, bonus performance shares vest (if performance conditions are met) to recipients who are French residents for tax purposes after a three-year vesting period, which is followed by a two-year holding period during which recipients may not sell their shares. For recipients who are not French residents for tax purposes, they vest and become freely transferable after a period of four years.

For the plans set up since 2016 – except where otherwise stated below – bonus shares and (if performance conditions are met) bonus performance shares vest to all recipients after a three-year period and are freely transferable once they have vested.

- Subject to certain exceptions, the vesting of bonus shares is subject to a condition under which recipients must still be with the Group on the date the shares are allocated.

The plans set up on April 16, 2015; October 22, 2015; April 13, 2017; October 25, 2018; and October 24, 2019 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 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.

The plan set up on January 25, 2018 allocates a certain number of bonus shares that are not subject to any performance conditions, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary.

The plan set up on April 12, 2018 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.

- For the plan set up on April 16, 2015, 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 compared to fiscal year Y-1 in relation to at least one 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 met, so shares allocated under the April 16, 2015 plan were fully vested as of April 16, 2018 for recipients who were French residents for tax purposes and as of April 16, 2019 for recipients who were not French residents for tax purposes.

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 and 2018. Shares allocated under the October 22, 2015 plan were fully vested as of October 22, 2018 for recipients who were French residents for tax purposes and as of October 22, 2019 for recipients who were not French residents for tax purposes. All shares allocated under the October 20, 2016 plan were fully vested as of October 20, 2019.

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 Indicators compared to fiscal year Y-1. This condition was met. Shares vested on April 13, 2018 and are subject to a two-year holding period.

For the plan set up on July 26, 2017, half of the bonus shares vest on June 30, 2020 and the other half on June 30, 2021 (or, under certain conditions, all bonus shares vest on June 30, 2021), each time provided that 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 Group's performance, 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). This condition was met in 2018 and 2019.

Bonus 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 that (i) quantitative targets regarding its revenue and profit from recurring operations for 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.

For the plan adopted on January 25, 2018, bonus shares subject to conditions specifically related to the performance of a subsidiary will vest on June 30, 2024 provided that quantitative targets are met regarding its consolidated revenue and consolidated profit from recurring operations in respect of fiscal year 2023, and with vesting advanced to June 30, 2023 if said targets are met in respect of fiscal year 2022.

For bonus shares awarded under the plan set up on April 12, 2018 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). This condition was met in 2019.

The performance condition is assessed on a like-for-like basis to exclude the impact of acquisitions made during the two calendar years following the reference fiscal year and to neutralize the impact of disposals that took place during this same period. Only significant transactions (for more than 150 million euros) are restated in the accounts.

Bonus shares awarded under this plan – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2023 provided that quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations are met in respect of fiscal year 2022. If the performance conditions are not met in respect of fiscal year 2022, vesting shall be deferred until June 30, 2024, and will concern fewer shares subject to and dependent on meeting (i) quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations in respect of fiscal year 2023, and (ii) qualitative targets.

For bonus shares awarded under the plans set up on October 25, 2018 and October 24, 2019 subject to a condition relating to the performance of the 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). For the plan set up on October 25, 2018, the condition was met in 2019.

The performance condition is assessed on a like-for-like basis to exclude the impact of acquisitions made during the two calendar years following the reference fiscal year and to neutralize the impact of disposals that took place during this same period. Only significant transactions (for more than 150 million euros) are restated in the accounts.

- 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.
- 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 bonus performance share allocation plans

Date of Shareholders' Meeting	04/16/2015	04/16/2015	04/14/2016	04/14/2016	04/14/2016
Date of Board of Directors' meeting	04/16/2015	10/22/2015	10/20/2016	10/20/2016	04/13/2017
	Performance shares	Performance shares	Bonus shares	Performance shares	Performance shares
Total number of shares provisionally allocated at plan inception	73,262	315,532	50,010	310,509	46,860
<i>of which: Company officers^{(a)(b)}</i>	<i>41,808</i>	<i>46,990</i>	<i>-</i>	<i>43,462</i>	<i>-</i>
<i>of which: Top ten employee recipients^(c)</i>	<i>31,454</i>	<i>61,858</i>	<i>50,010</i>	<i>57,734</i>	<i>46,860</i>
Number of recipients	14	740	2	740	1
Vesting date	04/16/2018 ^(d)	10/22/2018 ^(d)	10/20/2019	10/20/2019	04/13/2018
Date as of which the shares may be sold	04/16/2020 ^(d)	10/22/2020 ^(d)	10/20/2019	10/20/2019	04/13/2020
Unit value as of the initial grant date (EUR)	157.41 ^(d)	144.11 ^(d)	155.10	155.10	195.66
Performance condition	Met	Met	-	Met	Met
Number of shares vested in 2019	17,322	126,928	50,010	283,577	-
Number of allocations expired in 2019	-	4,894	-	6,880	-
Total number of shares vested as of 12/31/2019	73,262	281,666	50,010	283,642	46,860
Total number of allocations expired as of 12/31/2019	-	33,866	-	26,867	-
Remaining allocations as of fiscal year-end	-	-	-	-	-

(a) Performance shares allocated to company officers serving as of the provisional allocation date.

(b) A breakdown of the shares granted to company officers in service as of December 31, 2019 is provided in §2.2.2.8 of the *Board of Directors' report on corporate governance*.

(c) Bonus shares and performance shares allocated to employees - other than LVMH company officers - in service as of the provisional allocation date.

(d) Shares vest and become available on April 16, 2019 and October 22, 2019 for recipients who are not French residents for tax purposes; as of the initial grant date, the unit values for these shares were 156.62 euros and 142.91 euros, respectively.

(e) Shares vest and become available in two tranches of 21,700 shares, with shares from the second tranche vesting on June 30, 2021; the unit value of the shares from the second tranche is 199.83 euros.

04/14/2016	04/14/2016	04/14/2016	04/14/2016	04/14/2016	04/14/2016	04/12/2018	04/12/2018	
07/26/2017	10/25/2017	10/25/2017	01/25/2018	01/25/2018	04/12/2018	10/25/2018	10/24/2019	
Performance shares	Bonus shares	Performance shares	Bonus shares	Performance shares	Performance shares	Performance shares	Performance shares	Total
43,400	18,502	346,490	72,804	47,884	332,116	9,477	200,077	1,866,923
-	-	43,549	-	-	37,759	-	27,956	241,524
43,400	18,502	120,378	72,804	47,884	134,814	7,492	33,103	726,293
1	2	851	4	1	859	33	1,039	
06/30/2020 ^(e)	10/25/2020	10/25/2020 ^(f)	01/25/2021	06/30/2024 ^(g)	04/12/2021 ^(h)	10/25/2021	10/24/2022	
06/30/2020 ^(e)	10/25/2020	10/25/2020 ^(f)	01/25/2021	06/30/2024 ^(g)	04/12/2021 ^(h)	10/26/2021	10/25/2022	
205.06 ^(e)	227.01	227.01 ^(f)	224.80	207.12 ^(g)	261.84 ^(h)	240.32	353.68	
Not applicable in 2019	-	Met ⁽ⁱ⁾	-	Not applicable in 2019	Met in 2019	Met in 2019	Not applicable in 2019	
-	-	-	-	-	-	-	-	477,837
-	-	5,535	-	-	4,066	125	-	21,500
-	-	-	-	-	-	-	-	735,440
-	-	13,841	-	-	4,066	125	-	78,765
43,400	18,502	332,649	72,804	47,884	328,050	9,352	200,077	1,052,718

(f) For shares subject to a condition specifically related to the performance of a subsidiary, shares vest and become available on June 30, 2024 if targets are met in respect of the fiscal year ending December 31, 2023 (or, where applicable, on June 30, 2023 if targets are met in respect of the fiscal year ending December 31, 2022); the unit value of these shares is 210.29 euros if they vest on June 30, 2023.

(g) Shares vest and become available on June 30, 2023 if targets are met in respect of the fiscal year ending December 31, 2022; the unit value of these shares is 207.12 euros if they vest on June 30, 2023.

(h) For shares subject to a condition specifically related to the performance of a subsidiary, all shares vest and become available on June 30, 2023 provided that targets are met in respect of fiscal year 2022; or, where applicable, 71,681 of these shares vest and become available on June 30, 2024 if performance conditions were not met in respect of fiscal year 2022 but are met for fiscal year 2023; the unit value of these shares is 244.22 euros if they vest on June 30, 2023.

(i) Condition related to the performance of the LVMH group.

4.5.2 Bonus shares and bonus performance shares allocated during the fiscal year to the Group's top ten employee recipients, other than company officers, having received the largest number of shares

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 ^(a)

Company granting the shares	Plan date	Number of bonus shares	Number of performance shares
LVMH Moët Hennessy - Louis Vuitton	04/16/2015	-	11,215
"	10/22/2015	-	35,069
"	10/20/2016	50,010	50,550

(a) Employees in service as of the vesting date.

Information on non-senior-executive company officers can be found in §2.2.1.3 and in §2.2.2.6 (for senior executive officers) of the *Board of Directors' report on corporate governance*.

5. SUMMARY OF TRANSACTIONS IN LVMH SECURITIES DURING THE 2019 FISCAL YEAR BY SENIOR EXECUTIVE OFFICERS AND CLOSELY RELATED PERSONS

A summary of transactions in LVMH securities made during the 2019 fiscal year by senior executive officers and closely related persons 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, 2019 and December 31, 2019 as part of the share repurchase programs authorized at the Combined Shareholders' Meetings held on April 12, 2018 and April 18, 2019.

Following changes to regulations on liquidity contracts, in particular AMF Decision No. 2018-01 of July 2, 2018, LVMH entered into a new liquidity contract with Oddo BHF SCA,

which took effect on June 30, 2019. This contract replaced the previous contract entered into with Oddo Corporate Finance in 2005.

Under the aforementioned liquidity contracts, in 2019 the Company acquired 432,211 LVMH shares at an average price per share of 335.82 euros and sold 491,211 LVMH shares at an average price per share of 332.28 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, 2019 to December 31, 2019:

<i>(number of shares unless otherwise stated)</i>	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, 2018	97,000	1,768,404	-	-	270,000	2,135,404
Purchases	134,265	-	-	-	-	134,265
Average price (EUR)	280.54	-	-	-	-	280.54
Sales	(180,265)	-	-	-	-	(180,265)
Average price (EUR)	281.97	-	-	-	-	281.97
Bonus share awards	-	(17,322)	-	-	-	(17,322)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	(2,156)	-	-	-	(2,156)
Balance as of April 17, 2019	51,000	1,748,926	-	-	270,000	2,069,926
Purchases	297,946	182,500	-	-	-	480,446
Average price (EUR)	360.73	373.61	-	-	-	365.62
Sales	(310,946)	-	-	-	-	(310,946)
Average price (EUR)	366.19	-	-	-	-	366.19
Bonus share awards	-	(460,515)	-	-	-	(460,515)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	-	-	-	-	-
Balance as of December 31, 2019	38,000	1,470,911	-	-	270,000	1,778,911

Between January 1 and December 31, 2019, the Company retired 2,156 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 June 30, 2020

- 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, 2019: 50,502,734; however, taking into account the 1,778,911 shares held in treasury, only 48,723,823 treasury shares are available to be acquired.
- Maximum price per share: 550 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 nineteenth 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 Combined Shareholders' Meeting of June 30, 2020.

6.3 Summary table disclosing transactions undertaken by the issuer in its own shares from January 1 to December 31, 2019

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, 2019.

As of December 31, 2019

Percentage of own share capital held directly or indirectly	0.35%
Number of shares retired in the last 24 months	2,778,108
Number of shares held in the portfolio	1,778,911
Carrying amount of the portfolio	403,046,568
Market value of the portfolio	736,824,936

	Cumulative gross transactions		Open positions as of December 31, 2019			
	Purchases	Sales/ Transfers	Open "buy" positions		Open "sell" positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	614,711	971,204	-	-	-	-
of which:						
- Liquidity contract	432,211	491,211	-	-	-	-
- Purchases to cover plans	182,500	-	-	-	-	-
- Bonus share awards	-	477,837	-	-	-	-
- Purchases of shares to be retired	-	-	-	-	-	-
- Shares retired	-	2,156	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average trading price (EUR)	347.04	335.28 ^(a)	-	-	-	-
Amount (EUR)	213,329,903	164,694,805 ^(a)	-	-	-	-

(a) Excluding bonus share awards and share retirements.

BOARD OF DIRECTORS' REPORT ON CORPORATE GOVERNANCE

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This report, which was 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 28, 2020, and will be submitted for shareholder approval at the Shareholders' Meeting of June 30, 2020.

1. CORPORATE GOVERNANCE

1.1 Board of Directors

The primary objectives of the Board of Directors, the Company's main strategic body, are to add value to the organization and defend its interests, giving consideration to the social and environmental issues facing the Company's businesses and, as appropriate, its core purpose, which is defined pursuant to Article 1835 of the French Civil Code.

The Board of Directors also endeavors to promote the Company's long-term value creation, in particular by taking into account the social and environmental issues facing its businesses.

Its main missions involve adopting the overall strategic orientations of the Company and the Group and ensuring these are implemented; verifying the reliability and fair presentation of information concerning the Company and the Group, and protecting the Company's assets; and verifying that the major risks to which the Company is exposed with regard to its structure and targets – whether financial, legal, operational, social or environmental – are taken into account in the Company's management.

The Board of Directors also sees to it that procedures to prevent corruption and influence-peddling are implemented. It ensures that a policy of non-discrimination and diversity is in place, notably in respect of gender equality within the governing bodies.

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 & Compensation Committee, and the Ethics & Sustainable Development Committee. Each has rules of procedure setting forth its composition, role and responsibilities.

The Charter of the Board of Directors and the rules of procedure 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 on the website, www.lvmh.com. 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, and should in such a situation abstain from taking part in the debate and voting on the corresponding deliberation. 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 to the Company with respect to this obligation during the fiscal year.

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
<p>Article 8 (former article 7) of the Code updated on 01/30/2020: Representation of employee shareholders and employees</p> <p>§8.1 (former §7.1): Presence of Directors representing the employees on the Company's Board of Directors.</p>	<p>Prior to the entry into force in France of Law No. 2019-486 of May 22, 2019 on business growth and transformation, known as the PACTE law, the Company met the conditions laid down in the French Commercial Code making it eligible for the exemption applicable to holding companies and was therefore not required to designate Directors representing the employees.</p> <p>Pursuant to Article L.225-27-1 of the French Commercial Code as amended by said law, the Shareholders' Meeting on June 30, 2020 will be asked to make an addition to Article 11 of the Bylaws stating the arrangements for appointing Directors representing the employees.</p>
<p>Article 9 (former article 8) of the Code updated on 01/30/2020 : Independent Directors</p> <p>§9.5.6 (former §8.5.6): Not to have been a Director of the Company for more than 12 years.</p>	<p>The Board of Directors 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.</p>
<p>Article 25 (former article 24) of the Code updated on 01/30/2020: Compensation of senior executive officers</p> <p>§25.3.3 (former §24.3.3): Provision specific to stock options and performance shares: Resolution authorizing the plan put to a vote at the Shareholders' Meeting must state a sub-ceiling for awards to senior executive officers.</p>	<p>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 & 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.</p>

1.3 Membership and operating procedures of the Board of Directors

1.3.1 Membership as of December 31, 2019

The Board of Directors has 15 members who are appointed for three-year terms, as stipulated in the Bylaws.

Personal information				Experience	
Name	Nationality	Age as of 12/31/2019	Number of shares held in a personal capacity	Number of directorships at non-Group listed companies	Office held
Bernard ARNAULT	French	70	874,773	-	Chairman and Chief Executive Officer
Antoine ARNAULT	French	42	329,140	-	Director
Delphine ARNAULT	French	44	484,730	1	Director
Nicolas BAZIRE	French	62	121,570	4	Director
Antonio BELLONI	Italian	65	542,077	-	Director
					Group Managing Director
Sophie CHASSAT	French	41	500	1	Director
Charles de CROISSET	French	76	1,000	-	Lead Director
Diego DELLA VALLE	Italian	66	500	2	Director
Clara GAYMARD	French	59	500	3	Director
Iris KNOBLOCH	German	56	500	2	Director
Marie-Josée KRAVIS	American	70	500	1	Director
Charles POWELL	British	78	550	3	Director
Marie-Laure SAUTY de CHALON	French	57	500	2	Director
Yves-Thibault de SILGUY	French	71	500	2	Director
Hubert VÉDRINE	French	72	760	-	Director

(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 independence criteria applied by the Company.

Position on the Board				Membership of Board Committees		
	Date of first appointment	Independence ^(a)	End of term	Board Committees		
				Performance Audit Committee	Nominations & Compensation Committee	Ethics & Sustainable Development Committee
	09/26/1988	No	2022			
	05/11/2006	No	2021	Member		
	09/10/2003	No	2020			Member
	05/12/1999	No	2021			
	05/15/2002	No	2020			
	09/12/2001	-	2022			
	10/25/2018	Yes	2022			
	05/15/2008	Yes	2021	Member	Chairman	
	05/15/2002	Yes ^(b)	2020			
	04/14/2016	Yes	2022			
	04/18/2019	Yes	2022			
	03/31/2011	Yes	2020		Member	
	05/29/1997	No	2021			
	04/10/2014	Yes	2020			Member
	05/14/2009	Yes	2021	Chairman	Member	Chairman
	05/13/2004	Yes ^(b)	2022			Member

1.3.2 Changes in membership of the Board of Directors and its Committees

Changes during 2019

The following table summarizes the changes in membership of the Board of Directors during fiscal year 2019.

	Departures	Appointments	Renewal of term of office/Reappointment
Board of Directors	<ul style="list-style-type: none"> - Bernadette CHIRAC (Term of office ended on April 18, 2019) 	<ul style="list-style-type: none"> - Iris KNOBLOCH (Appointed on April 18, 2019) - Charles de CROISSET (Appointed Lead Director on July 24, 2019) 	<ul style="list-style-type: none"> - Bernard ARNAULT reappointed as a Director and Chairman and Chief Executive Officer (April 18, 2019) - Sophie CHASSAT (April 18, 2019) - Clara GAYMARD (April 18, 2019) - Hubert VÉDRINE (April 18, 2019)
Performance Audit Committee			<ul style="list-style-type: none"> - Yves-Thibault de SILGUY reappointed as Chairman of the Performance Audit Committee (October 24, 2019)
Nominations & Compensation Committee			
Ethics & Sustainable Development Committee			<ul style="list-style-type: none"> - Hubert VÉDRINE (April 18, 2019)

To make the renewal of Directors' appointments as balanced over time 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.

At its meeting of January 28, 2020, the Board of Directors considered the Directorships of Delphine Arnault, Marie-Josée Kravis, Marie-Laure Sauty de Chalon, Antonio Belloni and Diego Della Valle, all due to expire at the close of the Shareholders' Meeting of June 30, 2020, and voted to submit a resolution at said Shareholders' Meeting (i) to renew their terms of office as Directors and (ii) to appoint Natacha Valla as a Director for a three-year term that will end at the close of the Shareholders' Meeting convened in 2023 to approve the financial statements for the fiscal year ended December 31, 2022.

At this same meeting, the Board also decided to submit a resolution to appoint Lord Powell of Bayswater as an Advisory Board member for a period of three years that will end at the close of the Shareholders' Meeting convened in 2023 to approve the financial statements for the fiscal year ended December 31, 2022, given that he had indicated his intention to step down from the Board of Directors at the close of the Shareholders' Meeting of June 30, 2020.

Lastly, the Board of Directors formally noted at its meeting on January 28, 2020 Paolo Bulgari's decision not to seek reappointment as an Advisory Board member.

Subject to decisions made at the Shareholders' Meeting of June 30, 2020, the Board of Directors will thus consist of 15 members: Delphine Arnault, Sophie Chassat, Clara Gaymard, Iris Knobloch, 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 and Hubert Védérine.

The Directors' personal details are presented in §1.4 below.

Subject to approval of the 21st resolution to be voted on at the Shareholders' Meeting on June 30, 2020, the first two Directors representing the employees will hold office from the notice of the first meeting of the Board of Directors to be held after they have been appointed.

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 directorships at non-Group listed companies, including foreign companies.

1.3.3 Independence

During its meeting of January 28, 2020, the Board of Directors reviewed the status of each Director currently in office and candidates for the position of Director, in particular with respect to the independence criteria defined in Articles 9.5 to 9.7 (former Articles 8.5 to 8.7) of the AFEP-MEDEF Code updated on January 30, 2020 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, investment banker or advisor who 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 concluded that:

- (i) Sophie Chassat, Clara Gaymard, Iris Knobloch, Marie-Josée Kravis, Marie-Laure Sauty de Chalon and Yves-Thibault de Silguy meet all of these criteria;
- (ii) Charles de Croisset, who also acts as Regional 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.

As of the date of this report, nine out of the 15 members of the Board of Directors are considered independent and hold no interests in the Company. They represent 60% of the Board's membership.

At the close of the Shareholders' Meeting of June 30, 2020 and subject to the approval of the appointment of Natacha Valla as Director, 10 of the 15 members of the Board of Directors will be considered independent and hold no interests in the Company. They shall represent 66% of the Board's membership.

With respect to the independence criteria set out in the AFEP/MEDEF Code, as of the date of this report, 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 28, 2020 of the criteria for independence

In this table, "✓" represents an independence criterion that is met, while "–" represents an independence criterion that is not met.

Name	AFEP/MEDEF criteria ^(a)								Independent Director
	1	2	3	4	5	6	7	8	
Bernard ARNAULT	–	✓	✓	–	✓	–	–	–	No
Antoine ARNAULT	–	✓	✓	–	✓	–	–	–	No
Delphine ARNAULT	–	✓	✓	–	✓	–	–	–	No
Nicolas BAZIRE	–	✓	✓	✓	✓	–	–	–	No
Antonio BELLONI	–	✓	✓	✓	✓	–	–	✓	No
Sophie CHASSAT	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Iris KNOBLOCH	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Charles de CROISSET	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Diego DELLA VALLE	✓	✓	✓	✓	✓	–	✓	✓	Yes ^(b)
Clara GAYMARD	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Marie-Josée KRAVIS	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Charles POWELL	–	✓	✓	✓	✓	–	✓	✓	No
Marie-Laure SAUTY de CHALON	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Yves-Thibault de SILGUY	✓	✓	✓	✓	✓	✓	✓	✓	Yes
Hubert VÉDRINE	✓	✓	✓	✓	✓	–	✓	✓	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 2019 fiscal year, the Board of Directors met six times as convened by its Chairman. Directors' overall attendance rate at these meetings was 93.33%.

The Board of Directors approved the annual and interim parent company and consolidated financial statements, voted to distribute an interim dividend, monitored quarterly business activity, and gave its opinion on the Group's key strategic directions and decisions as well as its budget. It determined the compensation of senior executive officers based on the recommendations of the Nominations & Compensation Committee and taking into account their individual performance and the achievement of the quantifiable and qualitative targets that had been set. The Board also set up a bonus performance share plan and made use of the authorization to repurchase shares granted to the Board of Directors at the Shareholders' Meeting. It considered the draft leases set to be entered into by various subsidiaries. The Board of Directors approved the proposed acquisition of Tiffany & Co.

It reappointed the Chairman and Chief Executive Officer as well as the Group Managing Director, who will thus both continue to serve in their respective roles. It also 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.

It authorized the Company to continue its undertaking to act as a first-demand guarantor of LVMH Inc.'s obligations under the amended US commercial paper program covering maximum issuance increased from 2 billion to 4 billion US dollars.

It reviewed related-party agreements that remained in effect during the fiscal year and authorized the amendment of a related-party agreement between affiliated companies. In addition, it reviewed 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 the membership, organization and procedures of the Board of Directors and its three Committees.

Lastly, the Board was informed of the measures the Group has adopted as regards gender equality and equal pay.

Before the meeting of October 24, 2019, the Board of Directors held a meeting without the senior executive officers or the other members holding executive positions within the Group.

Based on the results of a written questionnaire, 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.

The Directors took the view that the Board's composition is satisfactory in view of the number of its members and their diversity (profiles, skills, experience, nationalities, male/female balance). No comments were made concerning the frequency of the Board meetings, individual attendance or the quality of both the information provided to Directors and their discussions.

They reiterated the opinion stated previously that the duties of Chairman and of Chief Executive Officer should not be split, as they deem this appropriate given LVMH's shareholder structure and management's proven effectiveness.

Lastly, the point was emphasized that the Group has monitored the environmental footprint of each of its businesses for many years. It expressed the desire to be kept informed thereof on a regular basis.

The Board amended the Charter of the Board of Directors to include the duties and powers of a Lead Director and the Rules of Procedure of the Performance Audit Committee to align the term in office of the Committee Chairman with that of his/her appointment as a Director.

The Board of Directors decided to award the Lead Director one additional unit of compensation.

At its meeting of January 28, 2020, 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 had no particular comments to make concerning the membership of the three committees, the quality of their work, or the minimum number of shares that each Director must hold;
- 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 was appreciably higher than in 2018, and each Director's contribution to the Board of Directors' work was in line with expectations;
- the areas of expertise, qualifications and professional experience of the Directors, as well as the presence of non-French nationals, ensure a complementary 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 Board also expressed its opinion on the fixed compensation of senior executive officers for 2020 and their variable compensation in respect of 2019, based on the work and recommendations of the Nominations & Compensation Committee, it being specified that payment of variable compensation in respect of fiscal year 2019 is subject to approval of the amount at the Shareholders' Meeting of June 30, 2020.

In addition, the Board of Directors reviewed the Group's policy to protect against the impact of future economic and financial developments.

The Board of Directors also reviewed the rules for allocating compensation to Directors and Advisory Board members and, in order to take into account various provisions of the PACTE law, which entered into force in France on May 22, 2019, (i) approved the Company's Charter on control procedures for regulated agreements and the assessment of agreements relating to current operations concluded under normal conditions and (ii) amended the Charter of the Board of Directors as well as the rules of procedure of the Nominations & Compensation Committee, the Performance Audit Committee and the Ethics & Sustainable Development Committee.

At its meeting of April 15, 2020, the Board of Directors was informed and took note of the unilateral decision taken by Bernard Arnault, as Chairman and Chief Executive Officer, and by each of the other Board members holding executive positions within the Group, to waive their fixed compensation for the months of April and May 2020 as well as the entirety of their variable compensation in respect of 2020.

In addition, the Board of Directors decided to reduce the amount of compensation payable to Directors and Advisory Board members in respect of their service in 2020 by 30%, as compared with that resulting from the compensation policy currently in force.

Lastly, the Board of Directors also decided to reduce the amount of the total dividend initially announced on January 28, 2020. The final dividend payable would thus amount to 2.60 euros per share.

Individual attendance rates for serving Directors at Board meetings as of December 31, 2019

In this table, “✓” means present, “A” absent and “N/A” not applicable.

Board meeting dates	01/29/2019	04/18/2019		07/24/2019	10/24/2019	11/05/2019	11/24/2019	Attendance rate
		Before Shareholders' Meeting	After Shareholders' Meeting					
Currently serving Directors	15	15	15	15	15	15	15	-
Bernard ARNAULT	✓	✓	✓	✓	✓	✓	✓	100%
Antoine ARNAULT	✓	✓	✓	✓	✓	✓	✓	100%
Delphine ARNAULT	✓	✓	✓	✓	✓	✓	✓	100%
Nicolas BAZIRE	✓	✓	✓	✓	✓	✓	✓	100%
Antonio BELLONI	✓	✓	✓	✓	✓	✓	✓	100%
Sophie CHASSAT	✓	✓	✓	✓	✓	✓	✓	100%
Charles de CROISSET	✓	✓	✓	✓	✓	✓	✓	100%
Diego DELLA VALLE	✓	A	A	A	✓	✓	✓	66.66%
Clara GAYMARD	✓	✓	A	✓	✓	✓	✓	83.33%
Iris KNOBLOCH	N/A	N/A	✓	A	✓	✓	✓	80%
Marie-Josée KRAVIS	✓	✓	✓	✓	✓	✓	✓	100%
Lord POWELL of BAYSWATER	✓	✓	✓	A	✓	✓	✓	83.33%
Marie-Laure SAUTY de CHALON	✓	✓	✓	✓	✓	✓	✓	100%
Yves-Thibault de SILGUY	✓	✓	✓	✓	✓	✓	✓	100%
Hubert VÉDRINE	✓	✓	✓	✓	✓	✓	✓	100%

1.3.5 Diversity policy

The composition of the Board of Directors 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 areas of expertise, qualifications and professional experience of the Directors, as well as the presence of non-French nationals ensure a wide range of approaches and views, as is essential to a global group.

Each gender is represented by at least 40% of Board members.

Furthermore, 65% of the Group's managers are women, and as of end-September 2019, 44% of key positions in the Group were held by women (compared with 23% in 2007) and 13 Maisons were led by women.

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).

After graduating from École Polytechnique, Bernard Arnault decided to pursue a career in engineering, and worked in this role at Ferret-Savinell, 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⁾ Château Cheval Blanc SC Christian Dior Couture SA Louis Vuitton, Fondation d'Entreprise	Chairman and Chief Executive Officer Director Director Chairman of the Board of Directors
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Groupe Arnault

France	Christian Dior SE ⁽¹⁾ Financière Jean Goujon SAS Groupe Arnault SEDCS	Chairman of the Board of Directors Member of the Supervisory Committee Chairman of the Executive Board
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Positions and offices that have ended since January 1, 2015

France	Carrefour SA ⁽¹⁾ Christian Dior SE ⁽¹⁾	Director Chief Executive Officer
International	LVMH International SA (Belgium) LVMH Moët Hennessy - Louis Vuitton Inc. (United States) LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan) LVMH Services Limited (United Kingdom)	Director Director Director Director

Antoine ARNAULT

Date of birth: June 4, 1977.

Business address: Berluti – 120, rue du Faubourg Saint-Honoré – 75008 Paris (France).

Antoine Arnault graduated from HEC Montreal and INSEAD. In 2000 he created an Internet company, specialized in the registration of domain names.

He subsequently sold his stake in this company and quickly joined the family group, working at Louis Vuitton, where he was named Director of Communications.

Since 2011, Antoine Arnault has been Chief Executive Officer of Berluti, the LVMH group's only menswear house. That same year, he launched the Journées Particulières open-house event, which over a three-day period gave large numbers of people a glimpse behind the scenes at close to 80 exceptional sites.

Since the end of 2013, he has also served as Chairman of Loro Piana, the Italian maker of fine cashmere products and fabrics.

In addition to his current duties, Antoine Arnault is responsible for the communication, image and environment of the LVMH group, and he has been a member of its Board of Directors since 2006.

(1) Listed company.

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 Monaco SA (Principality of Monaco)	Permanent Representative of LV Group, 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
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Other

France	Comité Colbert	Director
	Marbeuf Capital SC	Managing Director
	Vandelay Industrie SC	Managing Director
International	INNOVA E2 (Luxembourg)	Director

Positions and offices that have ended since January 1, 2015

France	AA Conseil SAS	Chairman
	FG SAS	Chairman
	Lagardère SCA ⁽¹⁾	Member of the Supervisory Board
	Madrigall SA	Director
International	Fendi Adele Srl (Italy)	Director

Nicolas BAZIRE, Senior Vice-President for Development and Acquisitions

Date of birth: July 13, 1957.

Business address: LVMH – 22 avenue Montaigne – 75008 Paris (France).

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
	Jean Patou SAS	Member of the Advisory Committee
	Les Echos SAS	Vice-Chairman of the Supervisory Board, Chairman of the Compensation Committee and Member of the Appointments Committee
	Louis Vuitton Malletier SAS	Permanent Representative of Ufipar, Member of the Steering Committee
	LV Group SA	Director and Member of the Nominations & Compensation Committee
	Louis Vuitton, Fondation d'Entreprise	Director

(1) Listed company.

Groupe Arnault

France	Agache Developpement SA Christian Dior SE ⁽¹⁾	Director Director, Member of the Performance Audit Committee and Member of the Nominations & Compensation Committee
	Europatweb SA Financière Agache SA	Director Managing Director and Permanent Representative of Groupe Arnault,
	Groupe Arnault SEDCS Semyrhamis SA	Director Member of the Executive Board and Chief Executive Officer Managing Director (non-Director) and Permanent Representative of Groupe Arnault, Director

Other

France	Atos SE ⁽¹⁾ Carrefour SA ⁽¹⁾	Director and Chairman of the Nominations & Compensation Committee Director, Member of the Audit Committee, the Compensation Committee and the Strategy Committee
	Madrigall SA Suez SA ⁽¹⁾	Director Director, Member of the Audit and Accounts Committee, the Nominations, Compensation and Governance 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 Directors' Commission

Positions and offices that have ended since January 1, 2015

France	GA Placements SA Montaigne Finance SAS	Permanent Representative of Montaigne Finance, Director Member of the Supervisory Committee
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Sophie CHASSAT

Date of birth: October 24, 1978.

Mailing address: 45 rue de Sèvres – 75006 Paris (France).

An alumna of the École Normale Supérieure-Rue d'Ulm and a professor of philosophy, Sophie Chassat has taught for seven years (including four years at the university level) and has published

several works. Having created and headed the Verbal Identity Department at communications agency Angie for three years, she was President of Intikka – a consulting firm specializing in brand philosophy – from June 2017 until July 2019. Since July 2019, she has been a partner of the Wemean leadership consulting firm.

Current positions and offices**LVMH group**

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director
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Other

France	Le Coq Sportif SA ⁽¹⁾ Wemean SAS	Director Partner
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Positions and offices that have ended since January 1, 2015

France	Intikka SAS	Chairman
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(1) Listed company.

Charles de CROISSET

Date of birth: September 28, 1943.

Business address: Goldman Sachs International – Plumtree Court, 25 Shoe Lane – EC4A 4AU London (United Kingdom).

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, in 2000, Executive Director of HSBC Holdings plc. In March 2004, he joined Goldman Sachs Europe as its Vice-Chairman and was named as International Advisor to Goldman Sachs International from 2006 until 2019. Charles de Croisset is now Regional Advisor at Goldman Sachs International.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Lead Director, Chairman of the Nominations & Compensation Committee and Member of the Performance Audit Committee
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Other

International	Goldman Sachs International (United Kingdom)	Regional Advisor
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Positions and offices that have ended since January 1, 2015

France	Fondation du Patrimoine	Chairman
	Renault SA ⁽¹⁾	Director
	Renault SAS	Director

Clara GAYMARD

Date of birth: January 27, 1960.

Business address: Raise – 138 bis, rue de Grenelle – 75007 Paris (France).

Clara Gaymard has held various positions within the French administration, 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. Clara Gaymard is the co-founder of venture capital firm Raise.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director
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Other

France	Bouygues SA ⁽¹⁾	Director
	Danone SA ⁽¹⁾	Director
	Pabafajamet SAS	Chairman
	Raise Conseil SAS	Chief Executive Officer
	Raise LAB SAS	Chairman
	Raisesherpas	Chairman
	Sages	Director
	Veolia Environnement SA ⁽¹⁾	Director

Positions and offices that have ended since January 1, 2015

France	WEFCOS (Women's Forum for the Economy and Society) SAS	Chairman
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(1) Listed company.

Iris KNOBLOCH

Date of birth: February 13, 1963.

Business address: Warner Bros. Entertainment France – 115/123 avenue Charles de Gaulle – 92525 Neuilly-sur-Seine Cedex (France).

A lawyer by training, Iris Knobloch began her career as an attorney with several law firms in Germany and the United States. She then held a number of sales and marketing positions at Warner Bros. and was also in charge of institutional relations and strategic policy at Time Warner Europe. Iris Knobloch has been President of Warner Bros. Entertainment France since 2006.

Current positions and offices**LVMH group**

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director
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Other

France	Warner Bros. Entertainment France SAS AccorHotels SA ⁽¹⁾ American Hospital of Paris	Chairman Vice-Chairman of the Board of Directors Governor
International	Lazard Ltd (Bermuda) ⁽¹⁾	Member of the Board of Directors

Positions and offices that have ended since January 1, 2015

International	Axel Springer SE (Germany) ⁽¹⁾ CME (Central European Media Enterprises) (Bermuda)	Member of the Board of Directors Member of the Board of Directors
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Lord POWELL of BAYSWATER⁽²⁾

Date of birth: July 6, 1941.

Business address: LVMH House – 15 St George Street – W1S 1FH London (United Kingdom).

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
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Other

International	Hong Kong Land Holdings (Bermuda) ⁽¹⁾ Jardine Strategic Holdings (Bermuda) ⁽¹⁾ Matheson & Co. Ltd (United Kingdom) Northern Trust Corporation (United States) ⁽¹⁾	Director Director Director Director
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Positions and offices that have ended since January 1, 2015

International	Mandarin Oriental International Holdings (Bermuda)	Director
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(1) Listed company.

(2) Lord Powell of Bayswater informed the Board of Directors that he would be resigning as a Director with effect from the close of the Shareholders' Meeting on June 30, 2020. A resolution for his appointment as an Advisory Board member will be submitted for shareholder approval at this same Meeting.

Yves-Thibault de SILGUY

Date of birth: July 22, 1948.

Business address: YTSeuropaconsultants – 13 bis, avenue de la Motte-Picquet – 75007 Paris (France).

Yves-Thibault de Silguy has held various positions within the French administration, 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 Lead Director, and, as of November 2018, Vice-Chairman of the Board of Directors. Since May 2010, he has been Managing Director of YTSeuropaconsultants.

Current positions and offices

LVMH group

France LVMH Moët Hennessy - Louis Vuitton SE⁽¹⁾

Director, Chairman of the Performance Audit Committee and the Ethics & Sustainable Development Committee and Member of the Nominations & Compensation Committee

Vinci group

France Société des Autoroutes du Sud de la France SA
Vinci SA⁽¹⁾

Director
Vice-Chairman of the Board of Directors

Other

France Sofisport SA
YTSeuropaconsultants SARL
International VTB Bank (Russia)⁽¹⁾

Chairman of the Supervisory Board
Managing Director
Member of the Supervisory Board and Chairman of the Audit Committee

Positions and offices that have ended since January 1, 2015

France VTB Bank (France) SA
Ysilop Consulting SARL
International Solvay (Belgium)⁽¹⁾

Member of the Supervisory Board
Managing Director
Director

Hubert VÉDRINE

Date of birth: July 31, 1947.

Business address: Hubert Védrine (HV) Conseil – 15 rue de Laborde – 75008 Paris (France).

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 & Sustainable Development Committee

Other

France Hubert Védrine (HV) Conseil SARL

Managing Partner

Positions and offices that have ended since January 1, 2015

None

(1) Listed company.

1.4.1.2 Directors whose terms of office expire at the Shareholders' Meeting

Delphine ARNAULT

Date of birth: April 4, 1975.

Business address: Louis Vuitton Malletier – 2, rue du Pont-Neuf – 75001 Paris (France).

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. In January 2019, Delphine Arnault became a member of the Executive Committee of the LVMH group.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director and Member of the Ethics & Sustainable Development Committee
	Celine SA	Director
	Château Cheval Blanc SC	Director
	Christian Dior Couture SA	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
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Other

International	Ferrari SpA (Italy) ⁽¹⁾	Director
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Positions and offices that have ended since January 1, 2015

France	Havas SA ⁽¹⁾	Director
	Les Echos SAS	Member of the Supervisory Board
	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

Antonio BELLONI, Group Managing Director

Date of birth: June 22, 1954.

Business address: LVMH Italia – Largo Augusto 8 – 20141 Milan (Italy).

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
	Givenchy SA	Permanent Representative of LVMH Miscellanées, Director
	Le Bon Marché, Maison Aristide Boucicaut SA	Permanent Representative of LVMH, Director
	Louis Vuitton, Fondation d'Entreprise	Director
International	Benefit Cosmetics LLC (United States)	Managing Director
	Bulgari SpA (Italy)	Director
	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
	Emilio Pucci Srl (Italy)	Director
	Emilio Pucci International BV (Netherlands)	Director
	Fendi Srl (Italy)	Director
	Fresh Inc. (United States)	Director
	Loro Piana SpA (Italy)	Director
	LVMH Moët Hennessy - Louis Vuitton Inc. (United States)	Vice-Chairman and Director
	LVMH Italia SpA (Italy)	Vice-Chairman and Director
	LVMH (Shanghai) Management & Consultancy Co. Ltd (China)	Chairman of the Board of Directors
	Naxara SA (Luxembourg)	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	Anin Star (United Kingdom)	Director
	Barilla G. e R. Fratelli SpA (Italy)	Director

Positions and offices that have ended since January 1, 2015

France	Fred Paris SA	Permanent Representative of LV Group, Director
	LVMH Fragrance Brands SA	Permanent Representative of LV Group, Director
	Moët Hennessy Management SARL	Managing Director
	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
	Edun Americas Inc. (United States)	Director
	Edun Apparel Limited (United Kingdom)	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
	Nude Brands Limited (United Kingdom)	Director
	Ufilug SA (Luxembourg)	Director

(1) Listed company.

Diego DELLA VALLE

Date of birth: December 30, 1953.

Business address: Tod's SpA – Corso Venisia, 30 – 20121 Milan (Italy).

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**LVMH group**

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director
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Tod's SpA group

International	DI.VI. Finanziaria Srl (Italy)	Sole Director
	DI.VI. Immobiliare Holding 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

Other

International	RCS Mediagroup SpA (Italy) ⁽¹⁾	Director
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Positions and offices that have ended since January 1, 2015

International	ACF Fiorentina SpA (Italy)	Honorary Chairman
	Compagnia Immobiliare Azionaria (Italy) ⁽¹⁾	Director
	DDV Partecipazioni Srl (Italy)	Sole Director
	Nuovo Trasporto Viaggiatori (Italy)	Director

Marie-Josée KRAVIS

Date of birth: September 11, 1949.

Mailing address: 625 Park Avenue – New York, NY 10065 (United States).

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. From 2005 she served as President of the Museum of Modern Art (MoMA) of New York, and has been its President Emeritus since 2019.

Current positions and offices**LVMH group**

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director and Member of the Nominations & Compensation Committee
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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
	Sloan Kettering Institute (United States)	Chairman of the Board
	The Economic Club of New York (United States)	Chairman of the Board
	The Museum of Modern Art of New York (United States)	President Emeritus

(1) Listed company.

Positions and offices that have ended since January 1, 2015

International	Qatar Museum Authority (Qatar)	Director
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Marie-Laure SAUTY de CHALON

Date of birth: September 17, 1962.

Mailing address: 14 rue Rambuteau – 75003 Paris (France).

After building her career at a number of press and television advertising companies, Marie-Laure Sauty de Chalon became Chairman and Chief Executive Officer of Consodata North

America in 2001. She then took over as head of the Aegis Media group in France and Southern Europe in 2004, and then from 2010 to 2018 was Chairman and Chief Executive Officer of Aufeminin. She founded Factor K, in which the NRJ group acquired a minority interest in July 2018, and is a professor at the Institut d'Études Politiques de Paris.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director and Member of the Ethics & Sustainable Development Committee
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Other

France	Autorité de la Concurrence	Member of the College
	Carrefour SA ⁽¹⁾	Director and Member of the CSR Committee
	Coorpacademy SAS	Director
	Factor K SAS	Chairman
	JCDecaux SA ⁽¹⁾	Member of the Supervisory Board

Positions and offices that have ended since January 1, 2015

France	Aegis Media France SAS	Chairman
	Aufeminin SA ⁽¹⁾	Chairman and Chief Executive Officer
	Aufeminin.com Productions SARL	Managing Director
	Carat France SAS	Chairman
	Etoilecasting.com SAS	Chairman
	Les rencontres aufeminin.com SAS	Chairman
	Marmiton SAS	Chairman
	My Little Paris SAS	Member of the Supervisory Board
	Navya SA ⁽¹⁾	Director
	Fondation Nestlé France, Fondation d'Entreprise	Director
	Fondation PlaNet Finance	Director
	Mediamétrie SA	Director
	SmartAdServer SAS	Chairman
International	Aegis Media Southern Europe	Chairman
	GoFeminin.de GmbH (Germany)	Joint Managing Director
	SoFeminine.co.uk Ltd (United Kingdom)	Director

(1) Listed company.

1.4.1.3 Appointment of a Director proposed at the Shareholders' Meeting

Natacha VALLA

Date of birth: January 1, 1976.

Business address: 23, rue de Fleurus – 75006 Paris (France).

Natacha Valla is an economist and teaches at New York University. She began her career with the European Central Bank (2001-2005), before moving to the Banque de France (2005-2008) and then joining Goldman Sachs as Executive Director (2008-2013). From 2014 to 2016, she served as Deputy Director of CEPPII,

an international economics think tank serving the French prime minister, before joining the European Investment Bank (2016-2018) as Head of the Policy and Economic Strategy division, then the European Central Bank as Deputy Director General in charge of Monetary Policy (2018-2020). She has served as a member of the Conseil Économique de la Nation, the scientific committee of the ACPR (the French Banking Regulatory Body) and the Conseil d'Analyse Économique.

Current positions and offices

None

Positions and offices that have ended since January 1, 2015

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director
	Accor SA ⁽¹⁾	Director
	Société des Autoroutes du Sud de la France SA	Director
	Cofiroute SA	Director
	Tikehau Capital SCA ⁽¹⁾	Member of the Supervisory Board

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 Gilles Cohen 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 Isabelle Sapet 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) Listed company.

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 18, 2019, 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 main duties of the Board of Directors are to define the overall strategic direction of the Company and the Group and monitor its implementation, approve any significant transactions falling outside the scope of the strategic direction set by the Board of Directors, verify the reliability and fair presentation of information concerning the Company and the Group, and the protection of the Company's assets, and ensure that the major risks to which

the Company is exposed with regard to its structure and targets – whether financial, legal, operational, social or environmental – are taken into account in the Company's management.

At its meeting on January 28, 2020, the Board of Directors amended the Charter of the Board of Directors to ensure it safeguards the Company's corporate interests by taking into consideration the social and environmental issues arising from its operations and, where appropriate, the Company's core purpose, as laid down pursuant to Article 1835 of the French Civil Code, and to protect its heritage.

The Board of Directors also sees to it that procedures to prevent corruption and influence-peddling are implemented, and that a policy of non-discrimination and diversity is in place, notably in respect of gender equality within the governing bodies.

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 2019).

The balance of powers 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, the Nominations & Compensation Committee consists entirely of Independent Directors, and at least two-thirds of the members of both the Performance Audit Committee and the Ethics & Sustainable Development Committee are Independent Directors.

1.6 Performance Audit Committee

The main responsibilities of the Performance Audit Committee are to:

- monitor the process of preparing financial and non-financial information, in particular the parent company 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 including risks of a social and environmental nature, and internal audit procedures, monitor the ongoing effectiveness of those procedures, and make recommendations to Executive Management on the priorities

and general direction of the work of the Internal Audit function, 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, including those of a social and environmental nature, as well as material off-balance sheet commitments of the Company and the Group;

- 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;

- 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 safeguards 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.

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. By virtue of their professional experience (see also §1.4.1 above: "List of positions and offices held by members of the Board of Directors") 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.

At close of the Shareholders' Meeting on June 30, 2020, Clara Gaymard will join the Performance Audit Committee in place of Antoine Arnault. Clara Gaymard was a magistrate at the Cour des Comptes and possesses lengthy experience as a senior executive.

As of this date, the Performance Audit Committee will thus be comprised solely of Independent Directors.

The Performance Audit Committee met four times in fiscal year 2019, with all of its members in attendance. All of these meetings were held without any members of the Company's Executive Management in attendance. Two meetings were devoted to the review of the financial statements in advance of their examination by the Board of Directors.

These meetings were also attended by the Statutory Auditors, Chief Financial Officer, Deputy Chief Financial Officer, Internal Audit Director, Tax Director, Director of Legal Affairs and, depending on the issues discussed, the Financing and Treasury Director, the Financial Communications Director, the Risk Management Director and the Operations Director.

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 audit, internal control procedures within the Group and the financial market's view of the Group, and the implementation on January 1, 2019, of the new IFRS 16 standard. Presentations on these points were made by the Group's Chief Financial Officer.

As part of the review of the 2018 parent company and consolidated financial statements, the Statutory Auditors gave a presentation to the Committee, in particular covering internal control, inventory valuations, and the main audit issues identified as well as the scope of their work.

The Committee 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.

Individual attendance rates for serving Directors at meetings of the Performance Audit Committee as of December 31, 2019

Members	Committee meeting dates				Attendance rate
	01/28/2019	04/16/2019	07/23/2019	10/22/2019	
Yves-Thibault de SILGUY (Chairman)	✓	✓	✓	✓	100%
Antoine ARNAULT	✓	✓	✓	✓	100%
Charles de CROISSET	✓	✓	✓	✓	100%

1.7 Nominations & Compensation Committee

After undertaking its own review, the Committee is responsible for issuing opinions on applications and renewals for the positions of Director and Advisory Board member, making sure that the Company's Board of Directors includes prominent independent persons from outside the Company. In particular, it discusses whether Board members may be deemed Independent Directors with regard to applicable criteria. It also makes proposals on the appointment or reappointment of the Chairman of the Performance Audit Committee.

As part of the preparation of the *Board of Directors' report on corporate governance*, the Committee gives its opinion on the diversity policy applicable to members of the Board of Directors, the description of the goals of that policy, the terms of its implementation and the results obtained over the fiscal year covered by the aforementioned report.

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 Group Managing Director, on potential appointments to the Group's Executive Committee and candidates for Executive 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 completing its own review, the Committee issued recommendations for allocating compensation for serving as a company officer (formerly known as directors' fees) paid by the Company and drew up a summary table of such compensation paid to each Director.

It makes proposals to the Board on the fixed, variable, exceptional, immediate and deferred compensation and benefits in kind to be awarded to (i) the Chairman of the Company's Board of Directors, its Chief Executive Officer and its Group Managing Director (s) and (ii) Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract; where applicable, it also issues an opinion on any consulting 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 supplementary pension plans set up by the Company for its senior executives, and issues recommendations on any retirement bonuses that may be paid to a senior executive officer 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 fiscal year as well as any options granted to them or exercised by them in the same period. The report shall also list the ten employees of the Company who received and exercised the most options.

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 three times in fiscal year 2019, with all of its members in attendance. In particular, it (i) issued proposals on the fixed and variable components of compensation as well as benefits in kind 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) gave its opinion on the amount to be paid to a senior executive of a subsidiary under this individual's medium-term incentive plan, and on (v) the qualitative criteria to be used for the vesting of bonus shares granted to the senior executive of a subsidiary and subject to conditions specifically related to the performance of that subsidiary; (vi) reviewed the statement of compensation paid to Directors and Advisory Board members during fiscal year 2019; and (vii) reviewed the Board of Directors' draft report on the compensation policy that will be submitted for shareholder approval.

In addition, the Committee issued an opinion on the status of all Directors with regard, in particular, to the independence criteria set forth within the AFEP/MEDEF Code. It reviewed the directorships of members of the Board of Directors due to expire at the close of the Shareholders' Meeting of April 18, 2019 and expressed a favorable opinion on the renewal of Directors' terms of office. It accepted the proposals of (i) Iris Knobloch as a new Director, with Bernadette Chirac having not sought reappointment, and (ii) Yann Arthus-Bertrand as an Advisory Board member, and expressed a favorable opinion on their respective appointments. It considered Bernard Arnault's position as Chairman of the Board of Directors and Chief Executive Officer and Antonio Belloni's position as Group Managing Director, and expressed an opinion in favor of their reappointment. It also issued a favorable opinion on the combined role of Chairman of the Board of Directors and Chief Executive Officer. It examined measures adopted by the Company to ensure the safety of the Chairman and his family. In addition, it reviewed succession planning for senior executive officers.

Prior to the Board of Directors' meeting of January 28, 2020, the Committee reviewed and made proposals related, in particular, to the Company's compensation policy for company officers and senior executives. It also reviewed the fixed compensation of the senior executive officers and found that there were no grounds for any changes. After reviewing the individual performance of

the senior executive officers and the level of achievement of each of the targets used to determine their variable compensation in respect of 2019, and noting that the quantifiable targets had been exceeded and the qualitative targets – partly organizational and partly managerial in nature – had been met, the Committee submitted a proposal to the Board. The Committee also expressed its opinion on the criteria that may be used to determine variable compensation for 2020. Lastly, it issued a recommendation on the fixed compensation for 2020 and variable compensation for 2019 of Directors receiving compensation (other than that received in respect of their term of office as Directors) from the Company or its subsidiaries.

The Committee also reviewed the status of each serving Director and Advisory Board member whose term of office was due to expire in 2020 and issued opinions in favor of (i) the renewal of the terms of office of Delphine Arnault, Antonio Belloni, Diego Della Valle, Marie-Josée Kravis and Marie-Laure Sauty de Chalon as Directors, (ii) the appointment of Natacha Valla as Director, and (iii) the appointment of Lord Powell of Bayswater as an Advisory Board member, given that he had indicated his intention to step down from the Board of Directors at the close of the Shareholders' Meeting of June 30, 2020. The Committee was informed of Paolo Bulgari's decision not to seek reappointment as an Advisory Board member.

Individual attendance rates for serving Directors at meetings of the Nominations & Compensation Committee as of December 31, 2019

Members	Committee meeting dates			Attendance rate
	01/29/2019	07/24/2019	10/24/2019	
Charles de CROISSET (Chairman)	✓	✓	✓	100%
Marie-Josée KRAVIS	✓	✓	✓	100%
Yves-Thibault de SILGUY	✓	✓	✓	100%

1.8 Ethics & Sustainable Development Committee

At its meeting of April 14, 2016, the Board of Directors decided to establish an Ethics & 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;
- help define rules of conduct and principles for action regarding ethics and environmental, workforce-related and social responsibility, which must be followed by the Group's senior executives and employees;
- 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 whistleblowing 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, Delphine Arnault and Marie-Laure Sauty de Chalon.

Three of its members are Independent Directors.

The Committee met once in fiscal year 2019, with all of its members in attendance. At that meeting, the Ethics & Compliance Director gave a progress update on the Group's compliance program, notably in connection with the Sapin 2 Act and the Law on the duty of care for parent companies.

Individual attendance rates for serving Directors at meetings of the Ethics & Sustainable Development Committee as of December 31, 2019

Members	Committee meeting dates	Attendance rate
	11/06/2019	
Yves-Thibault de SILGUY (Chairman)	✓	100%
Delphine ARNAULT	✓	100%
Marie-Laure SAUTY de CHALON	✓	100%
Hubert VÉDRINE	✓	100%

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. The Company has not appointed a Vice-Chairman.

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 competence. 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 Company currently has two Advisory Board members: Paolo Bulgari, whose extensive knowledge of the Group and the global luxury goods market represents a valuable asset during the Board's discussions, and Yann Arthus-Bertrand, whose input is particularly beneficial for the Board's consideration of environmental issues facing the Group's businesses.

Advisory Board members

Name	Nationality	Date of first appointment	Renewal of the term of office
Yann ARTHUS-BERTRAND	French	04/18/2019	2022
Paolo BULGARI	Italian	03/31/2011	2020

1.10.2 List of positions and offices held by the Advisory Board members

1.10.2.1 Currently serving Advisory Board members

Yann ARTHUS-BERTRAND

Date of birth: March 13, 1946.

Business address: GoodPlanet Fondation – Carrefour de Longchamp – 75116 Paris (France).

Yann Arthus-Bertrand began his career as a photographer and film director, and very early on became involved in protecting the environment through his creative work. In 2005, he created

the GoodPlanet Foundation, a recognized public-interest organization, which he still chairs today, and which aims to make environmentalism and humanism a central issue. In addition to its work to raise public awareness, especially among young people, the Foundation supports a wide range of programs, particularly those aimed at combating global warming and deforestation, and protecting the oceans.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Advisory Board member
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Other

France	GoodPlanet Foundation	Chairman
	Fondation Groupe France Télévisions	Member of the Board of Directors
	Fondation Jacques Chirac	Member of the Board of Directors
	Total Foundation	Member of the Board of Directors
	Académie des Beaux-Arts	Member
	United Nations Environment Programme (UNEP)	Goodwill Ambassador

1.10.2.2 Advisory Board members whose term of office expires at the close of the Shareholders' Meeting

Paolo BULGARI

Date of birth: October 8, 1937.

Business address: Bvlgari – Lungotevere Marzio, 11 – 00187 Rome (Italy).

The nephew of Sotirio Bulgari, founder of the House of Bvlgari, Paolo Bulgari began his career as a gemstone specialist within the family business in 1960. He has been Chairman of Bvlgari since 1984. Recognized as one of the leading gemstone experts, he embodies the spirit of the Maison 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.

1.10.2.3 Appointment of an Advisory Board member proposed at the Shareholders' Meeting

Lord POWELL of BAYSWATER

Date of birth: July 6, 1941.

Business address: LVMH House – 15 St George Street – W1S 1FH
London (United Kingdom).

Further information concerning Lord Powell's background and experience may be found in §1.4.1.1 of this document.

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
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Other

International	Hong Kong Land Holdings (Bermuda) ⁽¹⁾	Director
	Jardine Strategic Holdings (Bermuda) ⁽¹⁾	Director
	Matheson & Co. Ltd (United Kingdom)	Director
	Northern Trust Corporation (United States) ⁽¹⁾	Director

Positions and offices that have ended since January 1, 2015

International	Mandarin Oriental International Holdings (Bermuda)	Director
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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 double voting rights to the holders of registered

shares, are set out in the "Other information" section (§1.3 "Additional information") of this 2019 Universal Registration Document.

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)

Type	Authorization date	Expiry/Duration	Amount authorized	Use as of December 31, 2019
Share repurchase program Maximum purchase price: 400 euros	SM April 18, 2019 (16th resolution)	October 17, 2020 (18 months)	10% of the share capital ^(b)	Movements during the fiscal year ^(c) • Purchases: 480,446 shares • Disposals: 310,946 shares • 1,778,911 shares held at 12/31/2019
Reduction of capital through the retirement of shares purchased under the share repurchase program	SM April 18, 2019 (17th resolution)	October 17, 2020 (18 months)	10% of the share capital per 24-month period ^(b)	• Shares retired between January 1 and April 17, 2019: 2,156 shares ^(d) • Shares retired between April 18 and December 31, 2019: 0 shares ^(e)

(a) A resolution renewing these authorizations will be presented at the Shareholders' Meeting of June 30, 2020. See §1.13 below.

(b) As a guide, this equates to 50,502,734 shares on the basis of the share capital under the Bylaws as of December 31, 2019.

(c) Movements between April 18, 2019 and December 31, 2019 mentioned in §6 of the *Management Report of the Board of Directors* - "Parent company: LVMH Moët Hennessy - Louis Vuitton".

(d) Retirement of shares pursuant to the 14th resolution approved at the Shareholders' Meeting of April 12, 2018.

(e) Retirement of shares pursuant to the 17th resolution approved at the Shareholders' Meeting of April 18, 2019.

(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, 2019
Through the capitalization of profit, reserves, additional paid-in capital or other items (L.225-129-2 and L.225-130)	SM April 18, 2019 (18th resolution)	June 17, 2021 (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 18, 2019 (19th resolution)	June 17, 2021 (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 <i>et seq.</i>)	SM April 18, 2019 (20th resolution)	June 17, 2021 (26 months)	50 million euros ^{(a)(b)}	At least equal to the minimum price required by regulations ^(c)	None
• for qualified investors or a restricted group of investors (L.225-135 <i>et seq.</i>)	SM April 18, 2019 (21st resolution)	June 17, 2021 (26 months)	50 million euros ^{(a)(b)} Issue of shares capped at 20% of the share capital 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 19th, 20th and 21st resolutions of the Shareholders' Meeting of April 18, 2019	SM April 18, 2019 (23rd resolution)	June 17, 2021 (26 months)	Up to a maximum of 15% of the initial issue and up to 50 million euros ^(a)	Same price as the initial issue	None
In connection with a public exchange offer (L.225-148)	SM April 18, 2019 (24th resolution)	June 17, 2021 (26 months)	50 million euros ^(a)	Free	None
In connection with in-kind contributions (L.225-147)	SM April 18, 2019 (25th resolution)	June 17, 2021 (26 months)	10% of the share capital at the issue date ^{(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). Overall cap set at the Shareholders' Meeting of April 18, 2019 for any issues decided upon pursuant to the 18th, 19th, 20th, 21st, 23rd, 24th, 25th, 26th or 27th 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 18, 2019, 23rd 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 18, 2019, 22nd resolution).

(d) As a guide, this equates to 50,502,734 shares on the basis of the share capital under the Bylaws as of December 31, 2019.

Employee share ownership

Type	Authorization date	Expiry / Duration	Amount authorized	Issue price determination method	Use as of December 31, 2019
Share subscription or purchase options (L.225-177 <i>et seq.</i>)	SM April 18, 2019 (26th resolution)	June 17, 2021 (26 months)	1% of the share capital ^{(b)(c)}	Average share price over the 20 trading days preceding the grant date ^(d) , with no discount	<ul style="list-style-type: none"> • Granted: None • Available to be granted: 5,050,273 shares
Bonus share awards (L.225-197-1 <i>et seq.</i>) ^(a)	SM April 12, 2018 (15th resolution)	June 11, 2020 (26 months)	1% of the share capital ^{(b)(e)}	Not applicable	<ul style="list-style-type: none"> • Granted: 209,554 shares • Available to be granted: 4,860,248 shares
Capital increase reserved for employees who are members of a company savings plan (L.225-129-6)	SM April 18, 2019 (27th resolution)	June 17, 2021 (26 months)	1% of the share capital ^{(b)(c)}	Average share price over the 20 trading days preceding the grant date, with a maximum discount of 20%	None

(a) A resolution renewing this authorization under identical terms will be presented at the Shareholders' Meeting of June 30, 2020. See §1.13 below.

(b) Up to the overall maximum of 50 million euros set at the Shareholders' Meeting of April 18, 2019, against which this amount is offset.

(c) As a guide, this equated to 5,050,273 shares on the basis of the share capital under the Bylaws as of April 18, 2019.

(d) For purchase options, the price may not be less than the average purchase price of the shares.

(e) As a guide, this equated to 5,069,802 shares as of April 12, 2018.

1.13 Authorizations proposed at the Shareholders' Meeting of June 30, 2020

Share repurchase program (L.225-209 *et seq.* of the French Commercial Code)

Type	Resolution	Expiry/Duration	Amount authorized
Share repurchase program Maximum purchase price: 550 euros	SM June 30, 2020 (18th resolution)	December 29, 2021 (18 months)	10% of the share capital ^(a)
Reduction of capital through the retirement of shares purchased under the share repurchase program	SM June 30, 2020 (19th resolution)	December 29, 2021 (18 months)	10% of the share capital per 24-month period ^(a)

(a) As a guide, this equates to 50,502,734 shares on the basis of the share capital under the Bylaws as of December 31, 2019.

Employee share ownership

Type	Authorization date	Expiry / Duration	Amount authorized	Issue price determination method
Bonus share awards (L.225-197-1 <i>et seq.</i>)	SM June 30, 2020 (20th resolution)	August 29, 2022 (26 months)	1% of the share capital ^{(a)(b)}	Not applicable

(a) Up to the overall maximum of 50 million euros set at the Shareholders' Meeting of April 18, 2019 (28th resolution), against which this amount is offset.

(b) As a guide, this equates to 5,050,273 shares on the basis of the share capital under the Bylaws as of December 31, 2019.

1.14 Information on the related-party agreements covered by Article L.225-37-4 2° of the French Commercial Code

Pursuant to the provisions of Article L.225-37-4 2° of the French Commercial Code, as amended by the French Law of May 22, 2019 on business growth and transformation, known as the PACTE law, any agreements covered by said article that were entered into during fiscal year 2019 and brought to the Company's attention are stated below.

An indirect subsidiary of Groupe Arnault SEDCS acquired an office complex located in Paris on September 26, 2019. Louis Vuitton Malletier, a subsidiary of LVMH, leased this complex for a period of 12 years, including six on a non-cancellable basis.

The annual rental cost stands at 1,649,100 euros before taxes and service charges, after a rent-free period of 18 months.

In addition, two indirect subsidiaries of LVMH acquired on September 11 and 26, 2019, several housing units and parking spaces in a real estate complex located at Courchevel. La Société d'Exploitation de l'Hôtel Cheval Blanc (Courchevel), an indirect subsidiary of Groupe Arnault SEDCS, leased some of these properties for a one-year period in return for an annual rental payment of 410,000 euros excluding taxes and service charges.

1.15 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 47.35% of the share capital and 63.40% of the voting rights exercisable at Shareholders' Meetings as of December 31, 2019;
- 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 for qualified investors or a restricted group of investors, 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.

1.16 Presentation of the policy for assessing agreements concluded within the normal course of the Company's operations and at arm's length by the Board of Directors

At its meeting on January 28, 2020, the Board of Directors approved the charter on the control of related-party agreements and assessing agreements concluded within the normal course of business, the main provisions of which are as follows:

Once a year ahead of the meeting of the Board of Directors at which the parent company financial statements are approved, the Company's Legal Department conducts a review of such agreements concluded within the normal course of business in

a prior period or previously where they remained in force in the previous fiscal year. It confirms that said agreements still qualify as having been concluded in the normal course of business as laid down in the charter, based on the information provided by the relevant operational divisions. A report is then drafted on the basis of this review and submitted to the Performance Audit Committee, which, in turn, after reviewing it, presents the findings of said report to the Board of Directors, which, where appropriate, may recharacterize agreements.

2. COMPENSATION OF COMPANY OFFICERS

The compensation policy for company officers and senior executive officers is set by the Board of Directors after consulting the Nominations & Compensation Committee, whose responsibilities include (i) making proposals on the fixed, variable and exceptional compensation, benefits in kind and breakdown of compensation allocated to the members of the Board of Directors and the Advisory Board members in respect of their terms of office; (ii) giving an opinion on the granting of options or bonus performance shares to the Chairman and Chief Executive Officer and the Group Managing Director, and on the requirement to retain possession of a portion of any such shares; (iii) formulating a position on supplementary pension plans set up by the Company for its company officers; and (iv) making proposals on any retirement bonuses that may be paid to a senior executive upon leaving the Company.

Every year, the Board of Directors determines the fixed, variable and exceptional compensation of the Chairman and Chief

Executive Officer, the Group Managing Director and the Directors holding executive positions within the Group, as well as any awards of bonus shares to such company officers, after considering the recommendations made by the Nominations & Compensation Committee. It also takes into account their duties and the scope of their responsibilities, their individual performance and that of the Group during the previous fiscal year, the size of the Group and its international standing, the compensation paid for performing equivalent duties in comparable businesses, and the employment situation and level of compensation within the Group.

The Board of Directors is responsible for resolving any conflicts of interests brought to its attention.

No compensation of any type whatsoever may be calculated, awarded or paid by the Company unless it complies with the compensation policy approved at the Shareholders' Meeting.

2.1 Compensation policy

2.1.1 Non-senior-executive company officers

2.1.1.1 Compensation for serving as a company officer (formerly known as directors' fees)

The Shareholders' Meeting sets maximum aggregate amount that may be awarded to Directors to compensate them for their duties.

Compensation awarded to each Director is set in accordance with the rules indicated below, which were determined by the Board of Directors, based on the proposal submitted by the Nominations & Compensation Committee, which considers the Advisory Board members as equivalent to Directors in this regard.

The compensation is stated as a number of units, with the amount of each unit corresponding to the sum allotted by the Shareholders' Meeting divided by the number of units to be paid out, subject to a cap of 22,500 euros.

- (i) for each Director or Advisory Board member of the LVMH group with employee or senior executive officer status: One unit;
- (ii) for each Director or Advisory Board member of the LVMH group without employee or senior executive officer status: Two units;

- (iii) for serving as a Committee member: One additional unit;
- (iv) for serving as a Committee Chairman: One additional unit;
- (v) for serving as the Company's Lead Director: One additional unit;
- (vi) for serving as Chairman or Vice-Chairman of the Company's Board of Directors: Two additional units.

The settlement of a portion of the compensation allocated to Directors and Advisory Board members is contingent upon their attendance at meetings of the Board of Directors and any Committees on which they serve. A reduction in the amount to be paid is applied to two-thirds of the compensation described under (i) and (ii) above, proportional to the number of Board meetings the Director or Advisory Board member in question does not attend.

In addition, for Committee members, a reduction in the amount to be paid is applied to the additional compensation described under (iii) and (iv) above, proportional to the number of Committee meetings the Director in question does not attend.

The Nominations & Compensation Committee is kept informed of the amount of compensation for serving as a Director (formerly known as directors' fees) paid to senior executive officers of the Company by Group subsidiaries in respect of their term(s) of office as a Director at these subsidiaries.

2.1.1.2 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.

No fixed or variable compensation other than that stated hereinabove may be paid by the Company to non-senior-executive company officers in respect of their appointment.

2.1.1.3 Employment contracts or service agreements entered into with the Company

No employment contract or service agreement may be entered into by the Company with non-senior-executive company officers. Compensation for those among them holding duties within controlled companies is paid by the relevant companies.

2.1.1.4 Severance benefits

Under his employment contract with a controlled company, Nicolas Bazire is covered by a non-compete clause entitling him to receive monthly compensation over a period of 12 months equal to his monthly compensation as of the date his employment contract ends, plus one-twelfth of the last bonus he received.

2.1.1.5 Obligations under company pension and provident insurance plans

In return for their duties at controlled companies, non-senior-executive company officers qualify for the mandatory company provident insurance plan and statutory basic and supplementary pension plans applicable to the controlled companies' employees.

2.1.1.6 Supplementary pension plan

Around 20 years ago, the Company set up a supplementary pension plan for members of the Group's Executive Committee. The plan's potential recipients included certain non-senior-executive company officers by virtue of their status as members of the Executive Committee. This plan provided for the payment of a supplementary pension to its members who were employees or senior executive officers of French companies, and who had been members of the Committee for at least six years, provided that they liquidated any pensions acquired under external pension plans immediately upon terminating their duties with the Group; this was not required, however, if they left the Group at its request after the age of 55, as long as they did not take up any other professional activity until their external pension plans had been liquidated.

This supplementary pension benefit was 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. 1,418,340 euros as of December 31, 2019). The annual supplementary pension benefit was equal to the difference between 60% of the aforementioned reference compensation amount, which was capped where applicable, and all pension payments made in France and abroad (under France's general social security plan and the supplementary ARRCO and AGIRC plans, as well as any additional employer-funded pension plans). As of December 31, 2019, the total amount of pensions and the supplementary pension could not exceed 851,004 euros per year.

Pursuant to the Order of July 3, 2019, this supplementary pension plan has been closed, and the rights frozen as of December 31, 2019.

A replacement plan complying with the legislation in force is currently being set up for non-senior-executive company officers who satisfy the conditions that will be set. It is expected to be adopted during 2020.

2.1.2 Senior executive officers

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.

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:

2.1.2.1 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.

2.1.2.2 Variable and exceptional 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 weighted at 60% and 40%, respectively, 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. Specific qualitative criteria – which can be strategic, managerial, organizational or operational and related to corporate social responsibility and sustainable development in particular – have been set, but their details are not made public for confidentiality reasons. The method used for assessing performance is reviewed by the Nominations & 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.

In certain cases, exceptional compensation may also be awarded to the Chairman and Chief Executive Officer and to the Group Managing Director.

Payment to the Chairman and Chief Executive Officer and Group Managing Director of the variable and exceptional components of their compensation is subject to prior approval of the amount at an Ordinary Shareholders' Meeting.

2.1.2.3 Award of share options and bonus shares

The granting of options to purchase or subscribe for shares as well as the granting of bonus share awards are means to reward and retain the Group's employees and senior executive officers who contribute most directly to the results of its operations by allowing them to share in the Group's future performance.

The Chairman and Chief Executive Officer and the Group Managing Director are eligible for stock option plans set up by the Company for the Group's employees and senior executives.

No option plan has been set up by the Company since the May 14, 2009 plan, which carried performance conditions and expired on May 13, 2019. The Chairman and Chief Executive Officer and the Group Managing Director participated in this plan and must retain possession, in registered form and until the end of their respective terms of office, of a number of shares resulting from the exercise of their options representing a sliding percentage of between 50% and 30% (according to the date at which the options were exercised) 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. This obligation shall expire when the value of shares held exceeds twice the gross amount of their most recently disclosed fixed and variable compensation as of the date the options were exercised.

If any new stock option plans were to be set up by the Board of Directors, both the Chairman and Chief Executive Officer and the Group Managing Director would be eligible for these plans, the options would be subject to continued service and performance conditions, and a specific holding requirement would apply to the Chairman and Chief Executive Officer and to the Group Managing Director. They would be required to retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares resulting from the exercise of their options that corresponds to a sliding percentage of between 50% and 30% (depending on the date the options were exercised) 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. This holding requirement would cease to apply when the value of the shares held exceeds twice the gross amount of their most recently disclosed fixed and variable compensation as of the exercise date for the options.

The Chairman and Chief Executive Officer and the Group Managing Director are eligible for the bonus share plans set up by the Board of Directors for the Group's managers and senior executives.

However, they may only be granted bonus share awards that vest subject to continued service and performance conditions as determined by the Board of Directors based on a proposal submitted by the Nominations & Compensation Committee. In the event of the vesting of their shares, they are subject to a specific holding requirement. They must retain possession, in registered form and until the conclusion of their respective terms of office, of a number of shares representing half of the notional capital gain, net of tax, other duties, and social security contributions, determined on the basis of the closing share price on the day before the vesting date. In addition, the Board of Directors, adopting the recommendation put forward by the Nominations & Compensation Committee, capped the financial value of shares that may be awarded to the Chairman and Chief Executive Officer and the Group Managing Director at 60% and 40%, respectively, of their total annual compensation.

The main characteristics of the bonus share plans for the Chairman and Chief Executive Officer and for the Group Managing Director are presented in §2.2.2.6, together with the number and value of shares awarded to them.

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 & 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.

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.

2.1.2.4 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.

2.1.2.5 Compensation for serving as a senior executive officer (formerly known as directors' fees)

Like the other members of the Board of Directors, the Chairman and Chief Executive Officer and the Group Managing Director may receive compensation for serving as a Director (formerly known as directors' fees) in accordance with the rules for the allocation of this compensation presented in §2.1.1.1. "Compensation for serving as a company officer".

2.1.2.6 Employment contracts or service agreements entered into with the Company

This information is disclosed in §2.2.2.4 below.

2.1.2.7 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 (a permanent contract suspended for the duration of his term as Group Managing Director); this non-compete commitment for a period of 12 months provides for the monthly payment of compensation equal to his monthly compensation as of the date his term of office ends, plus one-twelfth of the last bonus received. Article 22 (former Article 21) of the AFEP/MEDEF Code updated on January 30, 2020, 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.

2.1.2.8 Obligations under company pension and provident insurance plans

Senior executive officers qualify by virtue of their appointment for the mandatory company insurance plan and statutory basic and supplementary pension plans applicable to the Company's employees.

2.1.2.9 Supplementary pension plan

Around 20 years ago, the Company set up a supplementary pension plan for members of the Group's Executive Committee. The plan's potential beneficiaries include the Chairman and Chief Executive Officer and the Group Managing Director because they are members of the Executive Committee. This plan provided for the payment of a supplementary pension to its members who were employees or senior executive officers of French companies, and who had been members of the Committee for at least six years, provided that they liquidated any pensions acquired under external pension plans immediately upon terminating their duties with the Group; this was not required, however, if they left the Group at its request after the age of 55, as long as they did not take up any other professional activity until their external pension plans had been 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. 1,418,340 euros as of December 31, 2019). The annual supplementary pension benefit is equal to the difference between 60% of the aforementioned reference compensation amount, which is capped where applicable, and all pension payments made in France and abroad (under France's general social security plan and the supplementary ARRCO and AGIRC plans, as well as any additional employer-funded pension plans). As of December 31, 2019, the total amount of pensions and the supplementary pension could not exceed 851,004 euros per year.

Pursuant to the Order of July 3, 2019, this supplementary pension plan has been closed and is unable to accept new members. Pension rights were frozen at December 31, 2019, and no new additional rights may vest under this plan.

Given the characteristics of the pension plan presented above and Bernard Arnault's and Antonio Belloni's personal circumstances, their potential supplementary pension no longer entitled to them in 2019 to the annual vesting of any additional rights, such that the Order of July 3, 2019 had no impact on their potential supplementary pension. It remains subject to the arrangements presented above that the Company had put in place.

On the basis of compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director in 2019, their supplementary pension under the aforementioned system would not exceed 45% of the amount of their last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code.

2.2 Compensation paid during fiscal year 2019 and compensation awarded in respect of fiscal year 2019

The Shareholders' Meeting of April 18, 2019 approved, pursuant to the former provisions of Article L.225-37-2 of the French Commercial Code, the compensation policy applicable to senior executive officers, and the Company has complied with it.

The information provided hereinafter meets the requirements of the provisions of Article L.225-37-3 of the French Commercial Code as established by the Order of November 27, 2019 and its implementing decree.

2.2.1 Compensation paid during fiscal year 2019 and compensation awarded in respect of fiscal year 2019 to non-senior-executive company officers

2.2.1.1 Summary of compensation allocated for service on the Board of Directors, other compensation and benefits in kind paid, and commitments given to non-senior-executive company officers

a) Compensation for serving as a Director (formerly known as directors' fees)

Directors (EUR)	Compensation awarded in respect of fiscal year 2019/ paid during fiscal year 2019				Compensation awarded in respect of fiscal year 2018/ paid during fiscal year 2018			
	Awarded		Paid		Awarded		Paid	
	By LVMH SE	By controlled companies	By LVMH SE	By controlled companies	By LVMH SE	By controlled companies	By LVMH SE	By controlled companies
Antoine Arnault	67,500	10,000	67,500	10,000	67,500	10,000	67,500	10,000
Delphine Arnault	67,500	12,346	67,500	12,346	67,500	12,346	67,500	13,158
Nicolas Bazire	45,000	10,000	45,000	10,000	45,000	10,000	45,000	10,000
Sophie Chassat	45,000	-	45,000	-	2,500	-	2,500	-
Bernadette Chirac	5,000	-	5,000	-	15,000	-	15,000	-
Charles de Croisset	121,875	-	121,875	-	112,500	-	112,500	-
Diego Della Valle	35,000	-	35,000	-	45,000	-	45,000	-
Clara Gaymard	40,000	-	40,000	-	45,000	-	45,000	-
Iris Knobloch	26,000	-	26,000	-	-	-	-	-
Marie-Josée Kravis	67,500	-	67,500	-	52,500	-	52,500	-
Lord Powell of Bayswater	40,000	-	40,000	-	37,500	-	37,500	-
Marie-Laure Sauty de Chalon	67,500	-	67,500	-	67,500	-	67,500	-
Yves-Thibault de Silguy	157,500	-	157,500	-	157,500	-	157,500	-
Hubert Védrine	67,500	-	67,500	-	60,000	-	60,000	-

In addition, gross compensation paid in 2019 by the Company to the Advisory Board members in respect of their service was as follows:

	(EUR)
Yann Arthus-Bertrand	26,000
Paolo Bulgari	25,000

In respect of fiscal year 2019, LVMH paid a total gross amount of 1,038,875 euros to the members of its Board of Directors and Advisory Board members.

b) Compensation, benefits in kind and commitments given to non-senior-executive company officers**Antoine Arnault - Compensation, benefits in kind and commitments given ^(a)**

Compensation (EUR)	Amounts awarded in respect of the fiscal year		Amounts paid during the fiscal year	
	2019	2018	2019	2018
Fixed compensation				
- LVMH				
- Controlled companies	780,000	765,000	780,000	765,000
Variable compensation				
- LVMH				
- Controlled companies	260,000	250,000	250,000 ^(c)	250,000 ^(c)
Exceptional compensation				
- LVMH				
- Controlled companies	100,000	100,000	100,000	100,000
Benefits in kind ^(b)				
- LVMH				
- Controlled companies	22,290	19,320	22,290	19,320
Total	1,162,290	1,134,320	1,152,290	1,134,320

(a) A breakdown of equity securities or securities giving access to equity allocated to company officers during the fiscal year is set out in §2.2.1.2 below.

(b) Benefits in kind: Company car.

(c) Amounts paid in respect of the prior fiscal year.

Delphine Arnault - Compensation, benefits in kind and commitments given ^(a)

Compensation (EUR)	Amounts awarded in respect of the fiscal year		Amounts paid during the fiscal year	
	2019	2018	2019	2018
Fixed compensation				
- LVMH				
- Controlled companies	915,000	875,799	915,000	875,799
Variable compensation				
- LVMH				
- Controlled companies	780,000	755,000	755,000 ^(c)	680,000 ^(c)
Exceptional compensation ^(d)				
- LVMH	-			-
- Controlled companies		3,000,000	1,500,000	
Benefits in kind ^(b)				
- LVMH				
- Controlled companies	9,667	11,635	9,667	11,635
Total	1,704,667	4,642,434	3,179,667	1,567,434

(a) A breakdown of equity securities or securities giving access to equity allocated to company officers during the fiscal year is set out in §2.2.1.2 below.

(b) Benefits in kind: Company car.

(c) Amounts paid in respect of the prior fiscal year.

(d) 2016-2018 medium-term incentive plan: The financial component of 1,500,000 euros was paid out in 2019, and the qualitative component of 1,500,000 euros will be paid out in 2020.

Compensation of company officers

Nicolas Bazire - Compensation, benefits in kind and commitments given ^(a)

Compensation (EUR)	Amounts awarded in respect of the fiscal year		Amounts paid during the fiscal year	
	2019	2018	2019	2018
Fixed compensation				
- LVMH				
- Controlled companies	1,235,000	1,235,000	1,235,000	1,235,000
Variable compensation				
- LVMH				
- Controlled companies	2,700,000	2,700,000	2,700,000 ^(d)	2,700,000 ^(d)
Exceptional compensation				
- LVMH	-	-	-	-
- Controlled companies				
Benefits in kind ^{(b)(c)}				
- LVMH				
- Controlled companies	12,741	12,184	12,741	12,184
Total	3,947,741	3,947,184	3,947,741	3,947,184

(a) A breakdown of equity securities or securities giving access to equity allocated to company officers during the fiscal year is set out in §2.2.1.2 below.

(b) Benefits in kind: Company car.

(c) Other benefits: supplementary pension, as described in §2.1.1.

(d) Amounts paid in respect of the prior fiscal year.

Lord Powell of Bayswater - Compensation, benefits in kind and commitments given

Compensation (in pounds sterling)	Amounts awarded in respect of the fiscal year		Amounts paid during the fiscal year	
	2019	2018	2019	2018
Fixed compensation				
- LVMH				
- Controlled companies	205,000	205,000	205,000	205,000
Variable compensation				
- LVMH	-	-	-	-
- Controlled companies				
Exceptional compensation				
- LVMH	-	-	-	-
- Controlled companies				
Benefits in kind				
- LVMH	-	-	-	-
- Controlled companies				
Total	205,000	205,000	205,000	205,000

The other non-senior-executive company officers do not receive any compensation other than that awarded to them for serving as a Director (formerly known as “directors’ fees”) and presented in the table shown under a) in §2.2.1.1.

2.2.1.2 Options granted to and options exercised by non-senior-executive company officers of the Company

Options granted to non-senior-executive company officers of the Company

See also §4.4 in the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy - Louis Vuitton” for the allocation and holding arrangements.

No new option plans were put in place in 2019.

Options exercised by non-senior-executive company officers of the Company^(a)

Recipients	Company granting the options	Plan date	Number of options	Exercise price (EUR)
Antoine Arnault	LVMH	05/14/2009	10,554	50.8610
Delphine Arnault	LVMH	05/14/2009	5,222	50.8610

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

2.2.1.3 Performance shares allocated to non-senior-executive company officers of the Company during the fiscal year

See also §4.5 in the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy - Louis Vuitton” for the allocation and holding arrangements.

Shares provisionally allocated to non-senior-executive company officers of the Company during the fiscal year

Recipients	Company granting the shares	Plan date	Number of performance shares
Antoine Arnault	LVMH	10/24/2019	850
Delphine Arnault	LVMH	10/24/2019	3,000
Nicolas Bazire	LVMH	10/24/2019	5,716

Shares vested to non-senior-executive company officers of the Company during the fiscal year

Recipients	Company granting the shares	Plan date	Number of performance shares
Antoine Arnault	LVMH	10/20/2016	1,936
Delphine Arnault	LVMH	10/20/2016	1,936
	Christian Dior	12/06/2016	4,371
Nicolas Bazire	LVMH	10/20/2016	13,031

2.2.2 Compensation paid during fiscal year 2019 and compensation awarded in respect of fiscal year 2019 to senior executive officers

2.2.2.1 Summary of compensation, options and performance shares granted to senior executive officers

Bernard Arnault – Chairman and Chief Executive Officer

(EUR)	2019		2018	
	Awarded in respect of fiscal year 2019	Paid during fiscal year 2019	Awarded in respect of fiscal year 2018	Paid during fiscal year 2018
Compensation	3,470,001	3,470,001	3,450,741	3,450,741
Valuation of options	-	-	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year ^(a)	4,482,540	N/A	4,482,439	N/A

Antonio Belloni – Group Managing Director

(EUR)	2019		2018	
	Awarded in respect of fiscal year 2019	Paid during fiscal year 2019	Awarded in respect of fiscal year 2018	Paid during fiscal year 2018
Compensation	5,650,476	5,650,476	5,564,730	5,564,730
Valuation of options	-	-	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year ^(a)	2,021,635	N/A	2,021,405	N/A

(a) A breakdown of any equity securities or securities giving access to equity allocated to senior executive officers during the fiscal year is set out in §2.2.2.6 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”.

2.2.2.2 Summary of compensation of senior executive officers

Bernard Arnault – Chairman and Chief Executive Officer

Compensation (EUR)	Amounts awarded in respect of the fiscal year		Amounts paid during the fiscal year	
	2019	2018	2019	2018
Fixed compensation	1,138,307	1,119,382	1,138,307	1,119,382
– of which: LVMH	894,154	650,000	894,154	650,000
– of which: Controlled companies	244,153	469,382	244,153	469,382
Variable compensation				
– of which: LVMH	2,200,000 ^(a)	2,200,000	2,200,000 ^(b)	2,200,000 ^(b)
– of which: Controlled companies				
Exceptional compensation	-	-	-	-
– of which: LVMH				
– of which: Controlled companies				
Compensation for serving as a Director (formerly known as directors' fees)^(c)				
– by LVMH SE	90,000	90,000	90,000	90,000
– of which: Controlled companies				
Benefits in kind^(d)				
– of which: LVMH	41,694	41,359	41,694	41,359
– of which: Controlled companies				
Total	3,470,001	3,450,741	3,470,001	3,450,741

(a) Subject to approval at the Shareholders' Meeting of June 30, 2020 (13th resolution).

(b) Amounts approved at the Shareholders' Meeting of April 12, 2018 (10th resolution) and April 18, 2019 (12th resolution) and paid in respect of the previous fiscal year.

(c) The rules for awarding compensation for serving as a Director (formerly known as directors' fees) at the Company are presented in §2.1.1 above.

(d) Benefit in kind: Company car.

Antonio Belloni – Group Managing Director

Compensation (EUR)	Amounts awarded in respect of the fiscal year		Amounts paid during the fiscal year	
	2019	2018	2019	2018
Fixed compensation^(e)	3,242,438	3,155,798	3,242,438	3,155,798
– of which: LVMH	2,235,559	1,997,798	2,235,559	1,997,798
– of which: Controlled companies	1,006,879	1,158,000	1,006,879	1,158,000
Variable compensation	2,315,250^(a)	2,315,250	2,315,250^(b)	2,315,250^(b)
– of which: LVMH	1,134,472	1,389,150	1,389,150	1,389,150
– of which: Controlled companies	1,180,778	926,100	926,100	926,100
Exceptional compensation	-	-	-	-
– of which: LVMH	-	-	-	-
– of which: Controlled companies	-	-	-	-
Compensation for serving as a Director (formerly known as directors' fees)^(c)	87,245	87,245	87,245	87,245
– of which: LVMH	45,000	45,000	45,000	45,000
– of which: Controlled companies	42,245	42,245	42,245	42,245
Benefits in kind^(d)	5,543	6,437	5,543	6,437
– of which: LVMH	5,543	6,437	5,543	6,437
– of which: Controlled companies	-	-	-	-
Total	5,650,476	5,564,730	5,650,476	5,564,730

(a) Subject to approval at the Shareholders' Meeting of June 30, 2020 (14th resolution).

(b) Amounts approved at the Shareholders' Meeting of April 12, 2018 (11th resolution) and April 18, 2019 (13th resolution) and paid in respect of the previous fiscal year.

(c) The rules for awarding compensation for serving as a Director (formerly known as directors' fees) at the Company are presented in §2.1.1 above.

(d) Benefit in kind: Company car.

(e) Including housing allowance.

2.2.2.3 Fairness ratios, change in compensation for senior executive officers, the Company's performance and average employee compensation over the past five fiscal years

Article L.225-37-3 of the French Commercial Code as amended by the Order of November 27, 2019 on executive pay provides for companies with shares admitted to trading on a regulated market to disclose the information presented in the table below in the Board of Directors' report on corporate governance, it being specified that:

- fairness ratios have been determined according to the methodology recommended by AFEP in its guidelines on pay multiples published on December 19, 2019;

- pursuant to these guidelines, the scope used to calculate these ratios takes into account employees of the Group's holding company in France;
- the compensation used is the gross compensation paid or awarded during the fiscal year, and the Company performance indicator used is the Group's consolidated profit from recurring operations.

Annual change	2015	2016	2017	2018	2019
Compensation of the Chairman and Chief Executive Officer (EUR thousands)	7,120	5,540 -22.18%	7,951 43.51%	7,933 -0.21%	7,953 0.24%
Compensation of the Group Managing Director (EUR thousands)	9,195	7,665 -16.64%	7,676 0.14%	7,586 -1.16%	7,672 1.13%
Company's performance (EUR thousands)	6,605,075	7,026,056 6.37%	8,293,119 18.03%	10,003,261 20.62%	11,504,124 15.01%
Average compensation (EUR thousands)	280	293 4.56%	297 1.48%	265 -10.86%	306 15.63%
Chairman and Chief Executive Officer compensation/ "Average compensation" fairness ratio	25.41	18.91 -25.58%	26.75 41.46%	29.94 11.93%	25.96 -13.29%
Chairman and Chief Executive Officer compensation/ "Median compensation" fairness ratio	83.05	61.14 -26.38%	84.12 37.59%	78.43 -6.76%	74.39 -5.15%
Group Managing Director compensation/ "Average compensation" fairness ratio	32.82	26.17 -20.26%	25.82 -1.34%	28.63 10.88%	25.04 -12.54%
Group Managing Director compensation/ "Median compensation" fairness ratio	107.26	84.60 -21.13%	81.22 -4.00%	75.00 -7.66%	71.77 -4.31%

2.2.2.4 Employment contracts, specific pensions, severance benefits and non-compete clauses for senior executive officers

Senior executive officers	Employment contract		Supplementary pension plan		Bonuses or benefits due or likely to become due upon ceasing or changing duties		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Bernard Arnault Chairman and Chief Executive Officer		✓	✓			✓		✓
Antonio Belloni Group Managing Director	✓ ^(a)		✓			✓	✓ ^(a)	

(a) Employment contract suspended for the duration of his term as Group Managing Director; non-compete clause, for a period of 12 months, included in the employment contract providing for the monthly payment during its application of compensation equal to his monthly compensation as of the date his term of office ends, plus 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 characteristics of which are described in §2.1.2.

Increases in provisions for these supplementary retirement benefits in 2019 are included in the amount shown for post-employment benefits under Note 33.4 to the consolidated financial statements.

2.2.2.5 Options granted to and options exercised by senior executive officers**Options granted to senior executive officers of the Company**

See also §4.4 in the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy - Louis Vuitton” for the allocation and holding arrangements.

No new option plans were put in place in 2019.

Options exercised by senior executive officers of the Company^(a)

Recipients	Company granting the options	Plan date	Number of options	Exercise price (EUR)
Bernard Arnault	LVMH	05/14/2009	222,172	50.8610
	Christian Dior	05/14/2009	108,817	47.88
Antonio Belloni	LVMH	05/14/2009	81,086	50.8610

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

2.2.2.6 Performance shares allocated to senior executive officers during the fiscal year

See also §4.5 in the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy - Louis Vuitton” for the allocation and holding arrangements.

Shares provisionally allocated during the fiscal year to senior executive officers of the Company

Recipients	Company granting the shares	Date of Shareholders' Meeting	Plan date	Number of performance shares	% of the share capital	Valuation of shares (EUR)
Bernard Arnault	LVMH	04/12/2018	10/24/2019	12,674	0.0025	4,482,540
Antonio Belloni	LVMH	04/12/2018	10/24/2019	5,716	0.0011	2,021,635

Bonus performance shares allocated to senior executive officers under the October 24, 2019 plan represent 9.19% of total

allocations under this plan concerning bonus shares subject to conditions related to the performance of the LVMH group.

Shares vested during the fiscal year to senior executive officers of the Company

Recipients	Company granting the shares	Plan date	Number of performance shares
Bernard Arnault	LVMH	10/20/2016	13,528
	Christian Dior	12/06/2016	13,702
Antonio Belloni	LVMH	10/20/2016	13,031

2.2.2.7 Stock option plans set up in previous years for which the company officers are eligible

2.2.2.7.1 Share purchase option plans

No share purchase option plans were in effect in 2019.

2.2.2.7.2 Share subscription option plans

No share subscription option plans were in effect as of December 31, 2019. The share subscription option plan set up by the LVMH SE on May 14, 2009 expired on May 13, 2019. The terms and conditions of exercising options and the performance conditions related to exercising options are presented in §4.4 of the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy - Louis Vuitton”. For the option 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 end of their respective terms of office, of a number of shares representing a sliding percentage of between 50% and 30% (according to the date at which the options were exercised) 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. This obligation shall expire when the value of shares held exceeds twice the gross amount of their most recently disclosed fixed and variable compensation as of the date the options are exercised.

Date of Shareholders' Meeting	05/11/2006
Date of Board of Directors' meeting	05/14/2009
Total number of options granted at plan inception ^(a)	1,301,770
of which: Company officers ^(b)	541,000
Bernard Arnault ^(c)	200,000
Antoine Arnault ^(c)	9,500
Delphine Arnault ^(c)	9,500
Nicolas Bazire ^(c)	100,000
Antonio Belloni ^(c)	100,000
of which: Top ten employee recipients ^(d)	327,013
Number of recipients	653
Earliest option exercise date	05/14/2013
Expiry date	05/13/2019
Subscription price (EUR) ^(e)	50.861

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

(b) Options granted to company officers in service as of the plan's commencement date.

(c) Company officers in service as of December 31, 2019.

(d) Options granted to the top ten employee recipients - other than company officers - in service as of the plan's commencement date.

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

2.2.2.8 Performance share plans set up in previous years for which company officers are eligible

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	04/16/2015	04/16/2015	04/14/2016	04/14/2016	04/14/2016	04/12/2018	
Date of Board of Directors' meeting	04/16/2015	10/22/2015	10/20/2016 ^(a)	10/25/2017 ^(a)	04/12/2018	10/24/2019	
	Performance shares	Performance shares	Performance shares	Performance shares	Performance shares	Performance shares	Total
Total number of bonus performance shares provisionally allocated at plan inception	73,262	315,532	310,509	346,490	332,116	200,077	1,577,986
<i>of which: Company officers^(b)</i>	<i>41,808</i>	<i>46,990</i>	<i>43,462</i>	<i>43,549</i>	<i>37,759</i>	<i>27,956</i>	<i>241,524</i>
Bernard Arnault ^(c)	10,012	14,626	13,528	19,745	17,119	12,674	87,704
Antoine Arnault ^(c)	1,432	2,093	1,936	1,323	1,148	850	8,782
Delphine Arnault ^(c)	1,432	2,093	1,936	4,673	4,052	3,000	17,186
Nicolas Bazire ^(c)	9,644	14,089	13,031	8,904	7,720	5,716	59,104
Antonio Belloni ^(c)	9,644	14,089	13,031	8,904	7,720	5,716	59,104
<i>of which: Top ten employee recipients^(d)</i>	<i>31,454</i>	<i>61,858</i>	<i>57,734</i>	<i>120,378</i>	<i>134,814</i>	<i>33,103</i>	<i>439,341</i>
Number of recipients	14	740	740	851	859	1,039	
Vesting date	04/16/2018 ^(e)	10/22/2018 ^(e)	10/20/2019	10/25/2020 ^(f)	04/12/2021 ^(g)	10/24/2022	
Date as of which the shares may be sold	04/16/2020 ^(e)	10/22/2020 ^(e)	10/20/2019	10/25/2020 ^(f)	04/12/2021 ^(g)	10/25/2022	
Performance condition	Met	Met	Met	Met^(h)	Met in 2019	Not applicable in 2019	

(a) The total number of bonus shares and performance shares in the plans set up on October 20, 2016 and October 25, 2017 stands at 360,519 shares and 364,992 shares, respectively (see §4.5.1 in the *Management Report of the Board of Directors* – “Parent company: LVMH Moët Hennessy - Louis Vuitton”). No bonus shares were awarded to company officers.

(b) Total number of performance shares allocated to company officers in service as of the provisional allocation date.

(c) Company officers in service as of December 31, 2019.

(d) Performance shares allocated to the top ten employee recipients – other than LVMH company officers – in service as of the provisional allocation date.

(e) Shares vested and became available on April 16, 2019 and October 22, 2019 for recipients who are not French residents for tax purposes.

(f) For shares subject to a condition specifically related to the performance of a subsidiary, shares vest and become available on June 30, 2024 if targets are met in respect of the fiscal year ending December 31, 2023 (or, where applicable, on June 30, 2023 if targets are met in respect of the fiscal year ending December 31, 2022).

(g) For shares subject to a condition specifically related to the performance of a subsidiary, all shares vest and become available on June 30, 2023 provided that targets are met in respect of fiscal year 2022; or, where applicable, 71,681 of these shares vest and become available on June 30, 2024 if performance conditions were not met in respect of fiscal year 2022 but are met for fiscal year 2023.

(h) Condition related to the performance of LVMH SE.

2.3 Presentation of the draft resolutions concerning the compensation of company officers

2.3.1 Compensation paid during fiscal year 2019 and compensation awarded in respect of fiscal year 2019

2.3.1.1 Company officers

Pursuant to Article L.225-100 II of the French Commercial Code, at the Shareholders' Meeting of June 30, 2020 the shareholders will be asked to approve the disclosures set forth in Article L.225-37-3 I of the French Commercial Code as presented in §2.2 above (12th resolution), it being specified that the aforementioned items concerning the Chairman and Chief Executive Officer and the Group Managing Director will be covered by separate resolutions.

2.3.1.2 Senior executive officers

Pursuant to Article L.225-100 of the French Commercial Code, at the Shareholders' Meeting of June 30, 2020, the shareholders will be asked to approve the disclosures required under Article L.225-37-3 I of said Code as well as the fixed, variable and exceptional components of the total compensation and any benefits in kind paid during the fiscal year ended December 31, 2019 or awarded in respect of said fiscal year to Bernard Arnault and Antonio Belloni (13th and 14th resolutions).

Summary of compensation paid to each senior executive officer

Bernard Arnault^(a)

Gross compensation (EUR)	Amounts awarded in respect of the 2019 fiscal year	Amounts paid during the 2019 fiscal year	Description
Fixed compensation	1,138,307	1,138,307	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	2,200,000	Compensation paid to the Chairman and Chief Executive Officer includes an annual variable component based on meeting quantitative and qualitative objectives, respectively weighted at 60% and 40% for the determination of variable compensation. 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. Specific qualitative criteria - which can be strategic, managerial, organizational or operational in nature, and related to corporate social responsibility and sustainable development in particular - have been set but are not made public for reasons of confidentiality. The method used for assessing performance has been reviewed by the Nominations & Compensation Committee. The variable component represents just under twice the fixed component, putting it below the 250% limit laid down in the compensation policy in force. Payment to the Chairman and Chief Executive Officer of the annual variable component of his compensation is subject to prior approval of the amount at an Ordinary Shareholders' Meeting.
Multi-year variable compensation	-	-	
Exceptional compensation	-	-	
Bonus performance shares	4,482,540	-	October 24, 2019 plan: Number of performance shares allocated: 12,674. Performance shares were only to vest if LVMH's consolidated financial statements for fiscal years 2020 and 2021 showed a positive change compared to fiscal year 2019 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, and current operating margin.
Compensation for serving as a Director (formerly known as directors' fees)	90,000	90,000	
Benefits in kind	41,694	41,694	Company car.
Severance pay	-	-	

Compensation of company officers

Bernard Arnault^(a) (following)

Gross compensation (EUR)	Amounts awarded in respect of the 2019 fiscal year	Amounts paid during the 2019 fiscal year	Description
Non-compete payment	-	-	
Supplementary pension plan	-	-	<p>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 its request after the age of 55 and resume no other professional activity until their external pension plans are liquidated.</p> <p>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. 1,418,340 euros as of December 31, 2019). The annual supplementary pension benefit is equal to the difference between 60% of the aforementioned reference compensation amount, which is capped where applicable, and all pension payments made in France (under the general social security plan and the supplementary ARRCO and AGIRC plans) and abroad. As of December 31, 2019, the total amount of pensions and the supplementary pension may not exceed 851,004 euros per year. As a result of the aforementioned system, on the basis of compensation paid to Bernard Arnault in 2019, 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.</p> <p>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.</p>

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled by it.

Antonio Belloni^(a)

Gross compensation (EUR)	Amounts awarded in respect of the 2019 fiscal year	Amounts paid during the 2019 fiscal year	Description
Fixed compensation ^(b)	3,242,438	3,242,438	Compensation payable to the Group Managing Director includes a fixed component, which it has been decided to keep stable.
Variable compensation	2,315,250	2,315,250	<p>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, operating profit and cash flow relative to budget, with each of these three components accounting for one-third of the total determination. Specific qualitative criteria - which can be strategic, managerial, organizational or operational in nature, and related to corporate social responsibility and sustainable development in particular - have been set but are not made public for reasons of confidentiality. The method used for assessing performance has been reviewed by the Nominations & Compensation Committee. The amount awarded for variable compensation must be less than 75% of the amount of fixed compensation and is therefore lower than half the upper limit set by the compensation policy in force. Payment to the Group Managing Director of the annual variable component of his compensation is subject to prior approval of the amount at an Ordinary Shareholders' Meeting.</p>

Antonio Belloni ^(a) (following)

Gross compensation (EUR)	Amounts awarded in respect of the 2019 fiscal year	Amounts paid during the 2019 fiscal year	Description
Multi-year variable compensation	-	-	
Exceptional compensation	-	-	
Bonus performance shares	2,021,635	-	October 24, 2019 plan: Number of performance shares allocated: 5,716. Performance shares were only to vest if LVMH's consolidated financial statements for fiscal years 2020 and 2021 showed a positive change compared to fiscal year 2019 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, and current operating margin.
Compensation for serving as a Director (formerly known as directors' fees)	87,245	87,245	
Benefits in kind	5,543	5,543	Company car.
Severance pay	-	-	
Non-compete payment	-	-	Employment contract suspended for the duration of his term as Group Managing Director; non-compete clause, for a period of 12 months, included in the employment contract providing for the monthly payment during its application of compensation equal to his monthly compensation as of the date his term of office ends, plus one-twelfth of the last bonus received.
Supplementary pension plan	-	-	<p>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 its request after the age of 55 and resume no other professional activity until their external pension plans are liquidated.</p> <p>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. 1,418,340 euros as of December 31, 2019). The annual supplementary pension benefit is equal to the difference between 60% of the aforementioned reference compensation amount, which is capped where applicable, and all pension payments made in France (under the general social security plan and the supplementary ARRCO and AGIRC plans) and abroad. As of December 31, 2019, the total amount of pensions and the supplementary pension may not exceed 851,004 euros per year. As a result of the aforementioned system, on the basis of compensation paid to Antonio Belloni in 2019, 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.</p> <p>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.</p>

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled by it.

(b) Including housing allowance.

Summary of transactions in LVMH securities during the 2019 fiscal year by senior executive officers and closely related persons

2.3.2 Vote on the compensation policy

In accordance with Article L.225-37-2 II of the French Commercial Code, at the Shareholders' Meeting of June 30, 2020, shareholders will be asked to approve the compensation policy for company officers (Directors and Advisory Board members) (15th resolution) as well as that for senior executive officers (16th and 17th resolutions).

These compensation policies approved by the Board of Directors at its meeting on January 28, 2020, on the recommendation of

the Nominations & Compensation Committee at its meeting held the same day, are set out in §2.1 above of the *Board of Directors' report on corporate governance*. No compensation of any type whatsoever may be calculated, awarded or paid unless it complies with the compensation policy approved or, where there is no such policy, with the compensation or practices set forth in Article L.225-37-2 II of the French Commercial Code.

3. SUMMARY OF TRANSACTIONS IN LVMH SECURITIES DURING THE 2019 FISCAL YEAR BY SENIOR EXECUTIVE OFFICERS AND CLOSELY RELATED PERSONS ^(a)

Directors concerned	Type of transaction	Number of shares/ securities	Average price (EUR)
Bernard Arnault	Exercise of options ^(b)	222,172	50.8610
	Allocation of shares	13,528	-
	Pledging of shares	150,000	-
Company(ies) related to Bernard Arnault	Acquisition of shares	903,182	358.3713
	Monetization ^(c)	713,708	350.2824
Antoine Arnault	Exercise of options ^(b)	10,554	50.8610
	Allocation of shares	1,936	-
Delphine Arnault	Exercise of options ^(b)	5,222	50.8610
	Allocation of shares	1,936	-
Nicolas Bazire	Allocation of shares	13,031	-
	Sale of shares	10,000	327.3633
Antonio Belloni	Exercise of options ^(b)	81,086	50.8610
	Allocation of shares	13,031	-

(a) Related persons as defined in Article R.621-43-1 of the French Monetary and Financial Code.

(b) Exercise of share subscription options.

(c) Funding through monetization and pledging of 1,105,000 shares.

FINANCIAL STATEMENTS

Consolidated financial statements

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*As table totals are based on unrounded figures, there may be discrepancies
between these totals and the sum of their rounded component figures.*

CONSOLIDATED INCOME STATEMENT

<i>(EUR millions, except for earnings per share)</i>	Notes	2019	2018 ^(a)	2017 ^(a)
Revenue	24-25	53,670	46,826	42,636
Cost of sales		(18,123)	(15,625)	(14,783)
Gross margin		35,547	31,201	27,853
Marketing and selling expenses		(20,207)	(17,755)	(16,395)
General and administrative expenses		(3,864)	(3,466)	(3,162)
Income/(loss) from joint ventures and associates	8	28	23	(3)
Profit from recurring operations	24-25	11,504	10,003	8,293
Other operating income and expenses	26	(231)	(126)	(180)
Operating profit		11,273	9,877	8,113
Cost of net financial debt		(107)	(117)	(137)
Interest on lease liabilities		(290)	-	-
Other financial income and expenses		(162)	(271)	78
Net financial income/(expense)	27	(559)	(388)	(59)
Income taxes	28	(2,932)	(2,499)	(2,214)
Net profit before minority interests		7,782	6,990	5,840
Minority interests	18	(611)	(636)	(475)
Net profit, Group share		7,171	6,354	5,365
Basic Group share of net earnings per share (EUR)	29	14.25	12.64	10.68
Number of shares on which the calculation is based		503,218,851	502,825,461	502,412,694
Diluted Group share of net earnings per share (EUR)	29	14.23	12.61	10.64
Number of shares on which the calculation is based		503,839,542	503,918,140	504,010,291

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	Notes	2019	2018	2017
Net profit before minority interests		7,782	6,990	5,840
Translation adjustments		299	274	(958)
Amounts transferred to income statement		1	(1)	18
Tax impact		11	15	(49)
	16.5, 18	311	288	(989)
Change in value of hedges of future foreign currency cash flows		(16)	3	372
Amounts transferred to income statement		25	(279)	(104)
Tax impact		(3)	79	(77)
		6	(197)	191
Change in value of the ineffective portion of hedging instruments		(211)	(271)	(91)
Amounts transferred to income statement		241	148	210
Tax impact		(7)	31	(35)
		23	(92)	84
Gains and losses recognized in equity, transferable to income statement		340	(1)	(714)
Change in value of vineyard land	6	42	8	(35)
Amounts transferred to consolidated reserves		-	-	-
Tax impact		(11)	(2)	82
		31	6	47
Employee benefit obligations: change in value resulting from actuarial gains and losses		(167)	28	57
Tax impact		39	(5)	(24)
		(128)	23	33
Gains and losses recognized in equity, not transferable to income statement		(97)	29	80
Comprehensive income		8,025	7,018	5,206
Minority interests		(628)	(681)	(341)
Comprehensive income, Group share		7,397	6,337	4,865

CONSOLIDATED BALANCE SHEET

ASSETS (EUR millions)	Notes	2019	2018^(a)	2017^(a)
Brands and other intangible assets	3	17,212	17,254	16,957
Goodwill	4	16,034	13,727	13,837
Property, plant and equipment	6	18,533	15,112	13,862
Right-of-use assets	7	12,409	-	-
Investments in joint ventures and associates	8	1,074	638	639
Non-current available for sale financial assets	9	915	1,100	789
Other non-current assets	10	1,546	986	869
Deferred tax	28	2,274	1,932	1,741
Non-current assets		69,997	50,749	48,694
Inventories and work in progress	11	13,717	12,485	10,888
Trade accounts receivable	12	3,450	3,222	2,736
Income taxes		406	366	780
Other current assets	13	3,264	2,868	2,919
Cash and cash equivalents	15	5,673	4,610	3,738
Current assets		26,510	23,551	21,061
Total assets		96,507	74,300	69,755
LIABILITIES AND EQUITY (EUR millions)	Notes	2019	2018^(a)	2017^(a)
Equity, Group share	16	36,586	32,293	28,969
Minority interests	18	1,779	1,664	1,408
Equity		38,365	33,957	30,377
Long-term borrowings	19	5,101	6,005	7,046
Non-current lease liabilities	7	10,373	-	-
Non-current provisions and other liabilities	20	3,812	3,188	3,177
Deferred tax	28	5,498	5,036	4,989
Purchase commitments for minority interests' shares	21	10,735	9,281	9,177
Non-current liabilities		35,519	23,510	24,389
Short-term borrowings	19	7,610	5,027	4,530
Current lease liabilities	7	2,172	-	-
Trade accounts payable	22	5,814	5,314	4,539
Income taxes		722	538	763
Current provisions and other liabilities	22	6,305	5,954	5,157
Current liabilities		22,623	16,833	14,989
Total liabilities and equity		96,507	74,300	69,755

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)		Number of shares	Share capital	Share premium account	Treasury shares	Cumulative translation adjustment	Revaluation reserves			Net profit and other reserves	Total equity			
											Available for sale financial assets	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments
Notes			16.1	16.1	16.3	16.5						18		
As of December 31, 2016	507,126,088		152	2,601	(520)	1,165	-	(115)	1,078	(163)	22,190	26,388	1,510	27,898
Gains and losses recognized in equity						(811)		245	36	30	-	(500)	(134)	(634)
Net profit											5,365	5,365	475	5,840
Comprehensive income			-	-	-	(811)	-	245	36	30	5,365	4,865	341	5,206
Stock option plan-related expenses											55	55	7	62
(Acquisition)/disposal of treasury shares					(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)	(261)	(2,371)
Changes in control of consolidated entities											(6)	(6)	114	108
Acquisition and disposal of minority interests' shares											(86)	(86)	(56)	(142)
Purchase commitments for minority interests' shares											(129)	(129)	(291)	(420)
As of December 31, 2017	507,042,596		152	2,614	(530)	354	-	130	1,114	(133)	25,268	28,969	1,408	30,377
Gains and losses recognized in equity						219		(259)	3	20	-	(17)	45	28
Net profit											6,354	6,354	636	6,990
Comprehensive income			-	-	-	219	-	(259)	3	20	6,354	6,337	681	7,018
Stock option plan-related expenses											78	78	4	82
(Acquisition)/disposal of treasury shares					(256)						(26)	(282)	-	(282)
Exercise of LVMH share subscription options	762,851			49								49	-	49
Retirement of LVMH shares	(2,775,952)			(365)	365							-	-	-
Capital increase in subsidiaries												-	50	50
Interim and final dividends paid											(2,715)	(2,715)	(345)	(3,060)
Changes in control of consolidated entities											(9)	(9)	41	32
Acquisition and disposal of minority interests' shares											(22)	(22)	(19)	(41)
Purchase commitments for minority interests' shares											(112)	(112)	(156)	(268)
As of December 31, 2018	505,029,495		152	2,298	(421)	573	-	(129)	1,117	(113)	28,816	32,293	1,664	33,957
Impact of changes in accounting standards ^(a)											(29)	(29)	-	(29)
As of January 1, 2019	505,029,495		152	2,298	(421)	573	-	(129)	1,117	(113)	28,787	32,264	1,664	33,928
Gains and losses recognized in equity						289		22	22	(107)		226	17	242
Net profit											7,171	7,171	611	7,783
Comprehensive income			-	-	-	289	-	22	22	(107)	7,171	7,397	628	8,025
Stock option plan-related expenses											69	69	3	72
(Acquisition)/disposal of treasury shares					18						(44)	(26)	-	(26)
Exercise of LVMH share subscription options	403,946		-	21	-							21	-	21
Retirement of LVMH shares	(2,156)											-	-	-
Capital increase in subsidiaries												-	95	95
Interim and final dividends paid											(3,119)	(3,119)	(433)	(3,552)
Changes in control of consolidated entities											2	2	25	27
Acquisition and disposal of minority interests' shares											(17)	(17)	-	(17)
Purchase commitments for minority interests' shares											(5)	(5)	(203)	(208)
As of December 31, 2019	505,431,285		152	2,319	(403)	862	-	(107)	1,139	(220)	32,844	36,586	1,779	38,365

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2019	2018 ^(a)	2017 ^(a)
I. OPERATING ACTIVITIES				
Operating profit		11,273	9,877	8,113
(Income)/loss and dividends received from joint ventures and associates	8	(10)	5	25
Net increase in depreciation, amortization and provisions		2,700	2,302	2,376
Depreciation of right-of-use assets	7.1	2,408	-	-
Other adjustments and computed expenses		(266)	(219)	(109)
Cash from operations before changes in working capital		16,105	11,965	10,405
Cost of net financial debt: interest paid		(124)	(113)	(129)
Lease liabilities: interest paid		(239)	-	-
Tax paid		(2,940)	(2,275)	(2,790)
Change in working capital	15.2	(1,154)	(1,087)	(514)
Net cash from operating activities		11,648	8,490	6,972
II. INVESTING ACTIVITIES				
Operating investments	15.3	(3,294)	(3,038)	(2,276)
Purchase and proceeds from sale of consolidated investments	2.4	(2,478)	(17)	(6,306)
Dividends received		8	18	13
Tax paid related to non-current available for sale financial assets and consolidated investments		(1)	(2)	-
Purchase and proceeds from sale of non-current available for sale financial assets	9	(104)	(400)	(38)
Net cash from/(used in) investing activities		(5,869)	(3,439)	(8,607)
III. FINANCING ACTIVITIES				
Interim and final dividends paid	15.4	(3,678)	(3,090)	(1,982)
Purchase and proceeds from sale of minority interests	2.4	(21)	(236)	(153)
Other equity-related transactions	15.4	54	(205)	30
Proceeds from borrowings	19	2,837	1,529	5,931
Repayment of borrowings	19	(1,810)	(2,174)	(1,760)
Repayment of lease liabilities	7.2	(2,187)	-	-
Purchase and proceeds from sale of current available for sale financial assets	14	71	(147)	92
Net cash from/(used in) financing activities		(4,734)	(4,323)	2,158
IV. EFFECT OF EXCHANGE RATE CHANGES		39	67	(242)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		1,084	795	281
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15.1	4,413	3,618	3,337
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15.1	5,497	4,413	3,618
TOTAL TAX PAID		(3,070)	(2,314)	(2,402)

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Alternative performance measure

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

(EUR millions)	2019	2018	2017
Net cash from operating activities	11,648	8,490	6,972
Operating investments	(3,294)	(3,038)	(2,276)
Repayment of lease liabilities	(2,187)	-	-
Operating free cash flow^(a)	6,167	5,452	4,696

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

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1. ACCOUNTING POLICIES

1.1 General framework and environment

The consolidated financial statements for the fiscal year ended December 31, 2019 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2019. These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for fiscal year 2019 were approved by the Board of Directors on January 28, 2020.

1.2 Changes in the accounting framework applicable to LVMH

Standards, amendments and interpretations applied as of January 1, 2019

The Group applies IFRS 16 Leases as of January 1, 2019.

When entering into a lease, this standard requires that a liability be recognized in the balance sheet, measured at the discounted present value of future payments of the fixed portion of lease payments and offset against a right-of-use asset depreciated over the lease term.

The Group applied what is known as the “modified retrospective” transition method, under which a liability is recognized at the transition date for an amount equal to the present value of the residual lease payments alone, offset against a right-of-use asset adjusted for the amount of prepaid lease payments or amounts recognized within accrued expenses; all the impacts of the transition were deducted from equity. The standard provided for various simplification measures during the transition phase: in particular, the Group opted to apply the measures allowing it to exclude leases with a residual term of less than twelve months and leases of low-value assets, to continue applying the same treatment to leases that qualified as finance leases under IAS 17, and not to capitalize costs directly related to signing leases.

The amount of the liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, the discount rate. The Group’s extensive geographic coverage means it encounters a wide range of different legal conditions when entering into contracts. The lease term generally used to calculate the liability is the term of the initially negotiated lease, not taking into account any early termination or extension options, except in special circumstances.

The IFRS Interpretations Committee (IFRS IC) has issued an opinion on the procedure for determining the lease term to be used in accounting for lease liabilities when the underlying assets are capitalized when the obligation to make lease payments covers a period of less than 12 months; most often, this involves leases for retail locations that are automatically renewable on an annual basis. In these circumstances, LVMH recognizes a lease liability over a term consistent with the anticipated period of use of the invested assets.

The standard requires that the discount rate be determined for each lease using the incremental borrowing rate of the subsidiary entering into the lease. In practice, given the structure of the Group’s financing – virtually all of which is held or guaranteed by LVMH SE – this incremental borrowing rate is generally the total of the risk-free rate for the lease currency, with respect to the duration, and the Group’s credit risk for this same reference currency and term.

Leasehold rights, previously recognized within “Intangible assets”, as well as “Property, plant and equipment” related to restoration obligations for leased facilities, are now presented within “Right-of-use assets” and subject to depreciation according to consistent principles.

The Group has implemented a dedicated IT solution to gather lease data and run the calculations required by the standard.

Most leases are related to the Group’s retail premises (see Note 7 for details). Such leases are actively managed and directly linked to the conduct of Maisons’ business and their distribution strategy.

The following table presents the impact of the application of IFRS 16 on the opening balance sheet:

(EUR millions)	As of Dec. 31, 2018	Impact of the transition to IFRS 16	As of Jan. 1, 2019
Brands, goodwill and intangible assets	30,981	(379)	30,602
Property, plant and equipment	15,112	(355)	14,757
Right-of-use assets	-	11,867	11,867
Other non-current assets	4,656	(13)	4,643
Current assets	23,551	(53)	23,498
Total assets	74,300	11,067	85,367
Equity, Group share	32,293	(29)	32,264
Minority interests	1,664	-	1,664
Non-current lease liabilities	-	9,679	9,679
Provisions and other non-current liabilities	23,510	(343)	23,167
Current lease liabilities	-	2,149	2,149
Other current liabilities	16,833	(389)	16,444
Total liabilities and equity	74,300	11,067	85,367

“Lease liabilities” totaled 11.8 billion euros as of January 1, 2019 and comprised:

- lease liabilities newly recognized in respect of operating leases in effect as of January 1, 2019 for 11.5 billion euros, including 9.4 billion euros for long-term leases;
- finance lease liabilities for 0.3 billion euros, recognized under “Borrowings” as of December 31, 2018.

The average discount rate for lease liabilities at the transition date was 2.2%.

“Right-of-use assets” totaled 11.9 billion euros as of January 1, 2019 and comprised:

- assets corresponding to newly recognized lease liabilities for 11.5 billion euros;
- the carrying amount of property, plant and equipment covered by finance leases for 0.3 billion euros, recognized within “Property, plant and equipment” as of December 31, 2018;
- the carrying amount of leasehold rights for 0.4 billion euros, recognized within “Intangible assets” as of December 31, 2018;
- various lease-related assets and liabilities recognized as of December 31, 2018 and reclassified within “Right-of-use assets” representing a net liability of -0.3 billion euros, in particular liabilities related to the recognition of leases on a straight-line basis.

The following table provides details on the difference between lease commitments presented in accordance with IAS 17 as of December 31, 2018, and lease liabilities measured according to IFRS 16 as of January 1, 2019:

	(EUR millions)
Commitments given for operating leases and concessions as of December 31, 2018	12,573
Minimum payments on finance leases as of December 31, 2018	830
Impact of discounting	(1,953)
Other	378
Lease liabilities as of January 1, 2019 under IFRS 16	11,828

“Other” mainly comprises the recognition of optional periods that were not covered by the definition of off-balance sheet commitments presented in accordance with IAS 17.

Under the modified retrospective transition method, the standard prohibits the restatement of comparative fiscal years, which affects the comparability of fiscal year 2019 with fiscal years 2018 and 2017.

The application of IFRS 16 had the following impact on the Group’s financial statements as of December 31, 2019:

Income statement

- profit from recurring operations was boosted by the positive 155 million euro impact of the difference between the lease expense that would have been recognized under IAS 17 and the depreciation of right-of-use assets under IFRS 16. Depreciation of right-of-use assets is lower than lease expenses due to the discounting effect included in the valuation of right-of-use assets;

- net financial income/(expense) recorded a negative 290 million euro impact of interest on lease liabilities (including interest on finance leases, previously included in borrowing costs). This was higher than the favorable impact on profit from recurring operations as a result of its reducing balance over the lease term, comparable to the interest on a loan with fixed annuities;
- there was a positive 40 million euro tax impact on profit and on minority interests, yielding a negative 95 million euro impact on the Group share of net profit.

Balance sheet

- the recognition of right-of-use assets increased non-current assets by 12.0 billion euros;
- the recognition of lease liabilities increased total liabilities by 12.0 billion euros, including 10.0 billion euros in non-current lease liabilities and 2.0 billion euros in current lease liabilities.

The liability for capitalized leases is excluded from the definition of net financial debt.

Cash flow statement

- there was a favorable 2,169 million euro impact on net cash from operating activities, including the positive 2,408 million euro impact of the depreciation of right-of-use assets (with no impact on cash) and the negative 239 million euro impact of interest on lease liabilities;
- net cash from/(used in) financing activities was negatively affected by the repayment of lease liabilities for 2,187 million euros.

Since the application of IFRS 16 had a significant impact on the cash flow statement given the importance of fixed lease payments to the Group's activities, specific indicators are used for internal performance monitoring requirements and financial communication purposes in order to present consistent performance indicators, independently of the fixed or variable nature of lease payments. One such alternative performance measure is "Operating free cash flow", which is calculated by deducting capitalized fixed lease payments in their entirety from cash flow. The reconciliation between "Net cash from operating activities" and "Operating free cash flow" as of the 2019, 2018 and 2017 fiscal year-ends is presented in the cash flow statement.

The Group applies IFRIC 23 Uncertainty over Income Tax Treatments as of January 1, 2019. It did not have any significant impact on the Group's financial statements.

The Group has opted for early application of the amendment to IFRS 9, IAS 39 and IFRS 7 on financial instruments published by the IASB in September 2019 as part of the reform of benchmark interest rates. This amendment provides relief from the uncertainty surrounding future benchmark rates, and allows companies to maintain interest rate risk hedging relationships until this uncertainty is removed. Interest rate risk hedging derivatives are presented in Note 23. An analysis of the impact of the upcoming change to benchmark indices is underway.

As a result of the application of new standards that took effect on January 1, 2019 – IFRS 16 in particular – the presentation of the balance sheet and cash flow statement was modified and simplified in order to make these statements easier to understand. This included separating "Purchase commitments for minority interests' shares" from other balance sheet liabilities, while other items were grouped together, with detailed breakdowns inserted in additional notes.

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 include the following:

- 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 leases (see Note 7) and purchase commitments for minority interests' shares (see Notes 1.12 and 21), and the determination of the amount of provisions for contingencies and losses, and uncertain tax positions (see Note 20) or for impairment of inventories (see Notes 1.17 and 11) and, if applicable, deferred tax assets (see Note 28). Such hypotheses, estimates or other forms of judgment made on the basis of the information available or the situation prevailing at the date at which the financial statements are prepared may subsequently prove different from 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 8), on a separate line, which forms part of profit from recurring operations.

When an investment in a joint venture or associate accounted for using the equity method involves a payment tied to meeting specific performance targets, known as an earn-out payment, the estimated amount of this payment is included in the initial

purchase price recorded in the balance sheet, with an offsetting entry under financial liabilities. Any difference between the initial estimate and the actual payment made is recorded as part of the value of investments in joint ventures and associates, without any impact on the income statement.

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 1.26).

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 intra-Group 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 intra-Group 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 used to hedge commercial, financial or investment transactions are recognized in the balance sheet at their market value (see Note 1.9) at the balance sheet date. Changes in the value of the effective portions of these derivatives are recognized as follows:

- for hedges that are commercial in nature:
 - within cost of sales for hedges of receivables and payables recognized in the balance sheet at the end of the period,
 - within equity under “Revaluation reserves” for hedges of future cash flows; this amount is transferred to cost of sales upon recognition of the hedged assets and liabilities;
- for hedges that are tied to the Group’s investment portfolio (hedging the net worth of subsidiaries whose functional currency is not the euro), within equity under “Cumulative translation adjustment”; this amount is transferred to the income statement upon the sale or liquidation (whether partial or total) of the subsidiary whose net worth is hedged;
- for hedges that are financial in nature, within “Net financial income/(expense)”, under “Other financial income and expenses”.

Changes in the value of these derivatives related to forward points associated with forward contracts, as well as in the time value component of options, are recognized as follows:

- for hedges that are commercial in nature, within equity under “Revaluation reserves”. The cost of the forward contracts (forward points) and of the options (premiums) is transferred to “Other financial income and expenses” upon realization of the hedged transaction;
- for hedges that are tied to the Group’s investment portfolio or financial in nature, expenses and income arising from discounts or premiums are recognized in “Borrowing costs” 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 is recognized in equity under “Revaluation reserves”.

Market value changes of derivatives not designated as hedges are recorded within “Net financial income/(expense)”.

See also Note 1.21 for 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 in the balance sheet 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 1.17.	Note 11
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.22.	Note 23
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.21.	Note 19
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 21
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Unquoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.16.	Note 9, Note 14
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.19.	Note 15

No other assets or liabilities have 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 5 to 20 years, depending on their estimated period of use.

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.15.

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:

- 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; 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 1.15. 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 "Purchase commitments for minority interests' shares", as a liability on its balance sheet;
- 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 are 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 the market value falls below the 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.

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 are depreciated on a straight-line basis over their estimated useful lives; the following useful lives are applied:

- buildings including investment property 20 to 100 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 Leases

See Note 1.2 relating to the terms of the initial application, since January 1, 2019, of IFRS 16 Leases.

1.15 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 the management of the business segments concerned. Detailed forecasts cover a five-year period, which may be extended for brands undergoing strategic repositioning or whose production cycle exceeds 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.

1.16 Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their type.

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 13) 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 1.19).

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 recognized under "Net financial income/(expense)" (within "Other financial income and expenses") for all shares held in the portfolio during the reported periods.

1.17 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 on a pro rata basis, in line with the estimated yield and market value.

Inventories are valued using either the weighted average cost or the 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.

1.18 Trade accounts receivable, loans and other receivables

Trade accounts receivable, loans and other receivables are recorded at amortized cost, which corresponds to their face value. Impairment is recognized for the portion of loans and receivables not covered by credit insurance when such receivables are recorded, in the amount of the losses expected upon maturity. This reflects the probability of counterparty default and the expected loss rate, measured using historical statistical data, information provided by credit bureaus, or ratings by credit rating agencies, depending on the specific case.

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.

1.19 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)".

1.20 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 1.24 and 20.

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.

1.21 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), under "Fair value adjustment of borrowings and interest rate hedges". See Note 1.9 regarding the measurement of hedged borrowings at market value. Interest income and expenses related to hedging instruments are recognized within net financial income/(expense), under "Borrowing costs".

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.

1.22 Derivatives

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

To hedge against commercial, financial and investment foreign exchange risk, the Group uses options, forward contracts, foreign exchange swaps and cross-currency swaps. The time value of options, the forward point component of forward contracts and foreign exchange swaps, as well as the foreign currency basis spread component of cross-currency swaps are systematically excluded from the hedge relation. Consequently, only the intrinsic value of the instruments is considered a hedging instrument. Regarding hedged items (future foreign currency cash flows, commercial or financial liabilities and accounts receivable in foreign currencies, subsidiaries' equity denominated in a functional currency other than the euro), only their change in value in respect of foreign exchange risk is considered a hedged item. As such, aligning the hedging instruments' main features (nominal values, currencies, maturities) with those of the hedged items makes it possible to perfectly offset changes in value.

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 1.21 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.

1.23 Treasury shares

LVMH shares 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 16.3) 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.

1.24 Pensions, contribution to medical costs and other employee benefit commitments

When plans related to retirement bonuses, pensions, contribution to medical costs and other commitments entail the payment by the Group of contributions to third-party organizations

that assume sole responsibility for subsequently paying such retirement benefits, pensions or contributions to medical costs, these contributions are expensed in the fiscal year in which they fall due, with no liability recorded on the balance sheet.

When the payment of retirement bonuses, pensions, contributions to medical costs and other commitments is to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment. 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 fully 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.

1.25 Current and deferred tax

The tax expense comprises current tax payable by consolidated companies and deferred tax resulting from temporary differences as well as the change in uncertain tax positions.

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 the 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.

1.26 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 mainly concern the Wines and Spirits businesses, 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.

Sales of services, mainly involved in the Group's Other activities segment, are recognized as the services are provided.

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 is reduced by the estimated amount of such returns, and a provision is recognized within "Other current liabilities" (see Note 22.2), along with a corresponding entry made to inventories. The estimated rate of returns is based on historical statistical data.

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 LVMH 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.

1.27 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.

1.28 Bonus shares 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 the 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.

1.29 Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the fiscal year, 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 1.28), 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 2019

Belmond

On April 17, 2019, pursuant to the transaction agreement announced on December 14, 2018 and approved by Belmond's shareholders on February 14, 2019, LVMH acquired, for cash, all the Class A shares of Belmond Ltd at a unit price of 25 US dollars, for a total of 2.2 billion US dollars. After taking into account the shares acquired on the market in December 2018, the carrying amount

of Belmond shares held came to 2.3 billion euros. Following this acquisition, Belmond's Class A shares were no longer listed on the New York Stock Exchange.

Belmond, which has locations in 24 countries, owns and operates an exceptional portfolio of very high-end hotels and travel experiences in the world's most desirable, prestigious destinations.

The following table details the provisional allocation of the purchase price paid by LVMH on April 17, 2019, the date of acquisition of the controlling interest:

(EUR millions)	Provisional allocation as of June 30, 2019	Change	Provisional allocation as of December 31, 2019
Brand and other intangible assets	6	141	147
Property, plant and equipment	1,119	1,193	2,312
Other current and non-current assets	202	109	311
Net financial debt	(586)	(18)	(604)
Deferred tax	(80)	(354)	(434)
Current and non-current liabilities	(335)	(31)	(366)
Minority interests	(1)	-	(1)
Net assets acquired	325	1,040	1,365
Provisional goodwill	1,928	(1,040)	888
Carrying amount of shares held as of April 17, 2019	2,253	-	2,253

The amounts presented in the table above are taken from Belmond's unaudited financial statements at the date of acquisition of the controlling interest. A provisional allocation of the purchase price has been made. The main revaluations concern real estate assets, for 1,193 million euros, and the Belmond brand, for 140 million euros.

The carrying amount of shares held as of the date of acquisition of the controlling interest includes shares acquired in 2018 for 274 million euros.

During the fiscal year, the acquisition of Belmond shares and the payment of costs related to the acquisition generated an outflow of 2,006 million euros, net of cash acquired in the amount of 101 million euros. Following the acquisition of the controlling interest, Belmond's long-term bank borrowings were repaid in the amount of 560 million euros.

Belmond's revenue and profit from recurring operations consolidated since the date of acquisition of the controlling interest totaled 466 million euros and 94 million euros, respectively. For 2018 as a whole, Belmond had consolidated revenue of 577 million US dollars, and an operating profit of 12 million US dollars.

Stella McCartney

Under the agreement announced in July 2019 to speed up the Stella McCartney brand's expansion plans, LVMH acquired a 49% stake in this fashion house in November 2019, which is accounted for using the equity method (see Note 8).

Château du Galoupet

In June 2019, the Group acquired the entire share capital of Château du Galoupet, a Côtes de Provence estate awarded Cru Classé status in 1955. This property, located in La Londe-les-Maures (France), extends over 68 contiguous hectares and mainly produces rosé wines.

Château d'Esclans

In late November 2019, the Group acquired 55% of the share capital of Château d'Esclans. This property is located in La Motte (France) and mainly produces world-renowned rosé wines, in particular the *Garrus* and *Whispering Angel* cuvées.

2.2 Fiscal year 2018

In the second half of 2018, LVMH acquired the 20% stake in the share capital of Fresh that it did not own; the price paid generated the recognition of a final goodwill, previously recorded

2.3 Fiscal year 2017

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 6.0 billion euros. As of that date, Christian Dior directly and indirectly held 41.0% of the share capital and 56.8% of the voting rights of LVMH.

The scope acquired includes Grandville (wholly 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 ended March 2017.

The acquisition of Christian Dior Couture 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 is a source of growth for LVMH. Christian Dior Couture's expansion in the coming years will be supported in particular by its creative momentum and by the significant investments already made, especially in the Americas, China and Japan.

The following table details the final allocation of the purchase price paid by LVMH on July 3, 2017, the date of acquisition of the controlling interest:

(EUR millions)	Final purchase price allocation
Brand and other intangible assets	3,604
Property, plant and equipment	1,613
Other non-current assets	59
Non-current provisions	(42)
Current assets	627
Current liabilities	(519)
Net financial debt	(385)
Deferred tax	(1,127)
Net assets acquired	3,830
Indirect minority interests	(9)
Net assets, Group share	3,821
Goodwill	2,179
Carrying amount of shares held as of July 3, 2017	6,000

The Christian Dior Couture brand was valued primarily using the relief from royalty method and secondarily using the excess earnings method. The value determined – 3,500 million euros – corresponds to the high end of the average range of values obtained using these methods. Final goodwill, in the amount

under “Goodwill arising on purchase commitments for minority interests’ shares”.

of 2,179 million euros, represents the internationally renowned expertise and creativity of Christian Dior Couture in the fields of fashion, leather goods and jewelry, as well as its capacity to draw on a highly quality-driven network of directly-operated stores in prime locations.

The balance sheet and income statement as of December 31, 2017, including the notes to the financial statements, were restated to reflect the final allocation of the purchase price of Christian Dior Couture. Aside from the impact on the balance sheet presented in the table above, restated net profit for the 2017 fiscal year includes 124 million euros in deferred tax income arising from the impact on long-term deferred tax of the decrease in the corporate income tax rate in France, as stipulated in the 2018 Budget Act, related to the Christian Dior brand and to the revaluation of property, plant and equipment.

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. The transaction was funded through a number of bond issues, in a total amount of 5 billion euros, together with commercial paper for the remainder (see Note 18 to the 2017 consolidated financial statements).

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 26).

For the 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 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.

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 71 million euro difference in value between the purchase commitment (recorded in “Purchase

commitments for minority interests' shares"; see Note 21) and 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 details the final allocation of the purchase price paid by LVMH:

(EUR millions)	Final purchase price allocation
Brand	475
Intangible assets and property, plant and equipment	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 profit from recurring operations of 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 26).

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.

2.4 Impact on net cash and cash equivalents of changes in ownership interests in consolidated entities

(EUR millions)	2019	2018	2017
Purchase price of consolidated investments and of minority interests' shares	(2,604)	(258)	(6,971)
Positive cash balance/(net overdraft) of companies acquired	107	5	251
Proceeds from sale of consolidated investments	-	-	80
(Positive cash balance)/net overdraft of companies sold	(2)	-	181
Impact of changes in ownership interests in consolidated entities on net cash and cash equivalents	(2,499)	(253)	(6,459)
<i>Of which: Purchase and proceeds from sale of consolidated investments</i>	<i>(2,478)</i>	<i>(17)</i>	<i>(6,306)</i>
<i>Purchase and proceeds from sale of minority interests</i>	<i>(21)</i>	<i>(236)</i>	<i>(153)</i>

In 2019, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the acquisition of Belmond and of a 49% stake in Stella McCartney and a 55% stake in Château d'Esclans.

In 2018, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the acquisition of minority interests in Fresh and in various distribution subsidiaries, particularly in the Middle East.

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 Couture (5,782 million euro impact) and of Rimowa (615 million euro impact).

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)	2019			2018 ^(a)	2017 ^(a)
	Gross	Amortization and impairment	Net	Net	Net
Brands	14,511	(775)	13,736	13,596	13,515
Trade names	3,920	(1,617)	2,303	2,265	2,176
License rights	129	(84)	45	13	14
Software, websites	2,258	(1,608)	650	544	459
Other	1,048	(569)	479	836	793
Total	21,865	(4,653)	17,212	17,254	16,957

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

3.1 Changes during the fiscal year

As of December 31, 2017 and 2018, "Other intangible assets" included leasehold rights. As from January 1, 2019, in accordance with IFRS 16, leasehold rights are now presented within "Right-of-use assets" (see Note 7).

The net amounts of brands, trade names and other intangible assets changed as follows during the fiscal year:

Gross value (EUR millions)	Brands	Trade names	Software, websites	Other intangible assets	Total
As of December 31, 2018	14,292	3,851	1,903	1,964	22,010
Impact of changes in accounting standards ^(a)	-	-	-	(770)	(770)
As of January 1, 2019, after restatement	14,292	3,851	1,903	1,194	21,240
Acquisitions	-	-	225	303	528
Disposals and retirements	-	-	(31)	(210)	(241)
Changes in the scope of consolidation	140	-	1	54	195
Translation adjustment	78	69	14	13	174
Reclassifications	-	-	146	(177)	(31)
As of December 31, 2019	14,511	3,920	2,258	1,177	21,865

Amortization and impairment (EUR millions)	Brands	Trade names	Software, websites	Other intangible assets	Total
As of December 31, 2018	(696)	(1,586)	(1,359)	(1,115)	(4,756)
Impact of changes in accounting standards ^(a)	-	-	-	391	391
As of January 1, 2019, after restatement	(696)	(1,586)	(1,359)	(724)	(4,365)
Amortization expense	(17)	(1)	(267)	(138)	(422)
Impairment expense	(54)	-	-	4	(50)
Disposals and retirements	-	-	29	210	239
Changes in the scope of consolidation	-	-	-	(10)	(10)
Translation adjustment	(8)	(30)	(9)	(7)	(55)
Reclassifications	-	-	(2)	12	10
As of December 31, 2019	(775)	(1,617)	(1,608)	(653)	(4,653)
Carrying amount as of December 31, 2019	13,736	2,303	650	524	17,212

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2.

Changes in the scope of consolidation related to the acquisition of Belmond. See Note 2.

3.2 Changes during prior fiscal years

Carrying amount (EUR millions)	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2016	9,773	2,440	362	338	422	13,335
Acquisitions	-	-	180	31	245	456
Disposals and retirements	-	-	(1)	(3)	-	(4)
Changes in the scope of consolidation	3,981	-	13	85	13	4,092
Amortization expense	(26)	(1)	(177)	(47)	(149)	(400)
Impairment expense	(50)	-	(2)	-	(1)	(53)
Translation adjustment	(163)	(263)	(23)	(7)	(20)	(476)
Reclassifications	-	-	107	1	(101)	7
As of December 31, 2017	13,515	2,176	459	398	409	16,957
Acquisitions	-	-	177	88	272	537
Disposals and retirements	-	-	(2)	-	-	(2)
Changes in the scope of consolidation	40	-	-	1	-	41
Amortization expense	(18)	(1)	(221)	(60)	(148)	(448)
Impairment expense	-	-	-	(2)	(7)	(9)
Translation adjustment	59	90	8	2	8	167
Reclassifications	-	-	123	16	(128)	11
As of December 31, 2018	13,596	2,265	544	443	406	17,254

3.3 Brands and trade names

The breakdown of brands and trade names by business group is as follows:

(EUR millions)	2019			2018	2017
	Gross	Amortization and impairment	Net	Net	Net
Wines and Spirits	874	(142)	732	717	715
Fashion and Leather Goods	8,845	(371)	8,474	8,480	8,439
Perfumes and Cosmetics	686	(63)	622	629	642
Watches and Jewelry	3,691	(91)	3,599	3,560	3,507
Selective Retailing	3,872	(1,570)	2,303	2,265	2,176
Other activities	462	(155)	308	210	212
Total	18,430	(2,392)	16,038	15,861	15,691

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2019, 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, Celine, Loewe, Givenchy, Kenzo, Pink Shirtmaker, 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, Ole Henriksen and Maison Francis Kurkdjian;

- 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, the hotel group Belmond 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.

See also Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

4. GOODWILL

(EUR millions)	2019			2018	2017
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	11,495	(1,773)	9,722	8,654	8,538
Goodwill arising on purchase commitments for minority interests' shares	6,312	-	6,312	5,073	5,299
Total	17,807	(1,773)	16,034	13,727	13,837

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

(EUR millions)	2019			2018	2017
	Gross	Impairment	Net	Net	Net
As of January 1	15,462	(1,735)	13,727	13,837	10,401
Changes in the scope of consolidation	1,033	(1)	1,033	45	2,605
Changes in purchase commitments for minority interests' shares	1,247	-	1,247	(126)	1,008
Changes in impairment	-	(22)	(22)	(100)	(51)
Translation adjustment	65	(15)	50	71	(126)
As of December 31	17,807	(1,773)	16,034	13,727	13,837

Changes in the scope of consolidation mainly resulted from the acquisition of Belmond. See Note 2.

See also Note 21 for goodwill arising on purchase commitments for minority interests' shares.

The impact of changes in the scope of consolidation in 2017 mainly arose from the acquisition of Christian Dior Couture and Rimowa.

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 2019. As described in Note 1.15, 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 %)	2019				2018			2017		
	Discount rate		Annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Discount rate Post-tax	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Discount rate Post-tax	Annual growth rate for revenue during the plan period	Growth rate for the period after the plan
	Post-tax	Pre-tax								
Wines and Spirits	6.0 to 10.8	8.1 to 14.6	5.8	2.0	6.5 to 11.0	5.7	2.0	6.5 to 11.0	5.9	2.0
Fashion and Leather Goods	7.1 to 9.6	9.6 to 13.0	10.4	2.0	8.0 to 10.5	9.7	2.0	8.0 to 10.5	6.6	2.0
Perfumes and Cosmetics	6.5 to 9.2	8.8 to 12.4	9.1	2.0	7.4 to 10.1	8.9	2.0	7.4 to 10.1	9.3	2.0
Watches and Jewelry	7.5 to 8.9	10.1 to 12.0	9.2	2.0	9.0 to 10.4	8.3	2.0	9.0 to 10.4	6.9	2.0
Selective Retailing	7.0 to 8.8	9.5 to 11.9	8.2	2.0	7.3 to 9.4	9.8	2.0	7.3 to 8.3	8.2	2.0
Other	6.0 to 7.5	8.1 to 10.1	2.3	2.0	6.5 to 9.3	4.5	2.0	6.5 to 7.3	8.4	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.

The decrease in discount rates in 2019 was due to the drop in interest rates.

As of December 31, 2019, 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	3,500	2,179	5,679	8.4	2.0	5 years
Louis Vuitton	2,059	487	2,546	7.1	2.0	5 years
Loro Piana ^(a)	1,300	1,048	2,348	n.a.	n.a.	n.a.
Fendi	713	405	1,118	8.4	2.0	5 years
Bvlgari	2,100	1,547	3,647	7.5	2.0	5 years
TAG Heuer	1,143	217	1,360	7.5	2.0	5 years
DFS Galleria	2,037	-	2,037	8.8	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.

n.a.: Not applicable.

As of December 31, 2019, for the business segments listed above (with the exception of Lora Piana, see note (a) above), 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, 2019, or a reduction of 2 points in the annual growth rate for revenue over the period covered by the plans would not result in the recognition of any impairment losses for these intangible assets. 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, three 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, 2019 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, 2019, break down as follows:

(EUR millions)	Amount of intangible assets concerned as of 12/31/2019	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
Selective Retailing	87	(19)	(19)	(15)
Other business groups	516	(44)	(36)	(36)
Total	603	(63)	(55)	(51)

As of December 31, 2019, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or impairment charges in 2019 were 325 million euros and 37 million euros,

respectively (644 million and 467 million euros as of December 31, 2018). See Note 26 regarding the amortization and impairment expense recorded during the fiscal year.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2019			2018 ^(a)	2017 ^(a)
	Gross	Depreciation and impairment	Net	Net	Net
Land	4,429	(18)	4,411	2,838	2,374
Vineyard land and producing vineyards ^(b)	2,655	(118)	2,537	2,473	2,432
Buildings	5,346	(2,128)	3,218	2,292	2,052
Investment property	357	(37)	319	602	763
Leasehold improvements, machinery and equipment	14,243	(9,526)	4,717	4,078	3,971
Assets in progress	1,652	(2)	1,650	1,237	785
Other property, plant and equipment	2,205	(524)	1,682	1,592	1,485
Total	30,887	(12,354)	18,533	15,112	13,862
<i>Of which: historical cost of vineyard land</i>	<i>587</i>	<i>-</i>	<i>587</i>	<i>576</i>	<i>543</i>

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

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

6.1 Changes during the fiscal year

Changes in property, plant and equipment during the fiscal year broke 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 property, plant and equipment	Total
				Stores and hotels	Production, logistics	Other			
As of December 31, 2018	2,584	7,051	637	8,632	2,756	1,351	1,238	2,074	26,323
Impact of changes in accounting standards ^(a)	-	(395)	-	(149)	(50)	(32)	(3)	(1)	(630)
As of January 1, after restatement	2,584	6,656	637	8,483	2,706	1,319	1,235	2,073	25,693
Acquisitions	11	225	12	806	165	143	1,375	124	2,860
Change in the market value of vineyard land	42	-	-	-	-	-	-	-	42
Disposals and retirements	(1)	(84)	(23)	(604)	(55)	(77)	(23)	(21)	(890)
Changes in the scope of consolidation	17	2,339	-	454	12	-	22	10	2,854
Translation adjustment	2	91	8	153	15	15	8	10	301
Other movements, including transfers	1	549	(277)	509	121	79	(964)	9	27
As of December 31, 2019	2,655	9,775	357	9,801	2,964	1,478	1,652	2,205	30,887

Depreciation and impairment (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other property, plant and equipment	Total
				Stores and hotels	Production, logistics	Other			
As of December 31, 2018	(111)	(1,921)	(35)	(5,907)	(1,810)	(944)	(1)	(482)	(11,211)
Impact of changes in accounting standards ^(a)	-	135	-	88	28	23	(1)	2	275
As of January 1, after restatement	(111)	(1,786)	(35)	(5,819)	(1,782)	(921)	(2)	(480)	(10,936)
Depreciation expense	(6)	(213)	(4)	(1,030)	(189)	(144)	-	(68)	(1,655)
Impairment expense	-	62	(1)	(5)	(2)	-	(16)	-	38
Disposals and retirements	1	77	1	603	54	75	16	29	855
Changes in the scope of consolidation	(2)	(222)	-	(236)	(4)	-	-	(2)	(466)
Translation adjustment	-	(22)	-	(100)	(10)	(11)	-	(6)	(150)
Other movements, including transfers	-	(43)	3	3	(15)	9	-	4	(40)
As of December 31, 2019	(118)	(2,146)	(37)	(6,586)	(1,949)	(991)	(2)	(524)	(12,354)
Carrying amount as of December 31, 2019	2,537	7,628	319	3,216	1,015	486	1,650	1,682	18,533

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.

“Other property, plant and equipment” includes 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 Louis Vuitton, Sephora, DFS, Christian Dior Couture and Celine – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses, Hennessy, Parfums Christian Dior and Louis Vuitton in their production equipment.

Changes in the scope of consolidation mainly resulted from the acquisition of Belmond. See Note 2.

The impact of marking vineyard land to market was 1,836 million euros as of December 31, 2019 (1,793 million euros as of December 31, 2018; 1,785 million euros as of December 31, 2017). 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 0.6 billion euros as of December 31, 2019. The valuation methods used are based on market data.

6.2 Changes during 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 property, plant and equipment	Total
				Stores	Production, logistics	Other			
As of December 31, 2016	2,474	3,040	855	2,396	681	340	950	1,403	12,139
Acquisitions	9	150	-	556	157	85	800	132	1,889
Disposals and retirements	-	(3)	-	(3)	(3)	(2)	(11)	6	(16)
Depreciation expense	(7)	(172)	(5)	(858)	(179)	(135)	-	(66)	(1,422)
Impairment expense	1	(1)	-	(4)	-	-	(1)	-	(5)
Change in the market value of vineyard land	(35)	-	-	-	-	-	-	-	(35)
Changes in the scope of consolidation	-	1,283	-	307	56	37	66	21	1,770
Translation adjustment	(16)	(132)	(57)	(179)	(17)	(17)	(34)	(22)	(474)
Other movements, including transfers	6	262	(30)	467	188	98	(986)	11	16
As of December 31, 2017	2,432	4,427	763	2,682	883	406	784	1,485	13,862
Acquisitions	25	473	70	604	162	82	1,074	114	2,604
Disposals and retirements	-	-	-	(3)	(3)	(1)	(1)	3	(5)
Depreciation expense	(6)	(192)	(2)	(946)	(172)	(127)	-	(67)	(1,512)
Impairment expense	-	(2)	-	2	(1)	-	-	(2)	(3)
Change in the market value of vineyard land	8	-	-	-	-	-	-	-	8
Changes in the scope of consolidation	-	-	-	2	1	3	-	-	6
Translation adjustment	(1)	67	14	45	1	5	4	2	137
Other movements, including transfers	15	357	(243)	339	75	39	(624)	57	15
As of December 31, 2018	2,473	5,130	602	2,725	946	407	1,237	1,592	15,112

Purchases of property, plant and equipment in fiscal years 2018 and 2017 mainly included investments by the Group's brands in their retail networks and investments by the champagne houses, Hennessy, Louis Vuitton and Parfums Christian Dior in

their production equipment. They also included investments related to the La Samaritaine project as well as, in 2018, investments related to the Jardin d'Acclimatation, along with various real estate investments.

7. LEASES

7.1 Right-of-use assets

Right-of-use assets break down as follows, by type of underlying asset:

(EUR millions)	2019			January 1, 2019
	Gross	Depreciation and impairment	Net	Net
Stores	11,817	(1,956)	9,861	9,472
Offices	1,724	(288)	1,436	1,332
Other	860	(111)	749	718
Capitalized fixed lease payments	14,402	(2,355)	12,047	11,522
Leasehold rights	738	(376)	362	345
Total	15,140	(2,731)	12,409	11,867

The net amounts of right-of-use assets changed as follows during the fiscal year:

Gross value (EUR millions)	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
As of January 1, 2019	9,531	1,365	728	11,624	673	12,297
New leases entered into	1,862	386	94	2,342	64	2,406
Changes in assumptions	411	13	2	426	-	426
Leases ended or canceled	(240)	(21)	(18)	(279)	(44)	(323)
Changes in scope of consolidation	24	5	38	67	2	69
Translation adjustment	200	17	12	229	6	235
Other movements, including transfers	30	(39)	3	(6)	38	32
As of December 31, 2019	11,817	1,724	860	14,402	738	15,140

Depreciation and impairment (EUR millions)	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
As of January 1, 2019	(59)	(33)	(10)	(102)	(328)	(430)
Depreciation and amortization expense	(1,970)	(274)	(108)	(2,352)	(53)	(2,405)
Impairment expense	-	(7)	-	(7)	5	(2)
Leases ended or canceled	102	15	9	125	33	158
Changes in the scope of consolidation	(2)	-	(2)	(3)	(5)	(8)
Translation adjustment	(6)	(1)	-	(7)	(2)	(9)
Other movements, including transfers	(21)	13	(1)	(9)	(24)	(33)
As of December 31, 2019	(1,956)	(288)	(111)	(2,355)	(376)	(2,731)
Carrying amount as of December 31, 2019	9,861	1,436	749	12,047	362	12,409

“New leases entered into” mainly concern store leases, in particular for Sephora, Christian Dior Couture, Bvlgari, Louis Vuitton and DFS. They also include leases of office space, mainly for Parfums Christian Dior.

7.2 Lease liabilities

Lease liabilities break down as follows:

(EUR millions)	2019	January 1, 2019
Non-current lease liabilities	10,373	9,679
Current lease liabilities	2,172	2,149
Total	12,545	11,828

The change in lease liabilities during the fiscal year breaks down as follows:

(EUR millions)	Stores	Offices	Other	Total
As of January 1, 2019	9,692	1,420	716	11,828
New leases entered into	1,834	373	94	2,302
Principal repayments	(1,828)	(238)	(101)	(2,166)
Change in accrued interest	40	5	5	50
Leases ended or canceled	(138)	(6)	(8)	(152)
Changes in assumptions	403	11	2	415
Changes in the scope of consolidation	26	-	30	56
Translation adjustment	198	17	12	228
Other movements, including transfers	36	(50)	-	(13)
As of December 31, 2019	10,264	1,532	749	12,545

The following table presents the contractual schedule of disbursements for lease liabilities as of December 31, 2019:

(EUR millions)		As of December 31, 2019 Total minimum future payments
Maturity:		
	2020	2,487
	2021	2,188
	2022	1,875
	2023	1,555
	2024	1,317
	Between 2025 and 2029	3,396
	Between 2030 and 2034	671
	Thereafter	1,107
Total minimum future payments		14,596
Impact of discounting		(2,051)
Total lease liability		12,545

7.3 Breakdown of lease expense

The lease expense for the fiscal year breaks down as follows:

(EUR millions)	2019
Depreciation and impairment of right-of-use assets	2,407
Interest on lease liabilities	290
Capitalized fixed lease expense	2,697
Variable leases	1,595
Short-term leases and/or low-value leases	376
Other lease expenses	1,971
Total	4,668

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. As required by IFRS 16, only the minimum fixed lease payments are capitalized.

For leases not required to be capitalized, there is little difference between the expense recognized and the payments made.

7.4 Off-balance sheet commitments

Off-balance sheet commitments relating to leases with fixed lease payments break down as follows:

(EUR millions)	2019
Contracts commencing after the balance sheet date	1,592
Low-value leases and short-term leases	195
Total undiscounted future payments	1,787

As part of the active management of its retail network, the Group negotiates and enters into leases with commencement dates after the balance sheet date. Obligations to make payments under these leases are reported as off-balance sheet commitments rather than being recognized as lease liabilities.

In addition, the Group may enter into leases or concession contracts that have variable guaranteed amounts, which are not reflected in the commitments above.

7.5 Discount rate table

The average discount rate for lease liabilities as of January 1, 2019 was 2.2%. The average discount rate for new lease liabilities in fiscal year 2019 was 2.0%. These discount rates are equivalent to

the average interest rates weighted by the amount of the corresponding lease liabilities.

7.6 Termination and renewal options

Lease liabilities result from the discounting of the fixed portion of contractually defined future lease payments. Lease liabilities are measured on the basis of the initially negotiated contractual lease term, not taking into account any early termination or extension options included in contracts, except in special circumstances.

As of December 31, 2019, 60% of lease liabilities arose from leases with contracts that did not include any early termination

or renewal options. Lease liabilities arising from leases with contractually defined renewal options came to around 1 billion euros. The impact of early termination options not taken into consideration would represent a reduction in lease liabilities of approximately 1 billion euros; conversely, the impact of renewal options not taken into account would represent an increase in lease liabilities of approximately 2 billion euros.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)	2019				2018		2017	
	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	638	-	638	278	639	273	770	362
Share of net profit (loss) for the period	28	-	28	11	23	12	(3)	2
Dividends paid	(20)	-	(20)	(9)	(28)	(9)	(22)	(8)
Changes in the scope of consolidation	415	-	415	163	(10)	2	(82)	(84)
Capital increases subscribed	5	-	5	2	3	1	5	3
Translation adjustment	5	-	5	-	7	-	(33)	(7)
Other, including transfers	3	-	3	3	4	(1)	4	5
Share of net assets of joint ventures and associates as of December 31	1,074	-	1,074	448	638	278	639	273

As of December 31, 2019, 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;
- a 50% stake in hotel and rail transport activities operated by Belmond in Peru.

- For other companies:

- a 40% stake in Mongoual SA, the real estate company that owns the office building in Paris (France) that serves as the headquarters 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 40% stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton;
- a 49% stake in Stella McCartney, a London-based ready-to-wear brand.

Changes in the scope of consolidation in 2019 were mainly related to the acquisition of the stake in Stella McCartney and to the acquisition of Belmond. See Note 2.

Repossi – an Italian jewelry brand in which the Group had taken a 41.7% stake, which was acquired in November 2015 and accounted for using the equity method until December 31, 2017 – has been fully consolidated since 2018, following the acquisition of an additional stake in the company, raising the Group's ownership interest from 41.7% to 68.9%.

Changes in the scope of consolidation in 2017 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 Note 2.

9. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	2019	2018	2017
As of January 1	1,100	789	744
Acquisitions	146	450	125
Disposals at net realized value	(45)	(45)	(85)
Changes in market value ^(a)	(16)	(101)	101
Changes in the scope of consolidation	-	-	5
Translation adjustment	7	16	(43)
Reclassifications	(276)	(9)	(58)
As of December 31	915	1,100	789

(a) Recognized within "Net financial income/(expense)".

Reclassifications resulted from the acquisition of a controlling interest in Belmond; the shares acquired in 2018 for 274 million euros are now included in the carrying amount of the investment held in Belmond. See Note 2.

Acquisitions in fiscal year 2019 included, for 110 million euros, the impact of subscription of securities in investment funds.

Acquisitions in fiscal year 2018 included in particular, for 274 million euros, the impact of the acquisition of Belmond shares (see Note 19), as well as, for 87 million euros, the impact

of subscription of securities in investment funds and acquisitions of minority interests.

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

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.9; see also Note 23.2 for the breakdown of these assets according to the measurement methods used.

10. OTHER NON-CURRENT ASSETS

(EUR millions)	2019	2018 ^(a)	2017 ^(a)
Warranty deposits	429	379	320
Derivatives ^(b)	782	257	246
Loans and receivables	291	303	264
Other	45	47	39
Total	1,546	986	869

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

(b) See Note 23.

11. INVENTORIES AND WORK IN PROGRESS

(EUR millions)	2019			2018	2017
	Gross	Impairment	Net	Net	Net
Wines and <i>eaux-de-vie</i> in the process of aging	5,027	(10)	5,017	4,784	4,517
Other raw materials and work in progress	2,377	(476)	1,900	1,700	1,370
	7,404	(487)	6,917	6,484	5,887
Goods purchased for resale	2,405	(216)	2,189	2,091	1,767
Finished products	5,728	(1,117)	4,611	3,910	3,234
	8,133	(1,333)	6,800	6,001	5,001
Total	15,537	(1,820)	13,717	12,485	10,888

See Note 1.17.

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

(EUR millions)	2019			2018	2017
	Gross	Impairment	Net	Net	Net
As of January 1	14,069	(1,584)	12,485	10,888	10,546
Change in gross inventories	1,604	-	1,604	1,722	1,006
Impact of provision for returns ^(a)	2	-	2	7	11
Impact of marking harvests to market	(6)	-	(6)	16	(21)
Changes in provision for impairment	-	(559)	(559)	(285)	(339)
Changes in the scope of consolidation	36	-	36	25	237
Translation adjustment	189	(36)	153	109	(550)
Other, including reclassifications	(358)	359	-	3	(2)
As of December 31	15,537	(1,820)	13,717	12,485	10,888

(a) See Note 1.26.

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

(EUR millions)	2019	2018	2017
Impact of marking the period's harvest to market	14	41	5
Impact of inventory sold during the period	(20)	(25)	(26)
Net impact on cost of sales for the period	(6)	16	(21)
Net impact on the value of inventory as of December 31	120	126	110

See Notes 1.9 and 1.17 on the method of marking harvests to market.

12. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2019	2018	2017
Trade accounts receivable, nominal amount	3,539	3,302	3,079
Provision for impairment	(89)	(78)	(78)
Provision for product returns ^(a)	-	(2)	(265)
Net amount	3,450	3,222	2,736

(a) See Note 1.26.

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

(EUR millions)	2019			2018	2017
	Gross	Impairment	Net	Net	Net
As of January 1	3,300	(78)	3,222	2,736	2,685
Changes in gross receivables	121	-	121	179	134
Changes in provision for impairment	-	(10)	(10)	(1)	(11)
Changes in provision for product returns ^(a)	-	-	-	7	(43)
Changes in the scope of consolidation	51	(1)	50	5	141
Translation adjustment	73	(1)	72	24	(154)
Reclassifications	(5)	-	(5)	272	(16)
As of December 31, 2019	3,539	(89)	3,450	3,222	2,736

(a) See Note 1.26.

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 long-term relationships.

As of December 31, 2019, 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	3,008	(21)	2,987
	- more than 3 months	125	(8)	117
		3,133	(29)	3,104
Overdue:	- less than 3 months	263	(10)	253
	- more than 3 months	143	(50)	93
		406	(60)	346
Total		3,539	(89)	3,450

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.

13. OTHER CURRENT ASSETS

(EUR millions)	2019	2018 ^(a)	2017 ^(a)
Current available for sale financial assets ^(b)	733	666	515
Derivatives ^(c)	180	123	496
Tax accounts receivable, excluding income taxes	1,055	895	747
Advances and payments on account to vendors	254	216	203
Prepaid expenses	454	430	396
Other receivables	589	538	562
Total	3,264	2,868	2,919

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

(b) See Note 14.

(c) See Note 23.

14. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

(EUR millions)	2019	2018	2017
As of January 1	666	515	374
Acquisitions	50	311	112
Disposals at net realized value	(121)	(164)	(181)
Changes in market value ^(a)	138	3	156
Changes in the scope of consolidation	-	-	-
Translation adjustment	-	1	(4)
Reclassifications	-	-	58
As of December 31	733	666	515
<i>Of which: Historical cost of current available for sale financial assets</i>	<i>538</i>	<i>576</i>	<i>344</i>

(a) Recognized within "Net financial income/(expense)".

The market value of current available for sale financial assets is determined using the methods described in Note 1.9. See Note 23.2 for the breakdown of current available for sale financial assets according to the measurement methods used.

15. CASH AND CHANGE IN CASH

15.1 Cash and cash equivalents

(EUR millions)	2019	2018	2017
Term deposits (less than 3 months)	879	654	708
SICAV and FCP funds	147	192	194
Ordinary bank accounts	4,647	3,764	2,836
Cash and cash equivalents per balance sheet	5,673	4,610	3,738

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)	2019	2018	2017
Cash and cash equivalents	5,673	4,610	3,738
Bank overdrafts	(176)	(197)	(120)
Net cash and cash equivalents per cash flow statement	5,497	4,413	3,618

15.2 Change in working capital

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

(EUR millions)	Notes	2019	2018	2017
Change in inventories and work in progress	11	(1,604)	(1,722)	(1,006)
Change in trade accounts receivable	12	(121)	(179)	(134)
Change in balance of amounts owed to customers		9	8	2
Change in trade accounts payable	22	463	715	257
Change in other receivables and payables		98	91	367
Change in working capital^(a)		(1,154)	(1,087)	(514)

(a) Increase/(Decrease) in cash and cash equivalents.

15.3 Operating investments

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

(EUR millions)	Notes	2019	2018 ^(a)	2017 ^(a)
Purchase of intangible assets	3	(528)	(537)	(456)
Purchase of property, plant and equipment	6	(2,860)	(2,590)	(1,883)
Change in accounts payable related to fixed asset purchases		163	137	40
Initial direct costs		(62)	-	-
Net cash used in purchases of fixed assets		(3,287)	(2,990)	(2,299)
Net cash from fixed asset disposals		29	10	26
Guarantee deposits paid and other cash flows related to operating investments		(36)	(58)	(3)
Operating investments^(b)		(3,294)	(3,038)	(2,276)

(a) The 2017 and 2018 financial statements have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

(b) Increase/(Decrease) in cash and cash equivalents.

15.4 Interim and final dividends paid and other transactions related to equity

Interim and final dividends paid comprise the following elements for the fiscal years presented:

(EUR millions)	2019	2018	2017
Interim and final dividends paid by LVMH SE	(3,119)	(2,715)	(2,110)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(429)	(339)	(260)
Tax paid related to interim and final dividends paid	(130)	(36)	388
Interim and final dividends paid	(3,678)	(3,090)	(1,982)

Other transactions related to equity comprise the following elements for the periods presented:

(EUR millions)	Notes	2019	2018	2017
Capital increases of LVMH SE	16	21	49	53
Capital increases of subsidiaries subscribed by minority interests		82	41	44
Acquisition and disposals of LVMH treasury shares	16	(49)	(295)	(67)
Other equity-related transactions		54	(205)	30

16. EQUITY

16.1 Equity

(EUR millions)	Notes	2019	2018 ^(a)	2017 ^(a)
Share capital	16.2	152	152	152
Share premium account	16.2	2,319	2,298	2,614
LVMH shares	16.3	(403)	(421)	(530)
Cumulative translation adjustment	16.5	862	573	354
Revaluation reserves		813	875	1,111
Other reserves		25,672	22,462	19,903
Net profit, Group share		7,171	6,354	5,365
Equity, Group share		36,586	32,293	28,969

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

16.2 Share capital and share premium account

As of December 31, 2019, the share capital consisted of 505,431,285 fully paid-up shares (505,029,495 as of December 31, 2018 and 507,042,596 as of December 31, 2017), with a par value of 0.30 euros per share, including 232,293,232 shares with

double voting rights (231,834,011 as of December 31, 2018 and 229,656,385 as of December 31, 2017). 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:

(EUR millions)	2019			2018	2017
	Number	Amount		Amount	Amount
		Share capital	Share premium account		
As of January 1	505,029,495	152	2,298	2,450	2,753
Exercise of share subscription options	403,946	-	21	21	49
Retirement of LVMH shares	(2,156)	-	-	-	(365)
As of December 31	505,431,285	152	2,319	2,470	2,766

16.3 LVMH shares

The portfolio of LVMH shares is allocated as follows:

(EUR millions)	2019		2018	2017
	Number	Amount	Amount	Amount
Share subscription option plans	403,946	20	20	57
Bonus share plans	1,066,965	294	302	122
Shares held for stock option and similar plans^(a)	1,470,911	314	322	179
Liquidity contract	38,000	15	25	23
Shares pending retirement	270,000	74	74	328
LVMH treasury shares	1,778,911	403	421	530

(a) See Note 17 regarding stock option and similar plans.

The market value of LVMH shares held under the liquidity contract as December 31, 2019 amounted to 16 million euros.

The portfolio movements of LVMH shares during the fiscal year were as follows:

(Number of shares or EUR millions)	Number	Amount	Impact on cash
As of December 31, 2018	2,135,404	421	
Share purchases ^(a)	614,711	213	(213)
Vested bonus shares	(477,837)	(77)	-
Retirement of LVMH shares	(2,156)	-	-
Disposals at net realized value ^(a)	(491,211)	(165)	165
Gain/(loss) on disposal	-	10	-
As of December 31, 2019	1,778,911	403	(48)

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

16.4 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, 2019, the distributable amount was 15,918 million euros; after taking into account the proposed dividend distribution in respect of the 2019 fiscal year, it was 13,593 million euros.

(EUR millions)	2019	2018	2017
Interim dividend for the current fiscal year (2019: 2.20 euros; 2018: 2.00 euros; 2017: 1.60 euros)	1,112	1,010	811
Impact of treasury shares	(4)	(4)	(7)
Gross amount disbursed for the fiscal year	1,108	1,006	804
Final dividend for the previous fiscal year (2018: 4.00 euros; 2017: 3.40 euros; 2016: 2.60 euros)	2,020	1,717	1,319
Impact of treasury shares	(8)	(8)	(13)
Gross amount disbursed for the previous fiscal year	2,012	1,709	1,306
Total gross amount disbursed during the period^(a)	3,119	2,715	2,110

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

The final dividend for fiscal year 2019, as proposed at the Shareholders' Meeting of April 16, 2020, is 4.60 euros per share, representing a total of 2,325 million euros before deduction

of the amount attributable to treasury shares held at the ex-dividend date.

16.5 Cumulative translation adjustment

The change in “Cumulative translation adjustment” recognized within “Equity, Group share”, net of hedging effects of net assets denominated in foreign currency, breaks down as follows by currency:

(EUR millions)	2019	Change	2018	2017
US dollar	364	71	293	139
Swiss franc	761	129	632	528
Japanese yen	125	16	109	69
Hong Kong dollar	388	34	354	316
Pound sterling	(75)	40	(115)	(107)
Other currencies	(230)	20	(250)	(170)
Foreign currency net investment hedges ^(a)	(471)	(21)	(450)	(421)
Total, Group share	862	289	573	354

(a) Including: -146 million euros with respect to the US dollar (-141 million euros as of December 31, 2018 and -130 million euros as of December 31, 2017), -117 million euros with respect to the Hong Kong dollar (-117 million euros as of December 31, 2018 and 2017) and -208 million euros with respect to the Swiss franc (-193 million euros as of December 31, 2018 and -180 million euros as of December 31, 2017). These amounts include the tax impact.

16.6 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 19) to equity;
- cash from operations before changes in working capital to net financial debt;
- net cash from operating activities;
- operating free cash flow (see Consolidated cash flow statement);

- 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.

17. BONUS SHARE AND SIMILAR PLANS

17.1 General characteristics of plans

Share purchase and subscription option plans

At the Shareholders' Meeting of April 18, 2019, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2021, 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.

As of December 31, 2019, this authorization had not been used by the Board of Directors.

No share subscription option or purchase plans have been set up since 2010.

No share subscription option plan remains in effect as of December 31, 2019.

Bonus share plans

At the Shareholders' Meeting of April 12, 2018, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2020, 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 in 2015, bonus shares and (if performance conditions are met) bonus performance shares (i) 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 recipients may not sell their shares and (ii) vest to recipients who are not French residents for tax purposes and become freely transferable after a period of four years.

For the plans set up since 2016, bonus shares and (if performance conditions are met) bonus performance shares vest to all recipients after a three-year period and are freely transferable once they have vested. However, as an exception, the vesting period applicable to shares granted on April 13, 2017 is one year (which is followed by a two-year holding period during which

recipients may not sell their shares) and those applicable to certain performance shares granted on July 26, 2017; October 25, 2017; January 25, 2018; and April 12, 2018 are between three and seven years.

Performance conditions

In addition to the condition under which recipients must still be with the Group, the vesting of bonus shares under certain plans is subject to conditions related to LVMH's financial performance, which must be met in order for recipients to be entitled to them. Shares only vest if LVMH's consolidated financial statements for one or more fiscal years (specified for each plan) show a positive change compared to a reference fiscal year (set for each plan) with respect to one or more of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, and current operating margin. The performance condition is assessed on a like-for-like basis to exclude the impact of acquisitions made during the two calendar years following the reference fiscal year and to neutralize the impact of disposals that took place during this same period. Only significant transactions (for more than 150 million euros) are restated in the accounts.

This concerns the following plans and fiscal years:

Plan commencement date	Type of plan	Shares awarded if there is a positive change in one of the indicators between fiscal years
April 16, 2015	Bonus shares	2014 and 2015
October 22, 2015	"	2015 and 2016; 2015 and 2017
October 20, 2016	"	2016 and 2017; 2016 and 2018
April 13, 2017	"	2016 and 2017
October 25, 2017	"	2017 and 2018; 2017 and 2019
April 12, 2018	"	2018 and 2019; 2018 and 2020
October 25, 2018	"	2018 and 2019; 2018 and 2020
October 24, 2019	"	2019 and 2020; 2019 and 2021

The bonus shares granted on July 26, 2017, as well as certain bonus shares granted on October 25, 2017; January 25, 2018; and April 12, 2018 are subject to conditions specifically related to the performance of a subsidiary, which are based partly on the subsidiary's consolidated revenue and consolidated profit from recurring operations, and partly (for some subsidiaries) on qualitative criteria.

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, at the Shareholders' Meeting of November 25, 2014 the shareholders authorized the Board of Directors to adjust the number and exercise price of the share subscription options that had not been exercised before December 17, 2014, as well as the number of bonus shares that had not yet vested as of that date. Consequently, the number of share subscription options and bonus shares concerned was increased by 11.1%, while the exercise price of these options was reduced by 9.98%. Since the sole aim of these adjustments was to maintain the gain obtained by the recipients at the level attained prior to the distribution, they had no effect on the consolidated financial statements.

17.2 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 2019	Number of options expired in 2019	Number of options outstanding as of Dec. 31, 2019
May 14, 2009 ^(b)	1,333,097	50.861	3 years	(386,921)	(7,142)	-
"	37,106	50.879	"	(17,025)	-	-
Total	1,370,203			(403,946)	(7,142)	-

(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 17.1.

(b) Plan subject to performance conditions; see Note 17.1 "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:

	2019		2018		2017	
	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	411,088	50.86	1,180,692	59.56	1,903,010	65.17
Options expired	(7,142)	50.86	(6,753)	63.98	(13,833)	74.67
Options exercised	(403,946)	50.86	(762,851)	64.21	(708,485)	74.33
Share subscription options outstanding as of December 31	-	-	411,088	50.86	1,180,692	59.56

17.3 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 2019	Shares vested in 2019	Non-vested shares as of Dec. 31, 2019
April 16, 2015	73,262	73,262	yes	3 ^(c) or 4 ^(d) years	-	(17,322)	-
October 22, 2015	315,532	315,532	yes	3 ^(c) or 4 ^(d) years	(4,894)	(126,928)	-
October 20, 2016	360,519	310,509	yes	3 years	(6,880)	(333,587)	-
July 26, 2017	21,700	21,700	yes	3 years	-	-	21,700
July 26, 2017	21,700	21,700	yes	4 years	-	-	21,700
October 25, 2017	288,827	270,325	yes	3 years	(5,535)	-	274,986
October 25, 2017	76,165	76,165	yes	7 years ^(f)	-	-	76,165
January 25, 2018	72,804	72,804	-	3 years	-	-	72,804
January 25, 2018	47,884	47,884	^(e)	6 years ^(f)	-	-	47,884
April 12, 2018	238,695	238,695	^(e)	3 years	(4,066)	-	234,629
April 12, 2018	93,421	93,421	^(e)	5 years ^(g)	-	-	93,421
October 25, 2018	9,477	9,477	^(e)	3 years	(125)	-	9,352
October 24, 2019	200,077	200,077	^(e)	3 years	-	-	200,077
Total	2,229,505	2,093,229			(21,500)	(477,837)	1,052,718

(a) After adjusting for the distribution in kind of Hermès shares. See Note 17.1.

(b) See Note 17.1 "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 2019, on the basis of budget data.

(f) Shares vest on June 30, 2024; early vesting on June 30, 2023 under certain conditions.

(g) Shares vest on June 30, 2023; vesting postponed to June 30, 2024 under certain conditions for a reduced number of shares.

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

<i>(number of shares)</i>	2019	2018	2017
Provisional allocations as of January 1	1,351,978	1,395,351	1,312,587
Provisional allocations for the period	200,077	462,281	455,252
Shares vested during the period	(477,837)	(459,741)	(335,567)
Shares expired during the period	(21,500)	(45,913)	(36,921)
Provisional allocations as of December 31	1,052,718	1,351,978	1,395,351

17.4 Expense for the period

<i>(EUR millions)</i>	2019	2018	2017
Expense for the period for share subscription option and bonus share plans	72	82	62

The LVMH closing share price the day before the grant date of the plan was 375.00 euros for the plan dated October 24, 2019.

The average unit value of non-vested bonus shares awarded under this plan during the 2019 fiscal year was 353.68 euros.

18. MINORITY INTERESTS

<i>(EUR millions)</i>	2019	2018	2017
As of January 1	1,664	1,408	1,510
Minority interests' share of net profit	611	636	475
Dividends paid to minority interests	(433)	(345)	(261)
Impact of changes in control of consolidated entities	25	41	114
Of which: Rimowa	-	-	89
Other	25	41	25
Impact of acquisition and disposal of minority interests' shares	-	(19)	(56)
Of which: Loro Piana	-	-	(58)
Other	-	(19)	2
Total impact of changes in the ownership interests in consolidated entities	25	22	58
Capital increases subscribed by minority interests	95	50	44
Minority interests' share in gains and losses recognized in equity	17	45	(134)
Minority interests' share in stock option plan expenses	3	4	7
Impact of changes in minority interests with purchase commitments	(203)	(156)	(291)
As of December 31	1,779	1,664	1,408

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

<i>(EUR millions)</i>	Cumulative translation adjustment	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments	Minority interests' share in cumulative translation adjustment and revaluation reserves
As of December 31, 2016	224	(14)	246	(39)	417
Changes during the fiscal year	(178)	30	11	3	(134)
As of December 31, 2017	46	16	257	(36)	283
Changes during the fiscal year	69	(30)	3	3	45
As of December 31, 2018	115	(14)	260	(33)	328
Changes during the fiscal year	23	4	6	(17)	17
As of December 31, 2019	138	(10)	266	(50)	345

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 Mari-Cha Group Ltd in DFS. Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified at the

period-end within "Purchase commitments for minority interests' shares" under "Other non-current liabilities" and is therefore excluded from the total amount of minority interests at the period-end. See Notes 1.12 and 21.

Dividends paid to Diageo during fiscal year 2019 amounted to 177 million euros. Net profit attributable to Diageo for fiscal year 2019 was 366 million euros, and its share in minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,414 million euros as of December 31, 2019. As of that date, the consolidated balance sheet of Moët Hennessy was as follows:

<i>(EUR billions)</i>	2019
Property, plant and equipment and intangible assets	4.6
Other non-current assets	0.4
Non-current assets	5.0
Inventories and work in progress	5.8
Other current assets	1.4
Cash and cash equivalents	2.4
Current assets	9.5
Total assets	14.5

<i>(EUR billions)</i>	2019
Equity	10.0
Non-current liabilities	1.4
Equity and non-current liabilities	11.4
Short-term borrowings	1.5
Other current liabilities	1.7
Current liabilities	3.2
Total liabilities and equity	14.5

With regard to DFS, dividends paid to Mari-Cha Group Ltd during fiscal year 2019 amounted to 98 million euros. Net profit attributable to Mari-Cha Group Ltd for fiscal year 2019 was 132 million euros, and its share in accumulated minority interests as of December 31, 2019 came to 1,477 million euros.

19. BORROWINGS

19.1 Net financial debt

(EUR millions)	2019	2018 ^(a)	2017 ^(a)
Long-term borrowings	5,101	6,005	7,046
Short-term borrowings	7,610	5,027	4,530
Gross borrowings	12,711	11,032	11,576
Interest rate risk derivatives	(16)	(16)	(28)
Foreign exchange risk derivatives	47	146	(25)
Gross borrowings after derivatives	12,742	11,162	11,523
Current available for sale financial assets ^(b)	(733)	(666)	(515)
Non-current available for sale financial assets used to hedge financial debt ^(c)	(130)	(125)	(117)
Cash and cash equivalents ^(d)	(5,673)	(4,610)	(3,738)
Net financial debt	6,206	5,761	7,153
Belmond shares (presented within "Non-current available for sale financial assets")	-	(274)	-
Adjusted net financial debt, excluding the acquisition of Belmond shares	6,206	5,487	7,153

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

(b) See Note 14.

(c) See Note 9.

(d) See Note 15.1.

The change in gross borrowings after derivatives during the fiscal year breaks down as follows:

(EUR millions)	Dec. 31, 2018	Impact of changes in accounting standards ^(a)	As of Jan. 1, 2019, after restatement	Impact on cash ^(b)	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclas-sifications and Other	As of Dec. 31, 2019
Long-term borrowings	6,005	(315)	5,690	496	42	2	733	(1,862)	5,101
Short-term borrowings	5,027	(26)	5,001	656	37	10	32	1,873	7,610
Gross borrowings	11,032	(341)	10,691	1,152	79	12	764	12	12,711
Derivatives	130	-	130	2	-	(102)	1	-	31
Gross borrowings after derivatives	11,162	(341)	10,821	1,154	79	(89)	766	12	12,742

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.

(b) Including a positive impact of 2,837 million euros in respect of proceeds from borrowings and a negative impact of 1,810 million euros in respect of repayment of borrowings.

Changes in the scope of consolidation were related to the acquisition of Belmond. The bank borrowings on Belmond's balance sheet at the acquisition date were repaid in the amount of 560 million euros. See Note 2.

In February 2019, LVMH completed two fixed-rate bond issues totaling 1.0 billion euros, comprised of 300 million euros in bonds maturing in 2021 and 700 million euros in bonds maturing in 2023.

During the year, LVMH repaid the 300 million euro bond issued in 2014, the 600 million euro bond issued in 2013 and the 150 million Australian dollar bond issued in 2014.

During the 2018 fiscal year, LVMH repaid the 500 million euro bond issued in 2011 and the 1,250 million euro bond issued in 2017.

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 2017 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 bond issued in 2014.

Net financial debt does not include purchase commitments for minority interests (see Note 21) or lease liabilities (see Note 7). The finance lease liability was reclassified to lease liabilities.

19.2 Breakdown of gross borrowings

(EUR millions)	2019	2018 ^(a)	2017 ^(a)
Bonds and Euro Medium-Term Notes (EMTNs)	4,791	5,593	6,557
Finance leases	-	315	296
Bank borrowings	310	97	193
Long-term borrowings	5,101	6,005	7,046
Bonds and Euro Medium-Term Notes (EMTNs)	1,854	996	1,753
Bank borrowings	262	220	340
Commercial paper	4,868	3,174	1,855
Other borrowings and credit facilities	430	421	429
Bank overdrafts	176	197	120
Accrued interest	21	19	33
Short-term borrowings	7,610	5,027	4,530
Gross borrowings	12,711	11,032	11,576

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

The market value of gross borrowings, based on market data and commonly used valuation models, was 12,770 million euros as of December 31, 2019 (11,076 million euros as of December 31, 2018 and 11,651 million euros as of December 31, 2017), including 7,618 million euros in short-term borrowings (5,032 million euros as of December 31, 2018 and 4,533 million euros as of

December 31, 2017) and 5,151 million euros in long-term borrowings (6,044 million euros as of December 31, 2018 and 7,118 million euros as of December 31, 2017).

As of December 31, 2019, 2018 and 2017, no financial debt was recognized using the fair value option. See Note 1.21.

19.3 Bonds and EMTNs

Nominal amount (in currency)	Year issued	Maturity	Initial effective interest rate ^(a) (%)	2019 (EUR millions)	2018	2017
EUR 1,200,000,000	2017	2024	0.82	1,203	1,197	1,192
EUR 800,000,000	2017	2022	0.46	800	799	796
GBP 400,000,000	2017	2022	1.09	469	439	445
EUR 1,250,000,000	2017	2020	0.13	1,249	1,248	1,246
EUR 1,250,000,000	2017	2018	floating	-	-	1,253
USD 750,000,000 ^(b)	2016	2021	1.92	660	639	603
EUR 650,000,000	2014	2021	1.12	662	664	663
AUD 150,000,000	2014	2019	3.68	-	94	100
EUR 300,000,000	2014	2019	floating	-	300	300
EUR 600,000,000	2013	2020	1.89	605	606	606
EUR 600,000,000 ^(c)	2013	2019	1.25	-	603	605
EUR 500,000,000	2011	2018	4.08	-	-	501
EUR 300,000,000	2019	2021	0.03	300	-	-
EUR 700,000,000	2019	2023	0.26	697	-	-
Total bonds and EMTNs				6,645	6,589	8,310

(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%.

19.4 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, 2020	7,099	511	7,610	(333)	404	71	6,766	915	7,681
	December 31, 2021	1,694	152	1,846	(676)	636	(40)	1,018	788	1,806
	December 31, 2022	1,306	-	1,306	(668)	658	(10)	638	658	1,296
	December 31, 2023	712	-	712	18	-	18	730	-	730
	December 31, 2024	1,217	4	1,221	(301)	293	(8)	916	297	1,213
	December 31, 2025	11	-	11	-	-	-	11	-	11
	Thereafter	5	-	5	-	-	-	5	-	5
Total		12,044	667	12,711	(1,960)	1,991	31	10,084	2,658	12,742

See Note 23.4 for the market value of interest rate risk derivatives.

The breakdown by quarter of gross borrowings falling due in 2019 is as follows:

(EUR millions)	Falling due in 2020
First quarter	4,758
Second quarter	2,740
Third quarter	11
Fourth quarter	101
Total	7,610

19.5 Analysis of gross borrowings by currency after derivatives

(EUR millions)	2019	2018	2017
Euro	7,849	6,445	6,665
US dollar	3,457	3,277	3,045
Swiss franc	-	-	144
Japanese yen	622	662	722
Other currencies	814	778	947
Total	12,742	11,162	11,523

The purpose of foreign currency borrowings is to finance the development of the Group's activities outside the eurozone, as well as the Group's assets denominated in foreign currency.

19.6 Sensitivity

On the basis of debt as of December 31, 2019:

- 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 30 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 95 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 30 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 95 million euros after hedging;
- an instantaneous 1-point increase in these same yield curves would raise equity by around 10 million euros, as a result of the change in the market value of instruments used to hedge future interest payments;
- an instantaneous 1-point decrease in these same yield curves would reduce equity by around 10 million euros, as a result of the change in the market value of instruments used to hedge future interest payments.

19.7 Covenants

In connection with certain credit lines, the Group may undertake to maintain certain financial ratios. As of December 31, 2019, no significant credit lines were concerned by these provisions.

19.8 Undrawn confirmed credit lines

As of December 31, 2019, undrawn confirmed credit lines totaled 21.1 billion euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany.

19.9 Guarantees and collateral

As of December 31, 2019, borrowings secured by collateral were less than 350 million euros.

20. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Non-current provisions and other liabilities comprise the following:

(EUR millions)	2019	2018 ^(a)	2017 ^(a)
Non-current provisions	1,457	1,245	1,272
Uncertain tax positions	1,172	1,185	1,212
Derivatives ^(b)	712	283	229
Employee profit sharing	96	89	94
Other liabilities	375	386	370
Non-current provisions and other liabilities	3,812	3,188	3,177

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

(b) See Note 23.

Provisions concern the following types of contingencies and losses:

(EUR millions)	2019	2018	2017
Provisions for pensions, medical costs and similar commitments	812	605	625
Provisions for contingencies and losses	646	640	647
Non-current provisions	1,457	1,245	1,272
Provisions for pensions, medical costs and similar commitments	8	7	4
Provisions for contingencies and losses	406	362	400
Current provisions	414	369	404
Total	1,872	1,614	1,676

Provisions changed as follows during the fiscal year:

(EUR millions)	Dec. 31, 2018	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other ^(a)	Dec. 31, 2019
Provisions for pensions, medical costs and similar commitments	612	159	(124)	(1)	-	173	820
Provisions for contingencies and losses	1,002	373	(208)	(130)	13	-	1,052
Total	1,614	533	(332)	(130)	13	173	1,872

(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 32), 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 relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.).

Non-current liabilities related to uncertain tax positions included an estimate of the risks, disputes and actual or probable litigation related to the income tax computation. The Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. A liability is recognized for these rectification claims, together with any uncertain tax positions that have been identified but not yet officially notified, the amount of which is regularly reviewed in accordance with the criteria of the application of IFRIC 23 Uncertainty over Income Tax Treatment.

21. PURCHASE COMMITMENTS FOR MINORITY INTERESTS' SHARES

As of December 31, 2019, 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. The fair value of this commitment was calculated 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, Clos des Lambrays and Colgin Cellars, and excluding certain champagne vineyards.

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

22. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

22.1 Trade accounts payable

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

(EUR millions)	2019	2018 ^(a)	2017 ^(a)
As of December 31	5,314	4,539	4,184
Impact of changes in accounting standards	(108)	-	-
As of January 1, after restatement	5,206	4,539	4,184
Change in trade accounts payable	335	715	257
Changes in amounts owed to customers	9	8	2
Changes in the scope of consolidation	216	7	315
Translation adjustment	56	49	(198)
Reclassifications	(8)	(4)	(21)
As of December 31	5,814	5,314	4,539

(a) The 2017 and 2018 financial statements have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

22.2 Current provisions and other liabilities

(EUR millions)	2019	2018 ^(a)	2017 ^(a)
Current provisions ^(b)	414	369	404
Derivatives ^(c)	138	166	45
Employees and social institutions	1,786	1,668	1,530
Employee profit sharing	123	105	101
Taxes other than income taxes	752	685	634
Advances and payments on account from customers	559	398	354
Provision for product returns ^(d)	399	356	-
Deferred payment for non-current assets	769	646	548
Deferred income	273	273	255
Other liabilities	1,093	1,288	1,286
Total	6,305	5,954	5,157

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

(b) See Note 20.

(c) See Note 23.

(d) See Note 1.26.

23. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

23.1 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.

23.2 Financial assets and liabilities recognized at fair value by measurement method

	2019			2018			2017		
	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 based on: ^(a)									
Published price quotations	945	-	5 673	1 171	-	4 610	772	-	3 738
Valuation model based on market data	381	962	-	307	380	-	331	742	-
Private quotations	322	-	-	288	-	-	201	-	-
Assets	1 648	962	5 673	1 766	380	4 610	1 304	742	3 738
Valuation based on: ^(a)									
Published price quotations	-	-	-	-	-	-	-	-	-
Valuation model based on market data	-	850	-	-	449	-	-	274	-
Private quotations	-	-	-	-	-	-	-	-	-
Liabilities	-	850	-	-	449	-	-	274	-

(a) See Note 1.9 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, 2019, December 31, 2018 and December 31, 2017.

The amount of financial assets valued on the basis of private quotations changed as follows in 2019:

(EUR millions)		2019
As of January 1		288
Acquisitions		66
Disposals (at net realized value)		(3)
Gains and losses recognized in income statement		(27)
Gains and losses recognized in equity		(1)
Reclassifications		(1)
As of December 31		322

23.3 Summary of derivatives

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

(EUR millions)			Notes	2019	2018	2017
Interest rate risk	Assets:	non-current		20	23	33
		current		12	12	9
	Liabilities:	non-current		(3)	(7)	(8)
		current		(14)	(12)	(6)
			23.4	16	16	28
Foreign exchange risk	Assets:	non-current		68	18	34
		current		165	108	485
	Liabilities:	non-current		(15)	(60)	(42)
		current		(124)	(154)	(39)
			23.5	93	(88)	438
Other risks	Assets:	non-current		694	216	179
		current		3	3	2
	Liabilities:	non-current		(694)	(216)	(179)
		current		-	-	-
			23.6	2	3	2
Total	Assets:	non-current	10	782	257	246
		current	13	180	123	496
	Liabilities:	non-current	20	(712)	(283)	(229)
		current	22	(138)	(166)	(45)
				112	(69)	468

The impact of financial instruments on the consolidated statement of comprehensive gains and losses for the fiscal year breaks down as follows:

(EUR millions)	Foreign exchange risk ^(a)						Interest rate risk ^(b)			Total ^(c)
	Revaluation of effective portions, of which:				Revaluation of cost of hedging	Total	Revaluation of effective portions	Ineffective portion	Total	
	Hedges of future foreign currency cash flows	Fair value hedges	Foreign currency net investment hedges	Total						
Changes in the income statement	-	(76)	-	(76)	-	(76)	3	(1)	2	(74)
Changes in consolidated gains and losses	14	-	(32)	(18)	29	11	(1)	2	1	12

(a) See Notes 1.8 and 1.22 on the principles of fair value adjustments to foreign exchange risk hedging instruments.

(b) See Notes 1.21 and 1.22 on the principles of fair value adjustments to interest rate risk derivatives.

(c) Gain/(Loss).

Since fair value adjustments to hedged items recognized in the balance sheet offset the effective portions of fair value hedging instruments (see Note 1.21), no ineffective portions of exchange rate hedges were recognized during the fiscal year.

23.4 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, 2019 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value ^{(a)(b)}			
	Less than 1 year	From 1 to 5 years	More than 5 years	Total	Future cash flow hedges	Fair value hedges	Not allocated	Total
Interest rate swaps, floating-rate payer	400	1 620	-	2 020	-	27	-	27
Interest rate swaps, fixed-rate payer	-	902	-	902	(4)	-	(4)	(8)
Foreign currency swaps, euro-rate payer	-	470	-	470	-	1	-	1
Foreign currency swaps, euro-rate receiver	57	133	-	190	-	(4)	-	(4)
Total					(4)	24	(4)	16

(a) Gain/(Loss).

(b) See Note 1.9 regarding the methodology used for market value measurement.

23.5 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 intra-Group 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, 2019 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation ^(a)				Market value ^{(b)(c)}				
	2019	2020	Thereafter	Total	Future cash flow hedges	Fair value hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	-	241	-	241	8	-	-	-	8
Put JPY	-	28	20	48	1	-	-	-	1
Put GBP	-	123	-	123	3	-	-	-	3
Other	-	84	-	84	2	-	-	-	2
	-	476	20	496	14	-	-	-	14
Collars									
Written USD	356	5,737	519	6,612	90	-	-	-	90
Written JPY	23	1,267	17	1,307	20	-	-	-	20
Written GBP	8	425	-	433	-	-	-	-	-
Written HKD	-	464	-	464	3	-	-	-	3
Written CNY	-	504	34	538	12	-	-	-	12
	387	8,397	570	9,354	125	-	-	-	125
Forward exchange contracts									
USD	239	(145)	-	94	1	2	-	-	3
HKD	-	-	-	-	-	-	-	-	-
JPY	35	-	-	35	-	-	-	-	-
CHF	(10)	-	-	(10)	-	1	-	-	1
RUB	39	-	-	39	-	(1)	-	-	(1)
CNY	-	-	-	-	-	-	-	-	-
GBP	36	9	-	45	-	-	-	-	-
Other	104	16	-	120	(1)	(2)	-	-	(3)
	443	(120)	-	323	-	-	-	-	-
Foreign exchange swaps									
USD	136	445	(534)	47	-	(37)	6	-	(31)
GBP	1,098	-	-	1,098	-	4	-	-	4
JPY	317	-	-	317	-	(9)	-	-	(9)
CNY	(325)	19	11	(295)	-	(2)	-	-	(2)
Other	92	-	-	92	-	(4)	(4)	-	(8)
	1,318	464	(523)	1,259	-	(48)	2	-	(46)
Total	2,148	9,217	67	11,432	139	(48)	2	-	93

(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 2020; the amount will depend on exchange rates at that date. The impact on net profit for fiscal year 2019 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 2019, 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	62	(231)	66	(48)	-	-	6	(19)
- conversion of net profit of entities outside the eurozone	110	(110)	36	(36)	27	(27)	27	(27)
Impact on net profit	172	(341)	102	(84)	27	(27)	33	(46)

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2019, mainly comprising options and collars.

As of December 31, 2019, forecast cash collections for 2020 in US dollars and Japanese yen are 80% hedged. For the hedged portion, the exchange rate upon sale will be at least 1.15 USD/EUR for the US dollar and at least 124 JPY/EUR for the Japanese yen.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2019 can be 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	374	(374)	47	(47)	311	(311)	78	(78)
Change in market value of net investment hedges, after tax	(253)	306	(7)	66	(46)	38	(20)	21
Net impact on equity, excluding net profit	121	(68)	40	19	265	(273)	58	(57)

23.6 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 synthetically create 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. In connection with the convertible bonds issued in 2016 (see Note 18 to the consolidated financial statements as of December 31, 2016), LVMH subscribed to financial instruments enabling it to fully hedge the exposure to any positive or negative changes in the LVMH share price. As provided by applicable accounting policies, the optional components of convertible bonds and financial instruments subscribed for hedging purposes

are recorded under "Derivatives". The change in market value of these options is index-linked to the change in the LVMH share price.

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, 2019 have a positive market value of 2 million euros. Considering nominal values of 199 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2019 would have a net impact on the Group's consolidated reserves in an amount of 1 million euros. These instruments mature in 2020.

23.7 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. 7.6 billion euros, close to the 6.5 billion euros balance of cash and cash equivalents, or in relation to the outstanding amount of its commercial paper program, i.e. 4.9 billion euros. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 21.1 billion

euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany.

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, 2019, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2020	2021	2022	2023	2024	Over 5 years	Total
Bonds and EMTNs	1,885	1,642	1,288	710	1,209	-	6,734
Bank borrowings	272	215	37	15	18	16	573
Other borrowings and credit facilities	430	-	-	-	-	-	430
Commercial paper	4,868	-	-	-	-	-	4,868
Bank overdrafts	175	-	-	-	-	-	175
Gross borrowings	7,630	1,857	1,325	725	1,227	16	12,780
Other liabilities, current and non-current ^(a)	5,483	73	32	25	23	42	5,678
Trade accounts payable	5,814	-	-	-	-	-	5,814
Other financial liabilities	11,297	73	32	25	23	42	11,492
Total financial liabilities	18,927	1,930	1,357	750	1,250	58	24,272

(a) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 5,479 million euros and to "Other non-current liabilities" for 199 million euros (excluding derivatives, purchase commitments for minority interests and deferred income of 272 million euros as of December 31, 2019).

See also Note 7 for the schedule of lease payments.

See Note 31.2 regarding contractual maturity dates of collateral and other guarantee commitments, Notes 19.5 and 23.5 regarding foreign exchange derivatives, and Note 23.4 regarding interest rate risk derivatives.

24. 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.

24.1 Information by business group

Fiscal year 2019

(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	5,547	22,164	5,738	4,286	14,737	1,199	-	53,670
Intra-Group sales	28	73	1,097	120	54	16	(1,388)	-
Total revenue	5,576	22,237	6,835	4,405	14,791	1,214	(1,388)	53,670
Profit from recurring operations	1,729	7,344	683	736	1,395	(351)	(32)	11,504
Other operating income and expenses	(7)	(20)	(27)	(28)	(15)	(135)	-	(231)
Depreciation, amortization and impairment expenses	(191)	(1,856)	(431)	(477)	(1,409)	(253)	98	(4,519)
Of which: Right-of-use assets	(31)	(1,146)	(141)	(230)	(872)	(85)	98	(2,408)
Other	(160)	(710)	(290)	(247)	(536)	(168)	-	(2,111)
Intangible assets and goodwill ^(b)	7,582	13,120	1,401	5,723	3,470	1,950	-	33,246
Right-of-use assets	116	5,239	487	1,196	5,012	824	(465)	12,409
Property, plant and equipment	3,142	4,308	773	610	1,919	7,788	(7)	18,533
Inventories and work in progress	5,818	2,884	830	1,823	2,691	44	(375)	13,717
Other operating assets ^(c)	1,547	2,028	1,518	740	895	1,317	10,558	18,603
Total assets	18,205	27,581	5,009	10,092	13,987	11,923	9,711	96,507
Equity	-	-	-	-	-	-	38,365	38,365
Lease liabilities	118	5,191	481	1,141	5,160	888	(434)	12,545
Other liabilities ^(d)	1,727	4,719	2,321	1,046	2,938	1,674	31,172	45,597
Total liabilities and equity	1,845	9,910	2,802	2,187	8,098	2,562	69,104	96,507
Operating investments ^(e)	(325)	(1,199)	(378)	(296)	(659)	(436)	-	(3,294)

Fiscal year 2018 ^(f)

<i>(EUR millions)</i>	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	5,115	18,389	5,015	4,012	13,599	696	-	46,826
Intra-Group sales	28	66	1,077	111	47	18	(1,347)	-
Total revenue	5,143	18,455	6,092	4,123	13,646	714	(1,347)	46,826
Profit from recurring operations	1,629	5,943	676	703	1,382	(270)	(60)	10,003
Other operating income and expenses	(3)	(10)	(16)	(4)	(5)	(88)	-	(126)
Depreciation, amortization and impairment expense	(162)	(764)	(275)	(239)	(463)	(169)	-	(2,072)
Of which: Right-of-use assets	-	-	-	-	-	-	-	-
Other	(162)	(764)	(275)	(239)	(463)	(169)	-	(2,072)
Intangible assets and goodwill ^(b)	6,157	13,246	1,406	5,791	3,430	951	-	30,981
Right-of-use assets	-	-	-	-	-	-	-	-
Property, plant and equipment	2,871	3,869	677	576	1,817	5,309	(7)	15,112
Inventories	5,471	2,364	842	1,609	2,532	23	(356)	12,485
Other operating assets ^(c)	1,449	1,596	1,401	721	870	976	8,709	15,722
Total assets	15,948	21,075	4,326	8,697	8,649	7,259	8,346	74,300
Equity	-	-	-	-	-	-	33,957	33,957
Lease liabilities	-	-	-	-	-	-	-	-
Other liabilities ^(d)	1,580	4,262	2,115	1,075	3,005	1,249	27,057	40,343
Total liabilities and equity	1,580	4,262	2,115	1,075	3,005	1,249	61,014	74,300
Operating investments ^(e)	(298)	(827)	(330)	(303)	(537)	(743)	-	(3,038)

Fiscal year 2017^(f)

(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, amortization and impairment expense	(158)	(669)	(254)	(273)	(510)	(67)	-	(1,931)
Of which: Right-of-use assets	-	-	-	-	-	-	-	-
Other	(158)	(669)	(254)	(273)	(510)	(67)	-	(1,931)
Intangible assets and goodwill ^(b)	6,277	13,149	1,280	5,684	3,348	1,056	-	30,794
Right-of-use assets	-	-	-	-	-	-	-	-
Property, plant and equipment	2,740	3,714	607	537	1,701	4,570	(7)	13,862
Inventories	5,115	1,884	634	1,420	2,111	16	(292)	10,888
Other operating assets ^(c)	1,449	1,234	1,108	598	845	1,279	7,698	14,211
Total assets	15,581	19,981	3,629	8,239	8,005	6,921	7,399	69,755
Equity	-	-	-	-	-	-	30,377	30,377
Lease liabilities	-	-	-	-	-	-	-	-
Other liabilities ^(d)	1,544	3,539	1,706	895	2,839	1,223	27,632	39,378
Total liabilities and equity	1,544	3,539	1,706	895	2,839	1,223	58,009	69,755
Operating investments ^(e)	(292)	(563)	(286)	(269)	(570)	(297)	1	(2,276)

(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 in Notes 3 and 4.

(c) Assets not allocated include available for sale financial assets, other financial assets, and current and deferred tax assets.

(d) Liabilities not allocated include financial debt, current and deferred tax liabilities, and liabilities related to purchase commitments for minority interests' shares.

(e) Increase/(Decrease) in cash and cash equivalents.

(f) The 2017 and 2018 financial statements have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

24.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2019	2018	2017
France	4,725	4,491	4,172
Europe (excl. France)	10,203	8,731	8,000
United States	12,613	11,207	10,691
Japan	3,878	3,351	2,957
Asia (excl. Japan)	16,189	13,723	11,877
Other Countries	6,062	5,323	4,939
Revenue	53,670	46,826	42,636

Operating investments by geographic region of delivery are as follows:

(EUR millions)	2019	2018	2017
France	1,239	1,054	921
Europe (excl. France)	687	539	450
United States	453	765	393
Japan	133	80	51
Asia (excl. Japan)	534	411	309
Other Countries	248	189	152
Operating investments	3,294	3,038	2,276

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.

24.3 Quarterly information

Quarterly revenue by business group breaks 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	1,349	5,111	1,687	1,046	3,510	187	(352)	12,538
Second quarter	1,137	5,314	1,549	1,089	3,588	193	(326)	12,544
Third quarter	1,433	5,448	1,676	1,126	3,457	511 ^(a)	(335)	13,316
Fourth quarter	1,657	6,364	1,923	1,144	4,236	323	(375)	15,272
Total for 2019	5,576	22,237	6,835	4,405	14,791	1,214	(1,388)	53,670
First quarter	1,195	4,270	1,500	959	3,104	161	(335)	10,854
Second quarter	1,076	4,324	1,377	1,019	3,221	186	(307)	10,896
Third quarter	1,294	4,458	1,533	1,043	3,219	173	(341)	11,379
Fourth quarter	1,578	5,403	1,682	1,102	4,102	194	(364)	13,697
Total for 2018	5,143	18,455	6,092	4,123	13,646	714	(1,347)	46,826
First quarter	1,196	3,405	1,395	879	3,154	163	(308)	9,884
Second quarter	1,098	3,494 ^(b)	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

(a) Including the entire revenue of Belmond from April to September 2019.

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

25. REVENUE AND EXPENSES BY NATURE

25.1 Analysis of revenue

Revenue consists of the following:

(EUR millions)	2019	2018	2017
Revenue generated by brands and trade names	53,302	46,427	42,218
Royalties and license revenue	110	114	96
Income from investment property	20	23	32
Other revenue	238	262	291
Total	53,670	46,826	42,636

The portion of total revenue generated by the Group at its own stores, including sales through e-commerce websites, was approximately 70% in 2019 (69% in 2018 and 2017), i.e. 37,356 million

euros in 2019 (32,081 million euros in 2018 and 29,534 million euros in 2017).

25.2 Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	2019	2018	2017
Advertising and promotion expenses	6,265	5,518	4,831
Personnel costs	9,419	8,290	7,618
Research and development expenses	140	130	130

See also Note 7 regarding the breakdown of lease expenses.

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, 2019, a total of 4,915 stores were operated by the Group worldwide (4,592 in 2018, 4,374 in 2017), particularly by Fashion & Leather Goods and Selective Retailing.

Personnel costs consist of the following elements:

(EUR millions)	2019	2018	2017
Salaries and social security contributions	9,180	8,081	7,444
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans ^(a)	167	127	112
Stock option plan and related expenses ^(b)	72	82	62
Personnel costs	9,419	8,290	7,618

(a) See Note 30.

(b) See Note 17.4.

In 2019, the average full-time equivalent workforce broke down as follows by professional category:

(in number and as %)	2019	%	2018	%	2017	%
Executives and managers	30,883	21%	27,924	21%	25,898	20%
Technicians and supervisors	14,774	10%	14,057	10%	13,455	10%
Administrative and sales staff	81,376	55%	76,772	56%	72,981	57%
Production workers	20,682	14%	17,880	13%	16,303	13%
Total	147,715	100%	136,633	100%	128,637	100%

25.3 Statutory Auditors' fees

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 2019 fiscal year breaks down as follows:

(EUR millions, excluding VAT)			2019
	ERNST & YOUNG Audit	MAZARS	Total
Audit-related fees	10	8	18
Tax services	3	NS	3
Other	2	NS	2
Non-audit-related fees	5	NS	5
Total	15	8	23

NS: Not significant.

Audit-related fees include other services related to the certification of the consolidated and parent company financial statements, for non-material amounts.

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.

26. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2019	2018	2017
Net gains/(losses) on disposals	-	(5)	(15)
Restructuring costs	(57)	1	(15)
Remeasurement of shares acquired prior to their initial consolidation	-	-	(12)
Transaction costs relating to the acquisition of consolidated companies	(45)	(10)	(13)
Impairment or amortization of brands, trade names, goodwill and other fixed assets	(26)	(117)	(128)
Other items, net	(104)	5	3
Other operating income and expenses	(231)	(126)	(180)

Impairment and amortization expenses recorded are mostly for brands and goodwill. "Other items, net" notably includes the donation for the reconstruction of Notre-Dame de Paris for an amount of 100 million euros.

27. NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	2019	2018 ^(a)	2017 ^(a)
Borrowing costs	(156)	(158)	(169)
Income from cash, cash equivalents and current available for sale financial assets	50	44	34
Fair value adjustment of borrowings and interest rate hedges	(1)	(3)	(2)
Cost of net financial debt	(107)	(117)	(137)
Interest on lease liabilities	(290)	-	-
Dividends received from non-current available for sale financial assets	8	18	13
Cost of foreign exchange derivatives	(230)	(160)	(168)
Fair value adjustment of available for sale financial assets	82	(108)	264
Other items, net	(22)	(21)	(31)
Other financial income and expenses	(162)	(271)	78
Net financial income/(expense)	(559)	(388)	(59)

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

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

(EUR millions)	2019	2018	2017
Income from cash and cash equivalents	36	31	21
Income from current available for sale financial assets	14	13	13
Income from cash, cash equivalents and current available for sale financial assets	50	44	34

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

(EUR millions)	2019	2018	2017
Hedged financial debt	(3)	1	27
Hedging instruments	4	(1)	(30)
Unallocated derivatives	(1)	(3)	1
Fair value adjustment of borrowings and interest rate hedges	(1)	(3)	(2)

The cost of foreign exchange derivatives breaks down as follows:

(EUR millions)	2019	2018	2017
Cost of commercial foreign exchange derivatives	(230)	(156)	(175)
Cost of foreign exchange derivatives related to net investments denominated in foreign currency	5	3	-
Cost and other items related to other foreign exchange derivatives	(5)	(7)	7
Cost of foreign exchange derivatives	(230)	(160)	(168)

28. INCOME TAXES

28.1 Analysis of the income tax expense

(EUR millions)	2019	2018	2017
Current income taxes for the fiscal year	(3,234)	(2,631)	(2,875)
Current income taxes relating to previous fiscal years	12	76	474
Current income taxes	(3,222)	(2,555)	(2,401)
Change in deferred income taxes	300	57	137
Impact of changes in tax rates on deferred income taxes	(10)	(1)	50
Deferred income taxes	290	56	187
Total tax expense per income statement	(2,932)	(2,499)	(2,214)
Tax on items recognized in equity	28	118	(103)

In October 2017, the French Constitutional Court struck down the French dividend tax, introduced in 2012, which required French companies to pay a tax equal 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 company's revenue bracket. The reimbursement received, including interest on arrears and net of the exceptional surtax, represented 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.

28.2 Analysis of net deferred tax on the balance sheet

Net deferred taxes on the balance sheet include the following assets and liabilities:

(EUR millions)	2019	2018	2017
Deferred tax assets	2,274	1,932	1,741
Deferred tax liabilities	(5,498)	(5,036)	(4,989)
Net deferred tax asset (liability)	(3,224)	(3,104)	(3,248)

28.3 Analysis of the difference between the theoretical and effective income tax rates

The effective tax rate is as follows:

(EUR millions)	2019	2018	2017
Profit before tax	10,714	9,489	8,054
Total income tax expense	(2,932)	(2,499)	(2,214)
Effective tax rate	27.4%	26.3%	27.5%

The theoretical income tax rate, defined as the rate applicable by 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:

<i>(as % of income before tax)</i>	2019	2018	2017
French statutory tax rate	34.4	34.4	34.4
Changes in tax rates ^(a)	(0.1)	-	(2.2)
Differences in tax rates for foreign companies	(8.7)	(8.8)	(6.2)
Tax losses and tax loss carryforwards, and other changes in deferred tax	(0.2)	0.7	0.9
Differences between consolidated and taxable income, and income taxable at reduced rates	0.8	(1.2)	2.5
Tax on dividend payments applicable to French companies, net of the exceptional surtax ^(a)	-	-	(2.9)
Other taxes on distribution ^(b)	1.2	1.2	1.0
Effective tax rate of the Group	27.4	26.3	27.5

(a) See Note 28.1.

(b) Tax on distribution is mainly related to intra-Group dividends.

28.4 Sources of deferred taxes

In the income statement^(a)

<i>(EUR millions)</i>	2019	2018	2017
Valuation of brands	32	(1)	325
Other revaluation adjustments	11	2	62
Gains and losses on available for sale financial assets	(15)	6	(51)
Gains and losses on hedges of future foreign currency cash flows	-	(3)	3
Provisions for contingencies and losses	99	(63)	(74)
Intra-Group margin included in inventories	118	85	(38)
Other consolidation adjustments	9	14	(16)
Losses carried forward	36	16	(24)
Total	290	56	187

(a) Income/(Expenses).

In equity^(a)

<i>(EUR millions)</i>	2019	2018	2017
Fair value adjustment of vineyard land	(11)	(2)	82
Gains and losses on available for sale financial assets	-	-	-
Gains and losses on hedges of future foreign currency cash flows	(11)	110	(112)
Gains and losses on employee benefit commitments	39	(5)	(24)
Total	17	103	(54)

(a) Gains/(Losses).

In the balance sheet^(a)

<i>(EUR millions)</i>	2019	2018	2017
Valuation of brands	(3,913)	(3,902)	(3,872)
Fair value adjustment of vineyard land	(585)	(574)	(565)
Other revaluation adjustments	(898)	(458)	(459)
Gains and losses on available for sale financial assets	(65)	(50)	(55)
Gains and losses on hedges of future foreign currency cash flows	40	49	(58)
Provisions for contingencies and losses	693	551	596
Intra-Group margin included in inventories	921	795	707
Other consolidation adjustments	506	447	433
Losses carried forward	77	38	25
Total	(3,224)	(3,104)	(3,248)

(a) Asset/(Liability).

28.5 Losses carried forward

As of December 31, 2019, 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 456 million euros (497 million euros in 2018 and 446 million euros in 2017).

28.6 Tax consolidation

France's tax consolidation system allows virtually all of the Group's French companies to combine their taxable profits to calculate the overall tax expense for which only the parent company is liable. This tax consolidation system generated a decrease in the current tax expense of 138 million euros in 2019 (decrease of 225 million euros in 2018, increase of 6 million euros in 2017).

The other tax consolidation systems in place, notably in the United States, generated current tax savings of 61 million euros in 2019 (61 million euros in 2018; 85 million euros in 2017).

29. EARNINGS PER SHARE

	2019	2018	2017
Net profit, Group share <i>(EUR millions)</i>	7,171	6,354	5,365
Average number of shares outstanding during the fiscal year	505,281,934	505,986,323	507,172,381
Average number of treasury shares owned during the fiscal year	(2,063,083)	(3,160,862)	(4,759,687)
Average number of shares on which the calculation before dilution is based	503,218,851	502,825,461	502,412,694
Basic earnings per share <i>(EUR)</i>	14.25	12.64	10.68
Average number of shares outstanding on which the above calculation is based	503,218,851	502,825,461	502,412,694
Dilutive effect of stock option and bonus share plans	620,691	1,092,679	1,597,597
Other dilutive effects	-	-	-
Average number of shares on which the calculation after dilution is based	503,839,542	503,918,140	504,010,291
Diluted earnings per share <i>(EUR)</i>	14.23	12.61	10.64

As of December 31, 2019, all of the instruments that may dilute earnings per share have been taken into consideration when determining the dilutive effect, 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, 2019 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.

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

30.1 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)	2019	2018	2017
Service cost	112	113	110
Net interest cost	12	12	12
Actuarial gains and losses	(2)	(1)	-
Changes in plans	46	3	(10)
Total expense for the fiscal-year for defined-benefit plans	167	127	112

Changes in plans mainly relate to the closure of supplementary pension plans covering the Group's Executive Committee members and senior executives, in accordance with the French PACTE

law (an action plan for business growth and transformation) and the Order of July 3, 2019.

30.2 Net recognized commitment

(EUR millions)	Notes	2019	2018	2017
Benefits covered by plan assets		1,867	1,515	1,490
Benefits not covered by plan assets		250	189	179
Defined-benefit obligation		2,117	1,704	1,669
Market value of plan assets		(1,340)	(1,137)	(1,077)
Net recognized commitment		777	567	592
Of which:				
Non-current provisions	20	812	605	625
Current provisions	20	8	7	4
Other assets		(43)	(45)	(37)
Total		777	567	592

30.3 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, 2018	1,704	(1,137)	567
Service cost	112	-	112
Net interest cost	35	(23)	12
Payments to recipients	(95)	66	(29)
Contributions to plan assets	-	(104)	(104)
Contributions of employees	9	(9)	-
Changes in scope and reclassifications	22	(22)	-
Changes in plans	46	-	46
Actuarial gains and losses	252	(82)	170
Of which: experience adjustments ^(a)	31	(82)	(51)
changes in demographic assumptions ^(a)	(2)	-	(2)
changes in financial assumptions ^(a)	223	-	223
Translation adjustment	32	(29)	3
As of December 31, 2019	2,117	(1,340)	777

(a) (Gain)/Loss.

Actuarial gains and losses resulting from experience adjustments related to fiscal years 2015 to 2018 were as follows:

(EUR millions)	2015	2016	2017	2018
Experience adjustments on the defined-benefit obligation	(11)	(1)	4	4
Experience adjustments on the market value of plan assets	(12)	(25)	(49)	(41)
Actuarial gains and losses resulting from experience adjustments^(a)	(23)	(26)	(45)	(37)

(a) (Gain)/Loss.

The actuarial assumptions applied to estimate commitments in the main countries concerned were as follows:

(as %)	2019					2018					2017				
	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland
Discount rate ^(a)	0.46	2.99	2.05	0.50	0.10	1.50	4.43	2.90	0.50	0.83	1.50	3.70	2.60	0.50	0.65
Future rate of increase of salaries	2.75	4.39	n.a.	1.87	1.79	2.75	4.59	n.a.	1.99	1.74	2.68	1.70	n.a.	2.00	1.69

(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.

n.a.: Not applicable.

The assumed rate of increase of medical expenses in the United States is 6.50% for 2020, 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 139 million euros in the amount of the defined-benefit obligation as of December 31, 2019; a decrease of 0.5 points in the discount rate would result in a rise of 152 million euros.

30.4 Analysis of benefits

The breakdown of the defined-benefit obligation by type of benefit plan is as follows:

(EUR millions)	2019	2018	2017
Supplementary pensions	1,597	1,300	1,279
Retirement bonuses and similar benefits	427	326	311
Medical costs of retirees	54	42	45
Long-service awards	32	27	25
Other	6	9	9
Defined-benefit obligation	2,116	1,704	1,669

The geographic breakdown of the defined-benefit obligation is as follows:

(EUR millions)	2019	2018	2017
France	886	615	579
Europe (excluding France)	581	556	569
United States	454	347	344
Japan	144	136	125
Asia (excluding Japan)	44	41	44
Other countries	7	9	8
Defined-benefit obligation	2,116	1,704	1,669

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2019 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 compensation; they also include end-of-career bonuses and long-service 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), commitments concern defined-benefit pension plans set up in the United Kingdom by certain Group companies; participation by Group companies in Switzerland in the mandatory Swiss occupational pension plan, the LPP (*Loi pour la Prévoyance Professionnelle*); and in Italy the TFR (*Trattamento di Fine Rapporto*), 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.

30.5 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)	2019	2018	2017
Shares	19	23	25
Bonds			
- private issues	35	36	36
- public issues	8	5	6
Cash, investment funds, real estate and other assets	38	36	33
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 2020 by paying in approximately 122 million euros.

31. OFF-BALANCE SHEET COMMITMENTS

31.1 Purchase commitments

(EUR millions)	2019	2018	2017
Grapes, wines and <i>eaux-de-vie</i>	2,840	2,040	1,925
Other purchase commitments for raw materials	211	215	123
Industrial and commercial fixed assets	674	721	525
Investments in joint venture shares and non-current available for sale financial assets	14,761	2,151	205

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, 2019, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co. ("Tiffany") at a unit price of 135 US dollars, for a total of 16.2 billion US dollars. The transaction, recommended

by Tiffany's Board of Directors, is expected to close in mid-2020, subject to approval at Tiffany's Shareholders' Meeting convened on February 4, 2020, and subject to customary approval by regulatory authorities.

As of December 31, 2018, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the Class A shares of Belmond Ltd at a unit price of 25 US dollars, for a total of 2.3 billion US dollars, after taking into account the shares acquired on the market in December 2018. This transaction took place in April 2019; see Note 2.

As of December 31, 2019, 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 <i>eaux-de-vie</i>	742	2,058	40	2,840
Other purchase commitments for raw materials	152	59	-	211
Industrial and commercial fixed assets	576	100	(2)	674
Investments in joint venture shares and non-current available for sale financial assets	14,601	159	-	14,761

31.2 Collateral and other guarantees

As of December 31, 2019, these commitments broke down as follows:

(EUR millions)	2019	2018	2017
Securities and deposits	371	342	379
Other guarantees	163	160	274
Guarantees given	534	502	653
Guarantees received	53	70	40

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	156	210	5	371
Other guarantees	69	81	13	163
Guarantees given	225	291	18	534
Guarantees received	(22)	(27)	(4)	(53)

31.3 Other commitments

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

32. 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. After taking into account insurance payments received in 2018 for property damage and business interruption, the remaining financial impact on the 2017 and 2018 financial statements was not material.

At the end of October 2017, having discovered that a subcontractor had delivered product batches not meeting its quality standards, Benefit ordered a worldwide recall of these products and launched a communications campaign. As a significant portion of the costs related to this incident 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, 2018 was not material. This insurance claim was settled in 2019.

There were no significant developments in fiscal year 2019 with regard to exceptional events or litigation.

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.

33. RELATED-PARTY TRANSACTIONS

33.1 Relations of LVMH with Christian Dior and Groupe Arnault

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)	2019	2018	2017
Amounts billed by Groupe Arnault SE, Financière Agache and Christian Dior SE to LVMH	(2)	(3)	(6)
Amount payable outstanding as of December 31	-	-	(2)
Amounts billed by LVMH to Groupe Arnault SE, Financière Agache and Christian Dior SE	6	5	5
Amount receivable outstanding as of December 31	-	-	1

33.2 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, Colgin Cellars 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 14% of shared costs in 2019 (15% in 2018 and 16% in 2017), and accordingly re-invoiced the excess costs incurred to LVMH SE. After re-invoicing, the amount of shared costs assumed by Moët Hennessy came to 25 million euros for 2019 (17 million euros in 2018 and 19 million euros in 2017).

33.3 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 finances the Fondation as part of its cultural sponsorship initiatives. 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 31.2).

33.4 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)	2019	2018	2017
Gross compensation, employers’ charges and benefits in kind	79	61	63
Post-employment benefits	59	19	17
Other long-term benefits	24	19	2
End-of-contract bonuses	-	13	12
Stock option and similar plans	29	29	14
Total	191	141	108

The commitment recognized as of December 31, 2019 for post-employment benefits net of related financial assets was 115 million euros (66 million euros as of December 31, 2018 and 68 million euros as of December 31, 2017). See Note 30 on the

impact of the French PACTE law on the commitment recognized for post-employment benefits for members of the Group’s management and supervisory bodies.

34. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2019 and January 28, 2020, 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	Companies	Registered office	Method of consolidation	Ownership interest
WINES AND SPIRITS							
MHCS	Épernay, France	FC	66%	Moët Hennessy Diageo China Company	Shanghai, China	JV	66%
Champagne Des Moutiers	Épernay, France	FC	66%	Moët Hennessy Distribution Russia	Moscow, Russia	FC	66%
Société Viticole de Reims	Épernay, France	FC	66%	Moët Hennessy Vietnam Importation Co.	Ho Chi Minh City, Vietnam	FC	65%
Compagnie Française du Champagne et du Luxe	Épernay, France	FC	66%	Moët Hennessy Vietnam Distribution Shareholding Co.	Ho Chi Minh City, Vietnam	FC	33%
Chamflpar	Épernay, France	FC	66%	Moët Hennessy Rus	Moscow, Russia	FC	66%
GIE Moët Hennessy Information Services	Épernay, France	FC	66%	MHD Moët Hennessy Diageo	Tokyo, Japan	JV	66%
Moët Hennessy Entreprise Adaptée	Épernay, France	FC	66%	Moët Hennessy Asia Pacific Pte Ltd	Singapore	FC	65%
Champagne Bernard Breuzon	Colombé-le-Sec, France	FC	66%	Moët Hennessy Australia	Mascot, Australia	FC	65%
Champagne De Mansin	Gyé-sur-Seine, France	FC	66%	Polmos Zyrardow Sp. Z O.O.	Zyrardow, Poland	FC	66%
Société Civile des Crus de Champagne	Reims, France	FC	66%	The Glenmorangie Company	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Italia SpA	Milan, Italy	FC	66%	Macdonald & Muir Ltd	Edinburgh, United Kingdom	FC	66%
Moët Hennessy UK	London, United Kingdom	FC	66%	Alistair Graham Limited	Edinburgh, United Kingdom	FC	66%
Moët Hennessy España	Barcelona, Spain	FC	66%	Ardbeg Distillery Limited	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Portugal	Lisbon, Portugal	FC	66%	Ardbeg Ltd	Edinburgh, United Kingdom	FC	66%
Moët Hennessy (Suisse)	Geneva, Switzerland	FC	66%	Bonding and Transport Co. Ltd	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Deutschland GmbH	Munich, Germany	FC	66%	Charles Muirhead & Son Limited	Edinburgh, United Kingdom	FC	66%
Moët Hennessy de Mexico	Mexico City, Mexico	FC	66%	Douglas Macniven & Company Ltd	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Belux	Brussels, Belgium	FC	66%	Glenmorangie Distillery Co. Ltd	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Österreich	Vienna, Austria	FC	66%	Glenmorangie Spring Water	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Suomi	Helsinki, Finland	FC	66%	James Martin & Company Ltd	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Polska	Warsaw, Poland	FC	66%	Macdonald Martin Distilleries	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Czech Republic	Prague, Czech Republic	FC	66%	Morangie Mineral Water Company	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Sverige	Stockholm, Sweden	FC	66%	Morangie Springs Limited	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Norge	Sandvika, Norway	FC	66%	Nicol Anderson & Co. Ltd	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Danmark	Copenhagen, Denmark	FC	66%	Tarlogie Springs Limited	Edinburgh, United Kingdom	FC	66%
Moët Hennessy Nederland	Baarn, Netherlands	FC	66%	Woodinville Whiskey Company LLC	Washington, USA	FC	66%
Moët Hennessy USA	New York, USA	FC	66%	RUM Entreprise	Paris, France	FC	66%
Moët Hennessy Turkey	Istanbul, Turkey	FC	66%	Volcan Azul	Mexico City, Mexico	EM	33%
Moët Hennessy South Africa Pty Ltd	Johannesburg, South Africa	FC	66%	Agrotequilera de Jalisco	Mexico City, Mexico	EM	33%
SCEV 4F	Épernay, France	FC	63%	SAS Château d'Esclans	La Motte, France	FC	36%
Moët Hennessy Nigeria	Lagos, Nigeria	FC	66%	Cave d'Esclans	La Motte, France	FC	36%
SAS Champagne Manuel Janisson	Verzenay, France	FC	66%	G2I	La Motte, France	FC	36%
SCI JUVIGNOLES	Verzenay, France	FC	66%				
MH Champagnes and Wines Korea Ltd	Icheon, South Korea	FC	66%	FASHION AND LEATHER GOODS			
MHD Moët Hennessy Diageo	Courbevoie, France	JV	66%	Louis Vuitton Malletier	Paris, France	FC	100%
Cheval des Andes	Buenos Aires, Argentina	EM	33%	Manufacture de Souliers Louis Vuitton	Fiesso d'Artico, Italy	FC	100%
Domaine Chandon	California, USA	FC	66%	Louis Vuitton Saint-Barthélemy	Saint-Barthélemy, French Antilles	FC	100%
Cape Mentelle Vineyards	Margaret River, Australia	FC	66%	Louis Vuitton Cantacilic Ticaret	Istanbul, Turkey	FC	100%
Veuve Clicquot Properties	Margaret River, Australia	FC	66%	Louis Vuitton Editeur	Paris, France	FC	100%
Moët Hennessy Do Brasil - Vinhos				Louis Vuitton International	Paris, France	FC	100%
E Destilados	São Paulo, Brazil	FC	66%	Louis Vuitton India Holding			
Cloudy Bay Vineyards	Blenheim, New Zealand	FC	66%	& Services Pvt. Ltd.	Bangalore, India	FC	100%
Bodegas Chandon Argentina	Buenos Aires, Argentina	FC	66%	Société des Ateliers Louis Vuitton	Paris, France	FC	100%
Domaine Chandon Australia	Coldstream, Victoria, Australia	FC	66%	Manufacture des Accessoires Louis Vuitton	Fiesso d'Artico, Italy	FC	100%
Newton Vineyards	California, USA	FC	59%	Louis Vuitton Bahrain WLL	Manama, Bahrain	FC	65%
Domaine Chandon (Ningxia)				Société Louis Vuitton Services	Paris, France	FC	100%
Moët Hennessy Co.	Yinchuan, China	FC	66%	Louis Vuitton Qatar LLC	Doha, Qatar	FC	63%
Moët Hennessy Chandon (Ningxia) Vineyards Co.	Yinchuan, China	FC	40%	Société des Magasins			
SA Du Château d'Yquem	Sauternes, France	FC	96%	Louis Vuitton France	Paris, France	FC	100%
SC Du Château d'Yquem	Sauternes, France	FC	96%	Belle Jardinière	Paris, France	FC	100%
Société Civile Cheval Blanc (SCCB)	Saint-Émilion, France	EM	50%	La Fabrique du Temps Louis Vuitton	Meyrin, Switzerland	FC	100%
Colgin Cellars	California, USA	FC	60%	Les Ateliers Joailliers Louis Vuitton	Paris, France	FC	100%
Moët Hennessy Shangri-La (Deqin)				Louis Vuitton Monaco	Monaco	FC	100%
Winery Company	Deqin, China	FC	53%	ELV	Paris, France	FC	100%
Château du Galoupet	La Londe-les-Maures, France	FC	66%	Louis Vuitton Services Europe	Brussels, Belgium	FC	100%
Jas Hennessy & Co.	Cognac, France	FC	65%	Louis Vuitton UK	London, United Kingdom	FC	100%
Distillerie de la Groie	Cognac, France	FC	65%	Louis Vuitton Ireland	Dublin, Ireland	FC	100%
SICA de Bagnole	Cognac, France	FC	3%	Louis Vuitton Deutschland	Munich, Germany	FC	100%
Sodepa	Cognac, France	FC	65%	Louis Vuitton Suisse	Kiev, Ukraine	FC	100%
Diageo Moët Hennessy BV	Amsterdam, Netherlands	JV	66%	Manufacture de Maroquinerie et Accessoires Louis Vuitton	Barcelona, Spain	FC	100%
Hennessy Dublin	Dublin, Ireland	FC	66%	La Fabrique de			
Edward Dillon & Co. Ltd	Dublin, Ireland	EM	26%	Maroquinerie Louis Vuitton	Paris, France	FC	100%
Hennessy Far East	Hong Kong, China	FC	65%	Louis Vuitton Netherlands	Amsterdam, Netherlands	FC	100%
Moët Hennessy Diageo Hong Kong	Hong Kong, China	JV	66%	Louis Vuitton Belgium	Brussels, Belgium	FC	100%
Moët Hennessy Diageo Macau	Macao, China	JV	66%	Louis Vuitton Luxembourg	Luxembourg	FC	100%
Riche Monde (China)	Hong Kong, China	JV	66%	Louis Vuitton Hellas	Athens, Greece	FC	100%
Moët Hennessy Diageo Singapore Pte	Singapore	JV	66%	Louis Vuitton Portugal Maleiro	Lisbon, Portugal	FC	100%
Moët Hennessy Cambodia Co.	Phnom Penh, Cambodia	FC	34%	Louis Vuitton Israel	Tel Aviv, Israel	FC	100%
Moët Hennessy Philippines	Makati, Philippines	FC	49%	Louis Vuitton Denmark	Copenhagen, Denmark	FC	100%
Société du Domaine des Lambrays	Morey-Saint-Denis, France	FC	100%	Louis Vuitton Aktiebolag	Stockholm, Sweden	FC	100%
Moët Hennessy Services UK	London, United Kingdom	FC	66%	Louis Vuitton Suisse	Meyrin, Switzerland	FC	100%
Moët Hennessy Services Singapore Pte Ltd	Singapore	FC	66%	Louis Vuitton Polska Sp. Z O.O.	Warsaw, Poland	FC	100%
Moët Hennessy Diageo Malaysia Sdn.	Kuala Lumpur, Malaysia	JV	66%	Louis Vuitton Ceska	Prague, Czech Republic	FC	100%
Diageo Moët Hennessy Thailand	Bangkok, Thailand	JV	66%	Louis Vuitton Österreich	Vienna, Austria	FC	100%
Moët Hennessy Shanghai	Shanghai, China	FC	66%	Louis Vuitton Kazakhstan	Almaty, Kazakhstan	FC	100%
Moët Hennessy India	Mumbai, India	FC	66%	Louis Vuitton US Manufacturing	California, USA	FC	100%
Jas Hennessy Taiwan	Taipei, Taiwan	FC	65%	Louis Vuitton Hawaii	Hawaii, USA	FC	100%

FINANCIAL STATEMENTS

Consolidated companies

Companies	Registered office	Method of consolidation	Ownership interest
Louis Vuitton Guam	Tamuning, Guam	FC	100%
Louis Vuitton Saipan	Saipan,		
	Northern Mariana Islands	FC	100%
Louis Vuitton Norge	Oslo, Norway	FC	100%
San Dimas Luggage Company	California, USA	FC	100%
Louis Vuitton North America, Inc.	New York, USA	FC	100%
Louis Vuitton USA, Inc.	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%
Louis Vuitton Romania Srl	Bucharest, Romania	FC	100%
LVMH Fashion Group Brasil Ltda	São Paulo, Brazil	FC	100%
Louis Vuitton Panama, Inc.	Panama City, Panama	FC	100%
Louis Vuitton Mexico	Mexico City, Mexico	FC	100%
Operadora Louis Vuitton Mexico	Mexico City, Mexico	FC	100%
Louis Vuitton Chile Spa	Santiago de Chile, Chile	FC	100%
Louis Vuitton (Aruba)	Oranjestad, Aruba	FC	100%
Louis Vuitton Argentina	Buenos Aires, Argentina	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 Ltd.	Taipei, Taiwan	FC	100%
Louis Vuitton Australia Pty Ltd.	Sydney, Australia	FC	100%
Louis Vuitton (China) Co. Ltd.	Shanghai, China	FC	100%
Louis Vuitton New Zealand	Auckland, New Zealand	FC	100%
Louis Vuitton India Retail Pte Ltd	Gurugram, India	FC	100%
Louis Vuitton EAU LLC	Dubai, United Arab Emirates	FC	52%
Louis Vuitton Saudi Arabia Ltd.	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 LLC	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 Hungary Kft.	Budapest, Hungary	FC	100%
Louis Vuitton Vostok	Moscow, Russia	FC	100%
LV Colombia SAS	Santa Fé de Bogota, Colombia	FC	100%
Louis Vuitton Maroc	Casablanca, Morocco	FC	100%
Louis Vuitton South Africa	Johannesburg, South Africa	FC	100%
Louis Vuitton Macau Company Limited	Macao, China	FC	100%
Louis Vuitton Japan KK	Tokyo, Japan	FC	99%
Louis Vuitton Services KK	Tokyo, Japan	FC	99%
Louis Vuitton Canada, Inc.	Toronto, Canada	FC	100%
Atepeli - Ateliers des Pontes de Lima	Calvelo, Portugal	FC	100%
Somarest	Sibiu, Romania	FC	100%
LVMH M&M's D'Art	Paris, France	FC	100%
Taneries 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	Florida, USA	FC	100%
Cypress Creek Farms	Florida, USA	FC	100%
The Florida Alligator Company	Florida, USA	FC	100%
Pellefina	Florida, USA	FC	100%
Sofpar 126	Paris, France	FC	100%
Sofpar 128	Bourg-de-Péage, France	FC	100%
Thélis	Longarone, Italy	FC	51%
Thélis France	Paris, France	FC	51%
Thélis USA Inc.	New Jersey, USA	FC	51%
Thélis Asia Pacific Limited	Harbour City, China	FC	51%
Marc Jacobs International	New York, USA	FC	80%
Marc Jacobs International (UK)	London, United Kingdom	FC	80%
Marc Jacobs Trademarks	New York, 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	New York, USA	FC	80%
Marc Jacobs Hong Kong Distribution Company	Hong Kong, China	FC	80%

Companies	Registered office	Method of consolidation	Ownership interest
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%
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%
Loewe Australia	Sydney, Australia	FC	100%
LVMH Fashion Group Support	Paris, France	FC	100%
Berluti SA	Paris, France	FC	100%
Berluti Monaco	Monaco	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	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 Ltd.	Seoul, South Korea	FC	65%
Berluti Australia	Sydney, Australia	FC	100%
Rossimoda	Vigona, Italy	FC	100%
Rossimoda Romania	Cluj-Napoca, Romania	FC	100%
LVMH Fashion Group Services	Paris, France	FC	100%
Interlux Company	Hong Kong, China	FC	100%
Jean Patou SAS	Paris, France	FC	70%
Rimowa GmbH	Cologne, Germany	FC	80%
Rimowa GmbH & Co Distribution KG	Cologne, Germany	FC	80%
Rimowa Electronic Tag GmbH	Hamburg, Germany	FC	80%
Rimowa CZ spol s.r.o.	Pelhrimov, 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 SLU	Madrid, Spain	FC	80%
Rimowa Great Britain Limited	London, United Kingdom	FC	80%
Rimowa Austria GmbH	Innsbruck, Austria	FC	80%
Rimowa Schweiz AG	Dübendorf, Switzerland	FC	80%
Rimowa China	Shanghai, China	FC	80%
Rimowa International	Paris, France	FC	80%
Rimowa Group Services	Paris, France	FC	80%
Rimowa Middle East FZ-LLC	Dubai, United Arab Emirates	FC	80%
Rimowa Korea Ltd	Seoul, South Korea	FC	80%
Rimowa Orient Trading-LLC	Dubai, United Arab Emirates	FC	80%
Rimowa Singapore	Singapore	FC	80%
Rimowa Australia	Sydney, Australia	FC	80%
110 Vondrau Holdings Inc.	Cambridge, Canada	FC	80%
Rimowa Group GmbH	Cologne, Germany	FC	100%
Anin Star Holding Limited	London, United Kingdom	EM	49%
Christian Dior Couture Korea Ltd	Seoul, South Korea	FC	100%
Christian Dior KK	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	Taipei, Taiwan	FC	100%
Christian Dior (Thailand) Co. Ltd	Bangkok, Thailand	FC	100%
Christian Dior Saipan Ltd	Saipan,		
	Northern Mariana Islands	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest	Companies	Registered office	Method of consolidation	Ownership interest
Christian Dior Guam Ltd	Tumon Bay, Guam	FC	100%	Celine Netherlands BV	Baarn, Netherlands	FC	99%
Christian Dior Espanola	Madrid, Spain	FC	100%	Celine Australia Ltd Co.	Sydney, Australia	FC	99%
Christian Dior Puerto Banus	Madrid, Spain	FC	75%	Celine Sweden AB	Stockholm, Sweden	FC	99%
Christian Dior UK Limited	London, United Kingdom	FC	100%	Celine Czech Republic	Prague, Czech Republic	FC	99%
Christian Dior Italia Srl	Milan, Italy	FC	100%	Celine Middle East	Dubai, United Arab Emirates	FC	65%
Christian Dior Suisse SA	Geneva, Switzerland	FC	100%	Celine Canada	Toronto, Canada	FC	100%
Christian Dior GmbH	Pforzheim, Germany	FC	100%	Celine Thailand	Bangkok, Thailand	FC	100%
Christian Dior Fourrure M.C.	Monte Carlo, Monaco	FC	100%	Celine Denmark	Copenhagen, Denmark	FC	100%
Christian Dior do Brasil Ltda	São Paulo, Brazil	FC	100%	LMP LLC	New York, USA	FC	100%
Christian Dior Belgique	Brussels, Belgium	FC	100%	Kenzo SA	Paris, France	FC	100%
Bopel	Lugagnano Val d'Arda, Italy	FC	100%	Kenzo Belgique SA	Brussels, Belgium	FC	100%
Christian Dior Couture CZ	Prague, Czech Republic	FC	100%	Kenzo UK Limited	London, United Kingdom	FC	100%
Ateliers AS	Pierre-Bénite, France	EM	25%	Kenzo Italia Srl	Milan, Italy	FC	100%
Christian Dior Couture	Paris, France	FC	100%	Kenzo Paris USA LLC	New York, USA	FC	100%
Christian Dior Couture FZE	Dubai, United Arab Emirates	FC	100%	Kenzo Paris Netherlands	Amsterdam, Netherlands	FC	100%
Christian Dior Couture Maroc	Casablanca, Morocco	FC	100%	Kenzo Paris Japan KK	Tokyo, Japan	FC	100%
Christian Dior Macau Single				Kenzo Paris Singapore	Singapore	FC	100%
Shareholder Company Limited	Macao, China	FC	100%	Kenzo Paris Hong Kong Company	Hong Kong, China	FC	100%
Christian Dior S. de R.L. de C.V.	Mexico City, Mexico	FC	100%	Kenzo Paris Macau Company Ltd.	Macao, China	FC	100%
Les Ateliers Bijoux GmbH	Pforzheim, Germany	FC	100%	Holding Kenzo Asia	Hong Kong, China	FC	51%
Christian Dior Commercial (Shanghai) Co.Ltd	Shanghai, China	FC	100%	Kenzo Paris Shanghai	Shanghai, China	FC	51%
Christian Dior Trading India Pte Ltd	Mumbai, India	FC	100%	LVMH Fashion Group Malaysia	Kuala Lumpur, Malaysia	FC	100%
Christian Dior Couture Stoleshnikov	Moscow, Russia	FC	100%	Givenchy SA	Paris, France	FC	100%
Ateliers Modèles SAS	Paris, France	FC	100%	Givenchy Corporation	New York, USA	FC	100%
CDCH SA	Luxembourg	FC	85%	Givenchy China Co.	Hong Kong, China	FC	100%
CDC Abu-Dhabi LLC Couture	Abu Dhabi, United Arab Emirates	FC	85%	Givenchy (Shanghai) Commercial and Trading Co.	Shanghai, China	FC	100%
Dior Grèce Société Anonyme				GCCL Macau Co.	Macao, China	FC	100%
Garments Trading	Athens, Greece	FC	100%	Givenchy Italia Srl	Florence, Italy	FC	100%
CDC General Trading LLC	Dubai, United Arab Emirates	FC	80%	Givenchy Germany	Cologne, Germany	FC	100%
Christian Dior Istanbul				LVMH Fashion Group Japan KK	Tokyo, Japan	FC	99%
Magazacilik Anonim Sirketi	Istanbul, Turkey	FC	100%	Givenchy Couture Ltd	London, United Kingdom	FC	100%
John Galliano SA	Paris, France	FC	100%	Givenchy Taiwan	Taipei, Taiwan	FC	100%
Christian Dior Couture Qatar LLC	Doha, Qatar	FC	82%	Givenchy Trading WLL	Doha, Qatar	FC	56%
Christian Dior Couture Bahrain W.L.L.	Manama, Bahrain	FC	84%	Givenchy Middle-East FZ LLC	Dubai, United Arab Emirates	FC	70%
PT Fashion Indonesia Trading Company	Jakarta, Indonesia	FC	100%	George V EAU LLC	Dubai, United Arab Emirates	FC	56%
Christian Dior Couture Ukraine	Kiev, Ukraine	FC	100%	Givenchy Singapore	Singapore	FC	100%
CDCG FZCO	Dubai, United Arab Emirates	FC	85%	Givenchy Korea Ltd	Seoul, South Korea	FC	100%
COU.BO Srl	Arzano, Italy	FC	100%	Fendi Prague s.r.o.	Prague, Czech Republic	FC	100%
Christian Dior Netherlands BV	Amsterdam, Netherlands	FC	100%	Luxury Kuwait for Ready			
Christian Dior Vietnam Limited Liability Company	Hanoi, Vietnam	FC	100%	Wear Company WLL	Kuwait City, Kuwait	FC	62%
Vermont	Paris, France	FC	100%	Fendi Canada Inc.	Toronto, Canada	FC	100%
Christian Dior Couture Kazakhstan	Almaty, Kazakhstan	FC	100%	Fendi Private Suites Srl	Rome, Italy	FC	100%
Christian Dior Austria GmbH	Vienna, Austria	FC	100%	Fun Fashion Qatar LLC	Doha, Qatar	FC	80%
Manufactures Dior Srl	Milan, Italy	FC	100%	Fendi International SAS	Paris, France	FC	100%
Christian Dior Couture Azerbaijan	Baku, Azerbaijan	FC	100%	Fun Fashion Emirates LLC	Dubai, United Arab Emirates	FC	62%
Draupnir SA	Luxembourg	FC	100%	Fendi SA	Luxembourg	FC	100%
Myolnir SA	Luxembourg	FC	100%	Fun Fashion Bahrain Co.WLL	Manama, Bahrain	FC	58%
CD Philippines	Makati, Philippines	FC	100%	Fendi Srl	Rome, Italy	FC	100%
Christian Dior Couture Luxembourg SA	Luxembourg	FC	100%	Fendi Dis Ticaret Ltd Sti	Istanbul, Turkey	FC	100%
Les Ateliers Horlogers Dior	La Chaux-de-Fonds, Switzerland	FC	100%	Fendi Philippines Corp.	Makati, Philippines	FC	100%
Dior Montres	Paris, France	FC	100%	Fendi Italia Srl	Rome, Italy	FC	100%
Christian Dior Couture Canada Inc.	Toronto, Canada	FC	100%	Fendi UK Ltd	London, United Kingdom	FC	100%
Christian Dior Couture Panama Inc.	Panama City, Panama	FC	100%	Fendi France SAS	Paris, France	FC	100%
IDMC Manufacture	Paris, France	FC	90%	Fendi North America Inc.	New York, USA	FC	100%
GINZA SA	Luxembourg	FC	100%	Fendi (Thailand) Company Limited	Bangkok, Thailand	FC	100%
GFE. Srl	Casoria, Italy	FC	100%	Fendi Asia Pacific Limited	Hong Kong, China	FC	100%
CDC Kuwait Fashion Accessories with limited liability	Kuwait City, Kuwait	FC	85%	Fendi Korea Ltd	Seoul, South Korea	FC	100%
AURELIA Solutions S.R.L.	Milan, Italy	FC	100%	Fendi Taiwan Ltd	Taipei, Taiwan	FC	100%
Grandville	Luxembourg	FC	100%	Fendi Hong Kong Limited	Hong Kong, China	FC	100%
Lemanus	Luxembourg	FC	100%	Fendi China Boutiques Limited	Hong Kong, China	FC	100%
Fenty SAS	Paris, France	FC	50%	Fendi (Singapore) Pte Ltd	Singapore	FC	100%
Celine SA	Paris, France	FC	100%	Fendi Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Avenue M International SCA	Paris, France	FC	99%	Fendi Switzerland SA	Mendrisio, Switzerland	FC	100%
Enilec Gestion SARL	Paris, France	FC	99%	Fun Fashion FZCO	Dubai, United Arab Emirates	FC	78%
Celine Montaigne SAS	Paris, France	FC	99%	Fendi Macau Company Limited	Macao, China	FC	100%
Celine Monte-Carlo SA	Monte Carlo, Monaco	FC	99%	Fendi Germany GmbH	Munich, Germany	FC	100%
Celine Germany GmbH	Berlin, Germany	FC	99%	Fendi Austria GmbH	Vienna, Austria	FC	100%
Celine Production Srl	Florence, Italy	FC	99%	Fendi (Shanghai) Co. Ltd	Shanghai, China	FC	100%
Celine Suisse SA	Geneva, Switzerland	FC	99%	Fun Fashion India Pte Ltd	Mumbai, India	FC	78%
Celine UK Ltd	London, United Kingdom	FC	99%	Interservices & Trading SA	Mendrisio, Switzerland	FC	100%
Celine Inc.	New York, USA	FC	100%	Outshine Mexico S. de R.L. de C.V.	Mexico City, Mexico	FC	100%
Celine (Hong Kong) Limited	Hong Kong, China	FC	99%	Fendi Timepieces SA	Neuchâtel, Switzerland	FC	100%
Celine Commercial and Trading (Shanghai) Co. Ltd	Shanghai, China	FC	99%	Support Retail Mexico S de R.L. de C.V.	Mexico City, Mexico	FC	100%
Celine Boutique Taiwan Co. Ltd	Taipei, Taiwan	FC	100%	Fendi Netherlands BV	Baarn, Netherlands	FC	100%
CPC Macau Company Limited	Macao, China	FC	99%	Fendi Brasil-Comercio de Artigos de Luxo	São Paulo, Brazil	FC	100%
LVMH FG Services UK	London, United Kingdom	FC	100%	Fendi RU LLC	Moscow, Russia	FC	100%
Celine Distribution Spain S.L.U.	Madrid, Spain	FC	99%	Fendi Australia Pty Ltd	Sydney, Australia	FC	100%
Celine Distribution Singapore	Singapore	FC	99%	Fendi Doha LLC	Doha, Qatar	FC	47%
RC Diffusion Rive Droite SARL	Paris, France	FC	99%	Fendi Denmark ApS	Copenhagen, Denmark	FC	100%
Celine EAU LLC	Dubai, United Arab Emirates	FC	52%	Fendi Spain S.L.	Madrid, Spain	FC	100%
				Fendi Monaco S.A.M.	Monte Carlo, Monaco	FC	100%
				Fendi Japan KK	Tokyo, Japan	FC	99%
				Emilio Pucci Srl	Florence, Italy	FC	100%

FINANCIAL STATEMENTS

Consolidated companies

Companies	Registered office	Method of consolidation	Ownership interest
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 UK Limited	London, United Kingdom	FC	100%
Emilio Pucci France SAS	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	New York, USA	FC	100%
Thomas Pink Ireland	Dublin, Ireland	FC	100%
Thomas Pink France	Paris, France	FC	100%
Thomas Pink Canada	Toronto, Canada	FC	100%
Thomas Pink Manufacturing	London, United Kingdom	FC	100%
Thomas Pink Shanghai	Shanghai, China	FC	100%
Thomas Pink Japan	Tokyo, Japan	FC	100%
Thomas Pink Australia	Sydney, Australia	FC	100%
Thomas Pink Mexico	Mexico City, Mexico	FC	100%
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%
LG Distribution LLC	Delaware, USA	FC	85%
Warren Corporation	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	Monte Carlo, Monaco	FC	85%
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, Peru	FC	85%
Manifattura Loro Piana	Sillavengo, Italy	FC	85%
Loro Piana Osterreich	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%
Loro Piana Canada	Toronto, Canada	FC	85%
Cashmere Lifestyle Luxury Trading LLC	Dubai, United Arab Emirates	FC	51%
Loro Piana Mexico SA de CV	Naucalpan, Mexico	FC	85%
Nicholas Kirkwood Ltd	London, United Kingdom	FC	52%
Nicholas Kirkwood (USA) Corp.	Oregon, USA	FC	52%
NK Washington LLC	Oregon, USA	FC	52%
Nicholas Kirkwood LLC	Oregon, USA	FC	52%
NK WLV LLC	Oregon, USA	FC	52%
JW Anderson Limited	London, United Kingdom	EM	46%
Marco de Vincenzo Srl	Rome, Italy	EM	45%
Ultrapharum Srl	Milan, Italy	EM	45%

PERFUMES AND COSMETICS

Parfums Christian Dior	Paris, France	FC	100%
LVMH Perfumes and Cosmetics (Thailand) Ltd.	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%
Shang Pu Ecommerce (Shanghai)	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 SAS Iparkos	Rotterdam, Netherlands	FC	100%
Parfums Christian Dior S.A.B.	Paris, France	FC	100%
LVMH P&C Luxembourg	Brussels, Belgium	FC	100%
Parfums Christian Dior (Ireland)	Luxembourg	FC	100%
Parfums Christian Dior Hellas	Dublin, Ireland	FC	100%
Parfums Christian Dior	Athens, Greece	FC	100%
Christian Dior Perfumes	Zurich, Switzerland	FC	100%
Parfums Christian Dior Canada	New York, USA	FC	100%
	Montreal, Canada	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
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 Fragrance & Cosmetic Co.	Hong Kong, China	FC	100%
Fa Hua Frag. & Cosm. Taiwan	Taipei, Taiwan	FC	100%
P&C (Shanghai)	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. Berhad	Petaling Jaya, Malaysia	FC	100%
Pardior	Mexico City, Mexico	FC	100%
Parfums Christian Dior Denmark	Copenhagen, Denmark	FC	100%
LVMH Perfumes & Cosmetics Group	Sydney, Australia	FC	100%
Parfums Christian Dior	Sandvika, Norway	FC	100%
LVMH Perfumes & Cosmetics (New Zealand)	Stockholm, Sweden	FC	100%
Parfums Christian Dior Austria	Auckland, New Zealand	FC	100%
L Beauty Luxury Asia	Vienna, Austria	FC	100%
SCI Annabell	Taguig City, Philippines	FC	51%
PT L Beauty Brands	Paris, France	FC	100%
L Beauty Pte	Jakarta, Indonesia	FC	51%
L Beauty Vietnam	Singapore	FC	51%
SCI Rose Blue	Ho Chi Minh City, Vietnam	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%
EPCD Hungaria	Budapest, Hungary	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) Limited	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	New York, USA	FC	100%
Make Up For Ever Canada	Montreal, Canada	FC	100%
Make Up For Ever Academy China	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	New York, USA	FC	100%
LVMH Fragrance Brands Canada	Toronto, Canada	FC	100%
LVMH Fragrance Brands	Tokyo, Japan	FC	100%
LVMH Fragrance Brands WHD	Florida, 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%

Companies	Registered office	Method of consolidation	Ownership interest
L Beauty (Thailand) Co. Ltd	Bangkok, Thailand	FC	48%
Fresh	New York, USA	FC	100%
Fresh	Paris, France	FC	100%
Fresh Cosmetics	London, United Kingdom	FC	100%
Fresh Hong Kong	Hong Kong, China	FC	100%
Fresh Korea	Seoul, South Korea	FC	100%
Fresh Canada	Montreal, Canada	FC	100%
Kendo Holdings Inc.	California, USA	FC	100%
Fenty Skin LLC	California, USA	FC	50%
Ole Henriksen of Denmark Inc.	California, USA	FC	100%
SLF USA Inc.	California, USA	FC	100%
Susanne Lang Fragrance	Toronto, Canada	FC	100%
BHUS Inc.	Delaware, USA	FC	100%
KVD Beauty LLC	California, USA	FC	70%
Fenty Beauty LLC	California, USA	FC	50%
Kendo Brands Ltd	Bicester, United Kingdom	FC	100%
Kendo Brands SAS	Boulogne-Billancourt, France	FC	100%
Kendo Hong Kong Limited	Hong Kong, China	FC	100%
Parfums Francis Kurkdjian SAS	Paris, France	FC	61%
Parfums Francis Kurkdjian LLC	New York, USA	FC	61%

WATCHES AND JEWELRY

Tag Heuer International	La Chaux-de-Fonds, Switzerland	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	Illinois, USA	FC	100%
LVMH Watch & Jewelry Canada	Richmond, Canada	FC	100%
LVMH Watch & Jewelry Far East	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%
TAG Heuer Connected	Paris, France	FC	100%
Timecrown	Manchester, United Kingdom	FC	100%
Artcad	Tramelan, Switzerland	FC	100%
TAG HEUER SA	La Chaux-de-Fonds, Switzerland	FC	100%
Golfcoders	Paris, France	FC	100%
Alpha Time Corp.	Hong Kong, 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 Monaco	Monte Carlo, Monaco	FC	100%
Chaumet Middle East	Dubai, United Arab Emirates	FC	60%
Chaumet UAE	Dubai, United Arab Emirates	FC	60%
Chaumet Australia	Sydney, Australia	FC	100%
Farouk Trading	Jeddah, Saudi Arabia	FC	60%
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 (GB) Ltd.	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	Monte Carlo, Monaco	FC	100%
Fred	New York, USA	FC	100%
Fred Londres	London, United Kingdom	FC	100%
Hublot	Nyon, Switzerland	FC	100%
Hublot Boutique Monaco	Monte Carlo, Monaco	FC	100%
Hublot Canada	Toronto, Canada	FC	100%
Bentim International	Nyon, Switzerland	FC	100%
Hublot SA Genève	Geneva, Switzerland	FC	100%
Hublot of America	Florida, USA	FC	100%
Benoit de Gorski SA	Geneva, Switzerland	FC	100%
Bulgari SpA	Rome, Italy	FC	100%
Bulgari Italia	Rome, Italy	FC	100%
Bulgari International Corporation (BIC)	Amsterdam, Netherlands	FC	100%
Bulgari Corporation of America	New York, USA	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
Bulgari SA	Geneva, Switzerland	FC	100%
Bulgari Horlogerie	Neuchâtel, Switzerland	FC	100%
Bulgari France	Paris, France	FC	100%
Bulgari Montecarlo	Monte Carlo, Monaco	FC	100%
Bulgari (Deutschland)	Munich, Germany	FC	100%
Bulgari España	Madrid, Spain	FC	100%
Bulgari South Asian Operations	Singapore	FC	100%
Bulgari (UK) Ltd	London, United Kingdom	FC	100%
Bulgari Belgium	Brussels, Belgium	FC	100%
Bulgari Australia	Sydney, Australia	FC	100%
Bulgari (Malaysia)	Kuala Lumpur, Malaysia	FC	100%
Bulgari Global Operations	Neuchâtel, Switzerland	FC	100%
Bulgari Asia Pacific	Hong Kong, China	FC	100%
Bulgari (Taiwan)	Taipei, Taiwan	FC	100%
Bulgari Korea	Seoul, South Korea	FC	100%
Bulgari Saint Barth	Saint-Barthélemy, French Antilles	FC	100%
Bulgari Gioielli	Valenza, Italy	FC	100%
Bulgari Accessori	Florence, Italy	FC	100%
Bulgari Holding (Thailand)	Bangkok, Thailand	FC	100%
Bulgari (Thailand)	Bangkok, Thailand	FC	100%
Bulgari Commercial (Shanghai) Co.	Shanghai, China	FC	100%
Bulgari Japan	Tokyo, Japan	FC	100%
Bulgari Panama	Panama City, Panama	FC	100%
Bulgari Ireland	Dublin, Ireland	FC	100%
Bulgari Qatar	Doha, Qatar	FC	49%
Gulf Luxury Trading	Dubai, United Arab Emirates	FC	51%
Bulgari do Brazil	São Paulo, Brazil	FC	100%
Bulgari Hotels and Resorts Milano	Rome, Italy	EM	50%
Lux Jewels Kuwait for Trading	Kuwait City, Kuwait	FC	80%
In Gold Jewelry and Precious Stones	Manama, Bahrain	FC	80%
Lux Jewels Bahrain	New Delhi, India	FC	100%
India Luxco Retail			
BK for Jewelry and Precious Metals and Stones Co.	Kuwait City, Kuwait	FC	80%
Bulgari Turkey Lüks Ürün Ticareti	Istanbul, Turkey	FC	100%
Bulgari Russia	Moscow, Russia	FC	100%
Bulgari Prague	Prague, Czech Republic	FC	100%
Bulgari Commercial Mexico	Mexico City, Mexico	FC	100%
Bulgari Canada	Montreal, Canada	FC	100%
Bulgari Portugal	Lisbon, Portugal	FC	100%
Bulgari Philippines	Makati, Philippines	FC	100%
Bulgari Vietnam	Hanoi, Vietnam	FC	100%
Bulgari Denmark	Copenhagen, Denmark	FC	100%
Bulgari Roma	Rome, Italy	FC	100%
Repossi	Paris, France	FC	69%

SELECTIVE RETAILING

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 Sro (Republique Tchèque)	Prague, Czech Republic	FC	100%
Sephora Monaco SAM	Monte Carlo, Monaco	FC	99%
Sephora Cosmetics España S.L.	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 (Turquie)	Istanbul, Turkey	FC	100%
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	70%
Sephora Middle East FZE	Dubai, United Arab Emirates	FC	70%
Sephora Qatar WLL	Doha, Qatar	FC	63%
Sephora Arabia Limited	Jeddah, Saudi Arabia	FC	52%
Sephora Kuwait Co. WLL	Kuwait City, Kuwait	FC	59%
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 Hong Kong Limited	Hong Kong, China	FC	100%
Sephora Singapore Pte Ltd	Singapore	FC	100%
Sephora (Thailand) Company (Limited)	Bangkok, Thailand	FC	100%
Sephora Australia Pty Ltd	Sydney, Australia	FC	100%
Sephora New Zealand Limited	Wellington, New Zealand	FC	100%

FINANCIAL STATEMENTS

Consolidated companies

Companies	Registered office	Method of consolidation	Ownership interest
Sephora Korea Ltd	Seoul, South Korea	FC	100%
Sephora Digital Pte Ltd	Singapore	FC	100%
Sephora Digital (Thailand) Ltd	Bangkok, Thailand	FC	100%
LX Services Pte Ltd	Singapore	FC	100%
PT MU and SC Trading (Indonesia)	Jakarta, Indonesia	FC	100%
Luxola Sdn. Bhd. (Malaysia)	Kuala Lumpur, Malaysia	FC	100%
Sephora Services Philippines (Branch)	Manila, Philippines	FC	100%
Sephora USA Inc.	California, USA	FC	100%
Sephora Cosmetics Pte Ltd (India)	New Delhi, India	FC	100%
Sephora Beauty Canada Inc.	Toronto, Canada	FC	100%
Sephora Puerto Rico LLC	California, USA	FC	100%
Sephora Mexico S. de R.L de C.V	Mexico City, 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	56%
Sephora Bahrain WLL	Manama, Bahrain	FC	52%
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%
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%
SEGEF	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	North Carolina, 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%
TRS Okinawa KK	Okinawa, Japan	EM	28%
JAL/DFS Co. Ltd	Chiba, Japan	EM	25%
DFS Korea Limited	Seoul, South Korea	FC	61%
DFS Cotai Limitada	Macao, China	FC	61%
DFS Middle East LLC	Abu Dhabi, United Arab Emirates	FC	61%
DFS Merchandising Limited	North Carolina, USA	FC	61%
DFS New Zealand Limited	Auckland, New Zealand	FC	61%
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	North Carolina, USA	FC	61%
LAX Duty Free Joint Venture 2000	California, USA	FC	46%
JFK Terminal 4 Joint Venture 2001	New York, USA	FC	49%
SFO Duty Free & Luxury Store Joint Venture	California, USA	FC	46%
SFOIT Specialty Retail Joint Venture	California, USA	FC	46%
Royal Hawaiian Insurance Company Co.	Hawaii, USA	FC	61%
DFS Guam L.P.	Tamuning, Guam	FC	61%
DFS Liquor Retailing Limited	North Carolina, USA	FC	61%
Twenty-Seven Twenty Eight Corp.	North Carolina, USA	FC	61%
DFS Italia Srl	Milan, Italy	FC	61%
DFS (Cambodia) Limited	Phnom Penh, Cambodia	FC	43%
TRS Hawaii LLC	Hawaii, USA	EM	28%
TRS Saipan	Saipan, Northern Mariana Islands	EM	28%
TRS Guam	Tamuning, Guam	EM	28%
Central DFS Co., Ltd	Bangkok, Thailand	EM	30%
Shenzhen DFG E-Commerce Co Ltd	Shenzhen, China	EM	13%
DFS Management Consulting (Shenzhen) Company Limited	Shenzhen, China	FC	61%
Tumon Entertainment LLC	Tamuning, Guam	FC	100%
Comete Guam Inc.	Tamuning, Guam	FC	100%
Tumon Aquarium LLC	Tamuning, Guam	FC	97%
Tumon Games LLC	Tamuning, Guam	FC	100%
Comete Saipan Inc.	Saipan, Northern Mariana Islands	FC	100%
DFS Vietnam Limited Liability Company	Ho Chi Minh City, Vietnam	FC	61%
DFS Venture Vietnam Company Limited	Ho Chi Minh City, Vietnam	FC	61%
PT Sona Topas Tourism industry Tbk	Jakarta, Indonesia	EM	28%
Cruise Line Holdings Co.	Florida, USA	FC	100%
Starboard Cruise Services	Florida, USA	FC	100%
Starboard Holdings	Florida, USA	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
International Cruise Shops Ltd	Cayman Islands	FC	100%
STB Servizi Tecnici Per Bordo	Florence, Italy	FC	100%
On-Board Media Inc.	Florida, USA	FC	100%
24 Sèvres	Paris, France	FC	100%

OTHER ACTIVITIES

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	77%
WordAppeal	Paris, France	FC	60%
Pelham Media	Paris, France	FC	60%
L'Eclaireur	Paris, France	FC	60%
KCO Events	Paris, France	FC	60%
Pelham Media Production	Paris, France	FC	60%
Alto International SARL	Paris, France	FC	36%
Happeningco SAS	Paris, France	FC	79%
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 Yachinteriors BV	Waddinxveen, Netherlands	FC	99%
Red Bell BV	Kaag, Netherlands	FC	99%
De Voogt Naval Architects BV	Haarlem, Netherlands	EM	99%
Feadship Holland BV	Amsterdam, Netherlands	EM	99%
Feadship America Inc.	Florida, USA	EM	99%
OGMNL BV	Nieuw-Lekkerland, Netherlands	EM	99%
Firstship BV	Amsterdam, Netherlands	EM	99%
Mezzo	Paris, France	FC	50%
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%
GIE CAPI13	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%
LVMH BH Holdings LLC	New York, USA	FC	100%
Rodeo Partners LLC	New York, USA	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	Courchevel, France	FC	100%
Société d'Exploitation Hôtelière	Courchevel, France	FC	100%
Société Immobilière	Courchevel, France	FC	100%
Paris Savoie Les Tovets	Paris, France	FC	100%
EUPALINOS 1850	Paris, France	FC	100%
Société d'Exploitation Hôtelière de la Samaritaine	Paris, France	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest	Companies	Registered office	Method of consolidation	Ownership interest
Société d'Exploitation Hôtelière Isle de France	Saint-Barthélemy, French Antilles	FC	56%	VSOE Voyages SA	Paris, France	FC	100%
Société d'Investissement				VSOE Deutschland GmbH	Cologne, Germany	FC	100%
Cheval Blanc Saint Barth Isle de France	Saint-Barthélemy, French Antilles	FC	56%	Ireland Luxury Rail Tours Ltd	Dublin, Ireland	FC	100%
Cheval Blanc Saint-Tropez	Saint-Tropez, France	FC	100%	Villa Margherita SpA	Florence, Italy	FC	100%
Villa Jacquemone	Saint-Tropez, France	FC	100%	Belmond Finanziamenti Srl	Florence, Italy	FC	100%
33 Hoche	Paris, France	FC	100%	Belmond Sicily SpA	Florence, Italy	FC	100%
Moët Hennessy Inc.	New York, USA	FC	66%	Belmond Italia SpA	Genoa, Italy	FC	100%
One East 57th Street LLC	New York, USA	FC	100%	Hotel Caruso SpA	Florence, Italy	FC	100%
LVMH Moët Hennessy Louis Vuitton Inc.	New York, USA	FC	100%	Hotel Cipriani SpA	Venice, Italy	FC	100%
Lafayette Art I LLC	New York, USA	FC	100%	Hotel Splendido SpA	Portofino, Italy	FC	100%
LVMH Holdings Inc.	New York, USA	FC	100%	Villa San Michele SpA	Florence, Italy	FC	100%
Island Cay Inc	New York, USA	FC	100%	Luxury Trains Servizi Srl	Venice, Italy	FC	100%
Halls Pond Exuma Ltd	Nassau, Bahamas	FC	100%	Castello Resort Villas SpA	Querceto, Italy	FC	100%
Sofidiv Art Trading Company	New York, USA	FC	100%	Castello di Casole SpA	Querceto, Italy	FC	100%
Sofidiv Inc.	New York, USA	FC	100%	Castello di Casole Agricoltura SpA	Querceto, Italy	FC	100%
598 Madison Leasing Corp.	New York, USA	FC	100%	Belmond Spanish Holdings SL	Madrid, Spain	FC	100%
1896 Corp.	New York, USA	FC	100%	Nomis Mallorcan Investments SA	Madrid, Spain	FC	100%
313-317 N. Rodeo LLC	New York, USA	FC	100%	Son Moragues SA	Deià, Spain	FC	100%
319-323 N. Rodeo LLC	New York, USA	FC	100%	Reid's Hoteis Lda	Funchal, Portugal	FC	100%
420 N. Rodeo LLC	New York, USA	FC	100%	Europe Hotel LLC	Saint Petersburg, Russia	FC	100%
456 North Rodeo Drive	New York, USA	FC	100%	Belmond USA Inc	Delaware, USA	FC	100%
468 North Rodeo Drive	New York, USA	FC	100%	21 Club Inc	New York, USA	FC	100%
461 North Beverly Drive	New York, USA	FC	100%	Belmond Pacific Inc	Delaware, USA	FC	100%
LVMH MJ Holdings Inc.	New York, USA	FC	100%	Belmond Reservation Services Inc	Delaware, USA	FC	100%
LVMH Perfumes & Cosmetics Inc.	New York, USA	FC	100%	Charleston Centre LLC	Delaware, USA	FC	100%
Arbelos Insurance Inc.	New York, USA	FC	100%	Charleston Place Holdings Inc	Delaware, USA	FC	100%
Meadowland Florida LLC	New York, USA	FC	100%	El Encanto Inc	Delaware, USA	FC	100%
2181 Kalakaua Holdings LLC	Texas, USA	EM	50%	Inn at Perry Cabin Corporation	Maryland, USA	FC	100%
2181 Kalakaua LLC	Texas, USA	EM	50%	Mountbay Holdings Inc	Delaware, USA	FC	100%
P&C International	Paris, France	FC	100%	Venice Simphon Orient Express Inc	Delaware, USA	FC	100%
LVMH Participations BV	Baarn, Netherlands	FC	100%	Windsor Court Hotel Inc	Delaware, USA	FC	95%
LVMH Moët Hennessy - Louis Vuitton BV	Baarn, Netherlands	FC	100%	Windsor Court Hotel LP	Delaware, USA	FC	100%
LVMH Services BV	Baarn, Netherlands	FC	100%	Windsor Great Park Inc	Delaware, USA	FC	100%
LVMH Finance Belgique	Brussels, Belgium	FC	100%	Belmond Cap Juluca Limited	Anguilla	FC	100%
LVMH International	Brussels, Belgium	FC	100%	Belmond (Cupecoy Village) Ltd	Hamilton, Bermuda	FC	100%
Marithé	Luxembourg	FC	100%	Belmond Holdings 1 Ltd	Hamilton, Bermuda	FC	100%
LVMH EU	Luxembourg	FC	100%	Belmond Peru Ltd	Hamilton, Bermuda	FC	100%
Ufilug	Luxembourg	FC	100%	Belmond Properties Ltd	Hamilton, Bermuda	FC	100%
Glacea	Luxembourg	FC	100%	Belmond Spain Ltd	Hamilton, Bermuda	FC	100%
Nakara	Luxembourg	FC	100%	Eastern & Oriental Express Ltd	Hamilton, Bermuda	EM	25%
Pronos	Luxembourg	FC	100%	Leisure Holdings Asia Ltd	Hamilton, Bermuda	FC	100%
Sofidiv	Luxembourg	FC	100%	Vessel Holdings 2 Ltd	Hamilton, Bermuda	FC	100%
LVMH Publica	Brussels, Belgium	FC	100%	Belmond Anguilla Holdings LLC	Hamilton, Bermuda	FC	100%
Sofidiv UK Limited	London, United Kingdom	FC	100%	Belmond Anguilla Member LLC	Hamilton, Bermuda	FC	100%
LVMH Moët Hennessy - Louis Vuitton	Tokyo, Japan	FC	100%	Belmond Anguilla Owner LLC	Hamilton, Bermuda	FC	100%
Osaka Fudosan Company	Tokyo, Japan	FC	100%	Belmond Interfin Ltd	Hamilton, Bermuda	FC	100%
LVMH Asia Pacific	Hong Kong, China	FC	100%	Belmond Ltd	Hamilton, Bermuda	FC	100%
LVMH (Shanghai) Management & Consultancy Co. Ltd	Shanghai, China	FC	100%	OE Interactive Ltd	Hamilton, Bermuda	EM	50%
LVMH South & South East Asia Pte Ltd	Singapore	FC	100%	Gametrackers (Botswana) (Pty) Ltd	Gaborone, Botswana	FC	100%
LVMH Korea Ltd	Seoul, South Korea	FC	100%	Game Viewers (Pty) Ltd	Gaborone, Botswana	FC	100%
Vicuna Holding	Milan, Italy	FC	100%	Xaxaba Camp (Pty) Ltd	Gaborone, Botswana	FC	100%
Pasticceria Confetteria Cova	Milan, Italy	FC	80%	Elysee Spa	Marigot, Saint Martin	FC	100%
Cova Montenapoleone	Milan, Italy	FC	80%	La Samanna SAS	Marigot, Saint Martin	FC	100%
Investissement Hôtelier				Phoenix Argente SAS	Marigot, Saint Martin	FC	100%
Saint Barth Plage des Flamands	Saint-Barthélemy, French Antilles	FC	56%	Societe D'Exploitation			
Dajbog S.A.	Luxembourg	FC	100%	Residence La Samanna SAS	Marigot, Saint Martin	FC	100%
Barlow Investments S.A.	Luxembourg	FC	100%	CSN Immobiliaria SA de CV	San Miguel de Allende, Mexico	FC	100%
Alderande	Paris, France	FC	56%	OEH Operadora			
Palladios Overseas Holding	London, United Kingdom	FC	100%	San Miguel SA de CV	San Miguel de Allende, Mexico	FC	100%
75 Sloane Street Services Limited	London, United Kingdom	FC	100%	CSN Real Estate 1 SA de CV	San Miguel de Allende, Mexico	FC	100%
Belmond (UK) Limited	London, United Kingdom	FC	100%	OEH Servicios San Miguel SA de CV	San Miguel de Allende, Mexico	FC	100%
Belmond Dollar Treasury Limited	London, United Kingdom	FC	100%	Operadora de Hoteles			
Belmond Finance Services Limited	London, United Kingdom	FC	100%	Rivera Maya SA de CV	Riviera Maya, Mexico	FC	100%
Belmond Management Limited	London, United Kingdom	FC	100%	Miraflores Ventures Ltd SA de CV	San Miguel de Allende, Mexico	FC	100%
Belmond Sterling Treasury Limited	London, United Kingdom	FC	100%	Plan Costa Maya SA de CV	Riviera Maya, Mexico	FC	100%
Blanc Restaurants Limited	London, United Kingdom	FC	100%	Spa Residencial SA de CV	Riviera Maya, Mexico	FC	100%
European Cruises Limited	London, United Kingdom	FC	100%	Belmond Brasil Hoteis SA	Rio de Janeiro, Brazil	FC	100%
Great Scottish and Western				Companhia Hoteis Palace SA	Rio de Janeiro, Brazil	FC	98%
Railway Holdings Limited	London, United Kingdom	FC	100%	Iguassu Experiences Agencia de Turismo Ltda	Foz do Iguaçu, Brazil	FC	100%
The Great Scottish and Western				Belmond Brasil Servicos Hoteleiros SA	Rio de Janeiro, Brazil	FC	100%
Railway Company Limited	London, United Kingdom	FC	100%	Robisi Empreendimentos e Participacoes SA			
Horatio Properties Limited	London, United Kingdom	FC	100%	Signature Boutique Ltda	Rio de Janeiro, Brazil	EM	50%
Island Hotel (Madeira) Limited	London, United Kingdom	FC	100%	CSN (San Miguel) Holdings Ltd	Rio de Janeiro, Brazil	FC	100%
Mount Nelson Hotel Limited	London, United Kingdom	FC	100%	Equimax Overseas Co Ltd	San Miguel de Allende, Mexico	FC	100%
La Residencia Limited	London, United Kingdom	FC	100%	Grupo Conceptos SA	Road Town, British Virgin Islands	FC	100%
LuxuryTravel.Com UK Limited	London, United Kingdom	FC	100%	Miraflores Ventures Ltd	Road Town, British Virgin Islands	FC	100%
Reid's Hotel Madeira Limited	London, United Kingdom	FC	100%	Novato Universal Ltd	Road Town, British Virgin Islands	FC	100%
VSOE Holdings Limited	London, United Kingdom	FC	100%	Belmond Peru Management SA	Lima, Peru	FC	100%
Venice Simphon-Orient-Express Limited - UK branch	London, United Kingdom	FC	100%	Belmond Peru SA	Lima, Peru	FC	100%
Belmond CJ Dollar Limited	London, United Kingdom	FC	100%	Ferrocarril Transandino SA	Lima, Peru	EM	50%
Croisieres Orex SAS	Saint-Usage, France	FC	100%	Perurail SA	Lima, Peru	EM	50%
				Peru Belmond Hotels SA	Lima, Peru	EM	50%

FINANCIAL STATEMENTS

Consolidated companies

Companies	Registered office	Method of consolidation	Ownership interest
Peru Experiences Belmond SA	Lima, Peru	EM	50%
Belmond Japan Ltd	Tokyo, Japan	FC	100%
Belmond Pacific Ltd	Hong Kong, China	FC	100%
Belmond China Ltd	Hong Kong, China	FC	100%
Belmond Hong Kong Ltd	Hong Kong, China	FC	100%
Hosia Company Ltd	Hong Kong, China	FC	100%
Belmond Hotels Singapore Pte Ltd	Singapore	FC	100%
E&O Services (Singapore) Pte Ltd	Singapore	EM	25%
Belmond (Thailand) Company Ltd	Bangkok, Thailand	FC	100%
E&O Services (Thailand) Pte Ltd	Bangkok, Thailand	EM	25%
Fine resorts Co Ltd	Bangkok, Thailand	FC	100%
Samui Island Resort Co Ltd	Koh Samui, Thailand	FC	100%
Khmer Angkor Hotel Co Ltd	Siem Reap, Cambodia	FC	99%
Société Hotelière de Pho Vao	Luang Prabang, Laos	FC	69%
Myanmar Cruises Ltd	Yangon, Myanmar	FC	100%
Myanmar Hotels & Cruises Ltd	Yangon, Myanmar	FC	100%
Myanmar Shwe Kyet Yet Tours Ltd	Yangon, Myanmar	FC	100%
PRA-FMI Pansea Hotel Development Co Ltd	Yangon, Myanmar	FC	100%
PT Bali Resort & Leisure Co Ltd	Bali, Indonesia	FC	100%

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 1.26 for the revenue recognition policy for these companies.

- (a) Profit from this company is taxable in France.
- (b) Profit from this company is taxable in the United Kingdom.

Companies	Registered office	Method of consolidation	Ownership interest
Belmond Australia Pty Ltd	Melbourne, Australia	FC	100%
Exclusive Destinations (Pty) Ltd	Cape Town, South Africa	FC	100%
Fraser's Helmsley Properties (Pty) Ltd	Cape Town, South Africa	FC	100%
Mount Nelson Commercial Properties (Pty) Ltd	Cape Town, South Africa	FC	100%
Mount Nelson Residential Properties (Pty) Ltd	Cape Town, South Africa	FC	100%
LVMH Client Services	Paris, France	FC	100%
Le Parisien Libéré	Saint-Ouen, 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%
Proximity	Saint-Ouen, France	FC	75%
Media Presse	Saint-Ouen, France	FC	75%
LP Management	Paris, France	FC	100%
Wagner Capital SA SICAR	Luxembourg	FC	51%
L Catterton Management	London, United Kingdom	EM	20%
LVMH Representações Ltda	São Paulo, Brazil	FC	100%
LVMH Moët Hennessy - Louis Vuitton	Paris, France		Parent company

COMPANIES NOT INCLUDED IN THE SCOPE OF CONSOLIDATION

Companies	Registered office	Ownership interest	Companies	Registered office	Ownership interest
Société d'exploitation hôtelière de Saint-Tropez	Paris, France	100%	Sofpar 137	Paris, France	100%
Société Nouvelle de Libraire et de l'Édition	Paris, France	100%	Sofpar 138	Paris, France	100%
Samos 1850	Paris, France	100%	Sofpar 139	Paris, France	100%
BRN Invest NV	Baarn, Netherlands	100%	Sofpar 140	Paris, France	100%
Toiltech	La Chapelle-devant-Bruyères, France	90%	Sofpar 141	Paris, France	100%
Bvlgari Austria Ltd	Vienna, Austria	100%	Sofpar 142	Paris, France	100%
Sephora Macau Limited	Macao, China	100%	Prolepis	Brussels, Belgium	100%
Les Beaux Monts	Couternon, France	90%	Prolepis Investment Ltd	London, United Kingdom	100%
Sofpar 116	Paris, France	100%	Innovacion en Marcas de Prestigio SA	Mexico City, Mexico	99%
Sofpar 125	Paris, France	100%	MS 33 Expansion	Paris, France	100%
Sofpar 127	Paris, France	100%	Shinsegae International Co. Ltd LLC	Seoul, South Korea	51%
Sofpar 131	Paris, France	100%	Crystal Pumpkin	Luxembourg City, Luxembourg	99%
Sofpar 132	Paris, France	100%	Loewe Nederland B.V	Amsterdam, Netherlands	100%
Sofpar 133	Paris, France	100%	Groupelement Forestier des Bois de la Celle	Cognac, France	65%
Sofpar 134	Paris, France	100%	Augesco	Paris, France	50%
Sofpar 136	Paris, France	100%	HUGO	Neuilly-sur-Seine, France	100%
			Folio St. Barths	New York, USA	100%

The 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 for the fiscal year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position as of December 31, 2019 and of the results of its operations for the fiscal 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, 2019 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.

Emphasis of matter

Without calling into question the opinion expressed above, we draw attention to the matter described in Note 1.2 to the consolidated financial statements relating to the impact of the initial application of IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments, as well as changes in the presentation of the balance sheet and cash flow statement.

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 fiscal year, 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.

- **Valuation of fixed assets, in particular intangible assets**

Risk identified

As of December 31, 2019, the value of the Group's fixed assets totaled 51.8 billion euros, excluding right-of-use assets. These fixed assets mainly comprise brands, trade names and goodwill recognized on external growth transactions; and property, plant and equipment, mainly composed of land, vineyard land, buildings, and fixtures and fittings (at stores in particular).

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 assumptions, estimates and other forms of judgment, as specified in Note 1.5 to the consolidated financial statements.

Our response

The Group tests these assets for impairment, as described in Notes 1.15 and 5 to the consolidated financial statements.

In this context, we assessed the methods used to perform these impairment tests and focused our work primarily on Maisons where the carrying amount of intangible assets represents a high multiple of profit from recurring operations.

We assessed the data and assumptions that served as the basis for 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 and market outlook, and 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, enabling it to offer products that meet consumers' expectations. The Group determines the amount of impairment of inventories and work in progress on the basis of sales prospects in its various markets or due to product obsolescence, as specified in Note 1.17 to the consolidated financial statements.

We considered this to constitute a key audit matter since the aforementioned projections and any resulting impairment are intrinsically dependent on assumptions, estimates and other forms of judgment made by the Group, as indicated in Note 1.5 to the consolidated financial statements. Furthermore, inventories are present at a large number of subsidiaries, and determining this impairment 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 light of past performance and the most recent budgets in order to corroborate the resulting impairment amounts. Where applicable, we assessed the assumptions made by the Group for the recognition of specific impairment. We also assessed the consistency of internal margins eliminated in the consolidated financial statements, by assessing in particular the margins generated with the various distribution subsidiaries and comparing them to the elimination percentage applied.

- **Provisions for contingencies, losses and uncertain tax positions**

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 income tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Within this context, the Group's activities may give rise 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.

As indicated in Notes 1.2 and 20 to the consolidated financial statements:

- provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities;
- non-current liabilities related to uncertain tax positions included an estimate of the risks, disputes and actual or probable litigation related to the income tax computation, in accordance with IFRIC 23.

We considered this to constitute a key audit matter due to the significance of the amounts concerned and the level of judgment required to monitor ongoing regulatory changes and evaluate these provisions in the context of a constantly evolving international regulatory environment.

Our response

In the context of our audit of the consolidated financial statements, our work consisted in particular in:

- assessing the procedures implemented by the Group to identify and catalogue all risks, disputes, litigation and uncertain tax positions;
- obtaining an understanding of the risk analysis performed by the Group and the corresponding documentation and, where applicable, reviewing written confirmations from external advisors;
- assessing – in conjunction with our experts, tax specialists in particular – the main risks identified and assessing the reasonableness of the assumptions made by Group management to estimate the amount of the provisions and of liabilities related to uncertain tax positions;
- carrying out a critical review of analyses relating to the use of provisions for contingencies and losses, and of liabilities related to uncertain tax positions, prepared by the Group;
- assessing – in conjunction with our tax specialists – the evaluations drawn up by the Group's Tax Department relating to the consequences of changes in tax laws;
- assessing the appropriateness of information relating to these risks, disputes, litigation and uncertain tax positions disclosed in the notes to the financial statements.

• Initial application of IFRS 16 Leases

Risk identified

The LVMH group applies IFRS 16 Leases as of January 1, 2019, using what is known as the “modified retrospective” transition method. Details on this initial application are provided in Note 1.2 to the consolidated financial statements.

This standard modifies the accounting treatment of leases: when a lease is entered into, a liability is recognized in the balance sheet, measured at the discounted present value of the fixed portion of future lease payments, and offset against a right-of-use asset depreciated over the lease term.

As of January 1, 2019, the initial application of this standard led to the recognition of:

- right-of-use assets with a carrying amount of 11.9 billion euros within “Other non-current assets”;
- lease liabilities totaling 11.8 billion euros, including 9.7 billion in non-current lease liabilities.

As of that date, as described in Note 7 to the consolidated financial statements, right-of-use assets mainly concern stores leased by the Group for 9.5 billion euros and office space for 1.3 billion euros.

We consider the initial application of IFRS 16 Leases to be a key audit matter, given the significant importance of right-of-use assets and lease liabilities in the Group's financial statements and the degree to which their value is determined based on its management's judgment, in particular concerning the assumptions used for lease terms and discount rates.

Our response

Our audit approach consisted in verifying the consistency with the provisions of IFRS 16 Leases, and in assessing the appropriateness of the methods used by the Group to determine the main assumptions, in particular those related to the most likely lease terms and discount rates.

Our work also consisted in:

- familiarizing ourselves with the organization and approach used by the Group for the initial application of this standard;
- testing the effectiveness of the key controls that we considered most relevant regarding the information systems and processes put in place by the Group in respect of IFRS 16, with support from members of the audit team with specific expertise in information systems;
- assessing the lease databases used by comparing the scope of the leases in such databases with the operating leases and concessions identified under the old standard, and by assessing the residual lease expenses;
- using sampling to corroborate the information (on leases, terms, etc.) used to measure lease-related assets and liabilities with the underlying contractual documents;
- reviewing the assumptions made and analyzing the methods used by management to determine the lease terms and discount rates used to calculate lease liabilities;

- using sampling to recalculate the amounts of lease liabilities and right-of-use assets as measured and recognized by the Group;
- performing analytical procedures to assess the overall consistency of the right-of-use assets and lease liabilities of the main entities included in the scope of consolidation with respect to our understanding of the Group and its activities;
- assessing the appropriateness of the main accounting policies used and the information disclosed in Notes 1.2 and 7 to the consolidated financial statements.

Specific verifications

In accordance with professional standards applicable in France, we also performed the specific verifications required by laws and regulations of the information concerning the Group provided 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.

We attest that the consolidated statement of non-financial performance provided for by Article L.225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information concerning the Group provided in the Management Report, with the proviso that, in accordance with the provisions of Article L.823-10 of said code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained in this statement, which must be subject to a report by an independent third party.

Report on other legal and regulatory requirements

• Appointment of the Statutory Auditors

Our audit firms were appointed as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton by your Shareholders' Meeting held on April 14, 2016.

As of December 31, 2019, our audit firms were in the fourth consecutive year of their engagement, it being specified that ERNST & YOUNG et Autres and ERNST & YOUNG Audit, members of the international EY network, were respectively Statutory Auditors from 2010 to 2015 and from 1988 to 2009.

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 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 risk management systems and, where applicable, internal audit, regarding the 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 its 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 its 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 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 scope of consolidation 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 submit 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 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 for the fiscal year 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) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set out 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. We discuss any risks that may reasonably be thought to bear on our independence, and the related safeguards, with the Performance Audit Committee.

Courbevoie and Paris-La Défense, February 3, 2020

The Statutory Auditors

French original signed by

MAZARS

Loïc Wallaert

Isabelle Sapet

ERNST & YOUNG Audit

Gilles Cohen

Patrick Vincent- Genod

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French. It is provided solely for the convenience of English speaking users. This Statutory Auditors' report includes information required under European regulations and French law, such as information about the appointment of the Statutory Auditors and the verification of information concerning the Group presented in the Management Report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

FINANCIAL STATEMENTS

Parent company financial statements: LVMH Moët Hennessy - Louis Vuitton

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INCOME STATEMENT

Income/(Expense) (EUR millions)	Notes	2019	2018
Financial income from subsidiaries and investments		4,252.7	3,550.5
Investment portfolio: impairment and provisions		(169.1)	(133.0)
gains and losses on disposal		-	-
Income from managing subsidiaries and investments	4.1	4,083.6	3,417.5
Cost of net financial debt	4.2	(29.5)	(30.4)
Foreign exchange gains and losses	4.3	(36.4)	(33.4)
Other financial income and expenses	4.4	(22.0)	(8.9)
FINANCIAL INCOME/(EXPENSE)	4	3,995.7	3,344.8
Services provided and other income	5	378.8	316.0
Personnel costs	6	(252.7)	(181.1)
Other net management charges	7	(430.7)	(326.4)
OPERATING PROFIT/(LOSS)		(304.6)	(191.5)
RECURRING PROFIT BEFORE TAX		3,691.1	3,153.3
EXCEPTIONAL INCOME/(EXPENSE)	8	(110.0)	-
Income tax income/(expense)	9	130.4	230.8
NET PROFIT		3,711.5	3,384.1

BALANCE SHEET

ASSETS (EUR millions)	Notes	2019		2018
		Gross	Depreciation, amortization and impairment	Net
Intangible assets		11.8	(8.4)	3.4
Vineyard land		45.2	-	45.2
Other property, plant and equipment		41.3	(2.1)	39.2
Intangible assets and property, plant and equipment	10	98.3	(10.5)	87.8
Equity investments	11	28,170.2	(1,885.5)	26,284.7
LVMH treasury shares	12	94.1	-	94.1
Other non-current financial assets	13	134.6	-	134.6
Non-current financial assets		28,398.9	(1,885.5)	26,513.4
NON-CURRENT ASSETS		28,497.2	(1,896.0)	26,601.2
Receivables	14	294.9	-	294.9
LVMH treasury shares	12	308.9	-	308.9
Cash and cash equivalents		34.6	-	34.6
CURRENT ASSETS		638.4	-	638.4
Prepayments and accrued income	15	15.9	-	15.9
TOTAL ASSETS		29,151.5	(1,896.0)	27,255.5

LIABILITIES AND EQUITY (EUR millions)	Notes	2019	2018
		Before appropriation	Before appropriation
Share capital (fully paid up)	16.1	151.6	151.5
Share premium account	16.2	2,318.8	2,298.5
Reserves and revaluation adjustments	17	388.0	388.0
Retained earnings		11,131.3	10,764.7
Interim dividend		(1,108.0)	(1,005.7)
Net profit for the fiscal year		3,711.5	3,384.1
Regulated provisions		0.1	0.1
EQUITY	16.2	16,593.3	15,981.2
PROVISIONS FOR CONTINGENCIES AND LOSSES	18	727.4	692.3
Bonds	19	6,647.0	6,604.0
Other financial debt	19	2,805.9	3,102.4
Other debt	20	469.2	356.7
OTHER LIABILITIES		9,922.1	10,063.1
Accruals and deferred income	21	12.7	13.6
TOTAL LIABILITIES AND EQUITY		27,255.5	26,750.2

CASH FLOW STATEMENT

(EUR millions)	2019	2018
OPERATING ACTIVITIES		
Net profit	3,711.5	3,384.1
Depreciation, amortization and impairment of fixed assets	170.0	134.5
Change in other provisions	35.0	45.3
Gains or losses on sales of assets	81.5	37.6
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	3,998.0	3,601.5
Change in intra-Group current accounts	41.3	1,207.4
Change in other receivables and payables	126.2	416.4
NET CASH FROM OPERATING ACTIVITIES	4,165.5	5,225.3
INVESTING ACTIVITIES		
(Acquisition)/Disposal of intangible assets and property, plant and equipment	(10.5)	(18.1)
Acquisition of equity investments	-	-
Disposal of equity investments and similar transactions	-	-
Subscription to capital increases carried out by subsidiaries	(1,000.0)	(500.0)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	(1,010.5)	(518.1)
FINANCING ACTIVITIES		
Capital increase	20.6	49.0
Acquisitions and disposals of LVMH treasury shares	(48.6)	(293.7)
Interim and final dividends paid during the fiscal year	(3,119.9)	(2,714.3)
Proceeds from borrowings	1,000.0	-
Repayments of borrowings	(1,003.7)	(1,750.0)
(Acquisition)/Disposal of available for sale financial assets	-	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(3,151.6)	(4,709.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3.4	(1.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	30.6	32.4
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	34.0	30.6

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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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 November 24, 2019, LVMH Moët Hennessy - Louis Vuitton SE and Tiffany & Co. - an international high jewelry house listed on the New York Stock Exchange - entered into a definitive agreement for the LVMH group to acquire Tiffany for a price of 135 dollars per share, paid in cash. The transaction valued Tiffany at around 16.2 billion US dollars. For more than 180 years, Tiffany has epitomized elegance, innovative design, expert craftsmanship and creative excellence. Founded in 1837, Tiffany is now the number-one luxury brand created in the United States, serving an exacting clientele at more than 300 stores around the world. The transaction is expected to close in mid-2020, subject to approval at Tiffany's Shareholders' Meeting convened on February 4, 2020, and subject to customary approval by regulatory authorities.

2. ACCOUNTING POLICIES AND METHODS

2.1 General framework and 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 standard-setter); it should be noted that the presentation of the income statement was modified in 2011.

The presentation used for the income statement is designed to clearly distinguish between the Company's two types of activities: its asset management activities, related to its equity investments, and its activities related to managing and coordinating all the entities that make up the LVMH group, as described in Note 1.1.

The presentation of the income statement includes three main components of profit or loss: "Financial income/(expense)", "Operating profit/(loss)" and "Exceptional income/(expense)". The total of "Financial income/(expense)" and "Operating profit/(loss)" corresponds to "Recurring profit before tax".

"Financial income/(expense)" 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; and 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 rebilled to subsidiaries, either by billing for management support services or rebilling expenses incurred on their behalf.

"Financial income/(expense)" and "Operating profit/(loss)" include items relating to the financial management of the Company or administrative operations, irrespective of their amounts or their occurrence. "Exceptional income/(expense)" thus comprises only those transactions that, due to their nature, may not be included in "Financial income/(expense)" or "Operating profit/(loss)".

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 a period of 3 to 5 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 25 years;
- buildings: 40 to 100 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.

If the recoverable amount as of the fiscal year-end is lower than the carrying amount, a provision is recorded in the amount of the difference. The recoverable amount 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 for the purposes of a disposal transaction, 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 Receivables

Receivables are recorded at their face value. Impairment for doubtful accounts is recorded if their recoverable amount, 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); if 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 short-term investments is calculated, for listed securities, based on average listed share prices during the last month of the fiscal 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 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 recognized within "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 as described in Note 2.5 above) falls below their acquisition cost, impairment in the amount of the difference is recognized and charged to "Financial income/(expense)", under "Other financial income and expenses".

For 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 within "Non-current financial assets".

2.6.3 Expense relating to LVMH share-based stock option and bonus share plans

The expense relating to LVMH share-based stock option and bonus share plans 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 LVMH share-based stock option and bonus share plans 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.

2.7 Income from equity investments

Amounts distributed by subsidiaries and other investments, in addition to the share in income from GIEs (economic interest groups) 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 exchange rates as of December 31. Any resulting unrealized gains and losses are recorded in the cumulative translation adjustment if the receivables and payables are not hedged. Provisions are recorded for unrealized foreign exchange losses as of December 31, except for losses offset by unrealized gains in the same currency.

If 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.

- In the case of derivatives not designated as hedging instruments (isolated open positions):

- any unrealized gains resulting from their remeasurement at year-end exchange rates are recognized within “Other receivables” and offset against “Accruals and deferred income”;
- 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”.

The swap points are recognized on a pro rata basis over the term of the contracts under “Cost of net financial debt”.

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

No subsequent events occurred as of January 28, 2020, 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)	2019	2018
Dividends received from French companies	3,947.8	3,355.3
Dividends received from foreign companies	305.5	196.1
Share of income from GIEs (economic interest groups)	(0.6)	(0.9)
Financial income from subsidiaries and investments	4,252.7	3,550.5
Changes in impairment	(169.1)	(133.0)
Changes in provisions for contingencies and losses	-	-
Impairment and provisions related to subsidiaries and investments	(169.1)	(133.0)
Gains and losses on disposal	-	-
Income from managing subsidiaries and investments	4,083.6	3,417.5

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)	2019	2018
Interest and premiums on borrowings	(53.7)	(43.6)
Financial income and revenue	32.9	19.2
Cost of non-Group net financial debt	(20.8)	(24.4)
Intra-Group interest expense	(8.7)	(6.0)
Intra-Group interest income	-	-
Cost of intra-Group net financial debt	(8.7)	(6.0)
Cost of net financial debt	(29.5)	(30.4)

4.3 Foreign exchange gains and losses

Foreign exchange gains and losses comprise the following items:

<i>(EUR millions)</i>	2019	2018
Foreign exchange gains	43.4	49.0
Foreign exchange losses	(79.0)	(76.2)
Changes in provisions for unrealized foreign exchange losses	(0.8)	(6.2)
Foreign exchange gains and losses	(36.4)	(33.4)

See also Note 18 on changes in provisions.

Foreign exchange gains and losses mainly 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:

<i>(EUR millions)</i>	2019	2018
Income and expenses from LVMH shares	9.8	0.4
Other financial income	-	-
Other financial expenses	(31.9)	(9.2)
Changes in provisions	0.1	(0.1)
Other financial income and expenses	(22.0)	(8.9)

See also Note 18 on changes in provisions.

5. SERVICES PROVIDED AND OTHER INCOME

Services provided and other income break down as follows:

<i>(EUR millions)</i>	2019	2018
Services provided	188.5	178.0
Rebilled expenses	182.6	130.5
Real estate revenue	7.7	7.5
Total	378.8	316.0

Services provided and other income concerns related companies:

- “services provided” consist of support services (see also Note 1.1);
- “rebilled expenses” refer to compensation paid and expenses incurred by LVMH on behalf of related companies;
- “real estate revenue” is attributable to the lease of Champagne vineyards owned by LVMH.

6. PERSONNEL COSTS

In 2019, personnel costs included gross compensation and employers' social security contributions, post-employment benefits, other long-term benefits and the cost of stock option and similar plans (see also Note 12.2.2).

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 rebilled to Group companies as management support services.

The total gross compensation paid to company officers and members of the Company's Executive Committee for fiscal year 2019 amounted to 55 million euros, including 1.0 million euros in directors' fees.

6.2 Post-employment benefit commitments - Supplementary pensions and retirement bonuses

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 compensation.

As of December 31, 2019, 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 LVMH group's consolidated financial statements, amounts to 114 million euros.

This commitment includes the impact of the lock-in of benefits in respect of supplementary pension plans covering the Group's Executive Committee members and senior executives, following the entry into force of the French PACTE law and the Order of July 3, 2019.

The discount rate used to estimate this commitment was 0.6%.

The payments made to cover this commitment – 24 million euros in 2019 (17 million euros in 2018) – are recognized under the heading "Personnel costs".

6.3 Average headcount

In 2019, the Company had an average headcount of 20 (2018: 19).

7. OTHER NET MANAGEMENT CHARGES

Management charges include fees, communication expenses, insurance premiums and rent.

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 rebilled to Group companies, either by billing for management support services or rebilling expenses incurred on their behalf.

Moreover, when Diageo acquired a stake in the Moët Hennessy group in 1994, Diageo and LVMH entered into an agreement

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 180 million euros.

Taxes, duties and similar levies recognized in "Other management charges" amounted to 3.5 million euros for fiscal year 2019 (3.8 million euros in 2018).

8. EXCEPTIONAL INCOME/(EXPENSE)

"Exceptional income/(expense)" comprised LVMH SE's donation of 100 million euros to restore Notre-Dame de Paris Cathedral and its 10 million euro contribution to help fight forest fires in the Amazon.

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	3,691.1	86.3	3,777.4
Exceptional income/(expense)	(110.0)	1.8	(108.2)
	3,581.1	88.1	3,669.2
Tax in respect of prior fiscal years ^(a)	-	(10.9)	(10.9)
Provisions for general contingencies	-	3.0	3.0
Impact of tax consolidation	-	50.2	50.2
	3,581.1	130.4	3,711.5

(a) Net of reversals of related provisions.

For information on provisions for general contingencies, see also Note 18.

9.2 Tax losses related to the tax consolidation agreement

As of December 31, 2019, the amount of tax losses that may be reclaimed from LVMH by its subsidiaries totaled 4,424 million euros.

9.3 Deferred tax

Deferred tax arising from temporary differences amounted to a net debit balance of 21.3 million euros as of December 31, 2019, including 16.1 million euros relating to temporary differences that are expected to reverse in 2020.

10. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2019
Carrying amount of fixed assets as of December 31, 2018	93.1
Additions	10.5
Disposals and retirements	(14.8)
Net change in depreciation/amortization	(1.0)
Carrying amount of fixed assets as of December 31, 2019	87.8

11. EQUITY INVESTMENTS

(EUR millions)	2019	2018
Gross amount of equity investments	28,170.2	27,170.2
Impairment	(1,885.5)	(1,716.4)
Carrying amount of equity investments	26,284.7	25,453.8

The investment portfolio is presented in the “Subsidiaries and investments” and “Investment portfolio” tables.

The methods used to calculate the impairment of equity investments are described in Note 2.3. In most cases, impairment is calculated with 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 the investment portfolio is analyzed in Note 18.

See also Note 1.2.

12. TREASURY SHARES AND RELATED DERIVATIVES

12.1 LVMH treasury shares

As of December 31, 2019, the value of the treasury shares held was allocated as follows:

(EUR millions)			2019	2018
	Gross	Impairment	Net	Net
Share subscription option plans	19.6	-	19.6	20.1
Pending retirement	74.5	-	74.5	74.5
Long-term investments	94.1	-	94.1	94.6
Bonus share plans	294.1	-	294.1	302.1
Liquidity contract	14.8	-	14.8	24.5
Short-term investments	308.9	-	308.9	326.6

Portfolio movements during the fiscal year were as follows:

Long-term investments (EUR millions)	Share subscription option plans		Pending retirement		Total	
	Number	Gross value	Number	Gross value	Number	Gross value
As of January 1, 2019	413,606	20.1	270,000	74.5	683,606	94.6
Purchases	-	-	-	-	-	-
Transfers	(7,504)	(0.4)	-	-	(7,504)	(0.4)
Shares retired	(2,156)	(0.1)	-	-	(2,156)	(0.1)
As of December 31, 2019	403,946	19.6	270,000	74.5	673,946	94.1

Short-term investments (EUR millions)	Other plans		Liquidity contract		Total	
	Number	Gross value	Number	Gross value	Number	Gross value
As of January 1, 2019	1,354,798	302.1	97,000	24.6	1,451,798	326.7
Purchases	182,500	68.2	432,211	145.1	614,711	213.3
Sales	-	-	(491,211)	(154.9)	(491,211)	(154.9)
Transfers	7,504	0.4	-	-	7,504	0.4
Bonus share awards	(477,837)	(76.6)	-	-	(477,837)	(76.6)
As of December 31, 2019	1,066,965	294.1	38,000	14.8	1,104,965	308.9

The net gain recognized on disposals under the liquidity contract during the fiscal year amounted to 9.8 million euros. As of December 31, 2019, based on stock market quotes at that date, the value of shares held under this contract was 15.7 million euros.

12.2 Bonus share and similar plans

12.2.1 Plan characteristics

Share subscription and purchase option plans

At the Shareholders' Meeting of April 18, 2019, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2021, 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.

As of December 31, 2019, this authorization had not been used by the Board of Directors.

No share subscription option or purchase plans have been set up since 2010.

No share subscription option plans were in effect as of December 31, 2019.

Bonus share plans

At the Shareholders' Meeting of April 12, 2018, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2020, 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 in 2015, bonus shares and (if performance conditions are met) bonus 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 recipients may not sell their shares. For recipients who are not French residents for tax purposes, they vest and become freely transferable after a period of four years.

For the plans set up starting in 2016 – except where otherwise stated below – bonus shares and (if performance conditions are met) bonus performance shares vest to all recipients after a three-year period and are freely transferable once they have vested.

Performance conditions

With certain exceptions, the vesting of bonus shares is subject to a condition under which recipients must still be with the Group on the date the shares are allocated.

The vesting of bonus shares under certain plans is subject to conditions related to LVMH's financial performance, which must be met in order for recipients to be entitled to them.

The plans set up on April 16, 2015, October 22, 2015, April 13, 2017, October 25, 2018, and October 24, 2019 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 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.

The plan set up on January 25, 2018 allocates a certain number of bonus shares that are not subject to any performance conditions, but also allocates a certain number of shares subject to a condition specifically related to the performance of a subsidiary.

The plan set up on April 12, 2018 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.

For the plan set up on April 16, 2015, 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 is set up (fiscal year "Y") 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 met, as a result of which the shares allocated under the April 16, 2015 plan vested on April 16, 2018 for recipients who were French residents for tax purposes and on April 16, 2019 for recipients who were not French residents for tax purposes.

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 in one or more of the 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 condition was met in 2016 and 2017. For the plan set up on October 20, 2016, the condition was met in 2017 and 2018. Shares allocated under the October 22, 2015 plan vested on October 22, 2018 for recipients who were French residents for tax purposes and on October 22, 2019 for recipients who were not French residents for tax purposes. Shares allocated under the October 20, 2016 plan vested on October 20, 2019 for all recipients.

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 Indicators compared to fiscal year Y-1. This condition was met. Shares allocated under this plan vested on April 13, 2018 and are subject to a two-year holding period.

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

For bonus shares allocated 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"). This condition was met in 2018 and 2019.

Shares allocated 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

that (i) quantitative targets regarding its revenue and profit from recurring operations for 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.

For the plan set up on January 25, 2018, bonus shares subject to conditions specifically related to the performance of a subsidiary will vest on June 30, 2024 provided that quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations for fiscal year 2023 have been met, with vesting advanced to June 30, 2023 if said targets are met in respect of fiscal year 2022.

For bonus shares allocated under the plan set up on April 12, 2018 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"). This condition was met in 2019.

The performance condition is measured on a like-for-like basis, with the result being that the impact of acquisitions made during the two calendar years following the reference fiscal year is excluded and, similarly, the impact of disposals having taken place during this same period is neutralized. Only significant transactions (for more than 150 million euros) are restated in the accounts.

Bonus shares allocated under this plan – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2023 provided that quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations are met in respect of fiscal year 2022. If the performance conditions are not met in respect of fiscal year 2022, vesting will be deferred until June 30, 2024, and will concern fewer shares, subject to meeting (i) quantitative targets regarding its consolidated revenue and consolidated profit from recurring operations in respect of fiscal year 2023 and (ii) qualitative targets.

For bonus shares allocated under the plans set up on October 25, 2018 and October 24, 2019 subject to a condition relating to the Group's performance, 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"). For the plan set up on October 25, 2018, this condition was met in 2019.

The performance condition is measured on a like-for-like basis, with the result being that the impact of acquisitions made during the two calendar years following the reference fiscal year is excluded and, similarly, the impact of disposals having taken place during this same period is neutralized. Only significant transactions (for more than 150 million euros) are restated in the accounts.

12.2.2 Movements relating to stock option and similar plans

Movements during the fiscal year relating to the various LVMH share-based plans were as follows:

(number)	Share subscription option plans	Bonus share awards
Rights not exercised as of January 1, 2019	411,088	1,351,978
Provisional allocations for the period	-	200,077
Options and allocations expired in 2019	(7,142)	(21,500)
Options exercised and allocations vested in 2019	(403,946)	(477,837)
Rights not exercised as of December 31, 2019	-	1,052,718

Previously owned shares were remitted in settlement of the bonus shares vested.

The total expense recognized under “Personnel costs” in 2019 for stock option and similar plans was 101.8 million euros (2018: expense of 70.9 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 31, 2019, which was 414.20 euros, for plans with provisionally allocated shares, and 375.65 euros for the October 2016 plan, for which shares vested in 2019.

13. OTHER NON-CURRENT FINANCIAL ASSETS

As of December 31, 2019, other non-current financial assets included 133.5 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)	2019			2018
	Gross	Impairment	Net	Net
Receivables from related companies	142.5	-	142.5	424.5
of which: financial current account	-	-	-	338.4
tax consolidation current accounts	60.3	-	60.3	26.0
Receivables from the State	93.3	-	93.3	147.8
Other receivables	59.1	-	59.1	22.0
of which: currency revaluation of hedging derivatives	51.9	-	51.9	16.7
Total	294.9	-	294.9	594.3

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 505,431,285 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, 403,946 shares were issued as a result of the exercise of share subscription options, and 2,156 shares were retired.

As of December 31, 2019, the Company's share capital broke down as follows:

	Number	%
Shares with double voting rights	232,293,143	45.96
Shares with single voting rights	271,359,231	53.69
	503,652,374	99.65
LVMH treasury shares	1,778,911	0.35
Total number of shares	505,431,285	100.00

16.2 Change in equity

The change in equity during the fiscal year 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 for the fiscal year	Total equity
As of December 31, 2018								
before appropriation of net profit	505,029,495	151.5	2,298.5	388.1	10,764.7	(1,005.7)	3,384.1	15,981.2
Appropriation of net profit for 2018	-	-	-	-	3,384.1	-	(3,384.1)	-
2018 dividends	-	-	-	-	(3,030.1)	1,005.7	-	(2,024.4)
Impact of treasury shares	-	-	-	-	12.6	-	-	12.6
As of December 31, 2018								
after appropriation of net profit	505,029,495	151.5	2,298.5	388.1	11,131.3	-	-	13,969.4
Exercise of subscription options	403,946	0.1	20.4	-	-	-	-	20.5
Retirement of shares	(2,156)	-	(0.1)	-	-	-	-	(0.1)
2019 interim dividend	-	-	-	-	-	(1,111.9)	-	(1,111.9)
Impact of treasury shares	-	-	-	-	-	3.9	-	3.9
Net profit for fiscal year 2019	-	-	-	-	-	-	3,711.5	3,711.5
As of December 31, 2019								
before appropriation of net profit	505,431,285	151.6	2,318.8	388.1	11,131.3	(1,108.0)	3,711.5	16,593.3

The appropriation of net profit for fiscal year 2018 resulted from the resolutions of the Combined Shareholders' Meeting of April 18, 2019.

17. RESERVES AND REVALUATION ADJUSTMENTS

Reserves break down as follows:

(EUR millions)	2019	2018
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)	2019	2018
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, 2018	Increases	Amounts used	Amounts released	December 31, 2019
Equity investments	1,716.4	170.2	-	(1.1)	1,885.5
LVMH treasury shares	0.1	-	(0.1)	-	-
Other assets	-	-	-	-	-
Asset impairment	1,716.5	170.2	(0.1)	(1.1)	1,885.5
Stock option and similar plans	59.5	48.9	(35.2)	-	73.2
General contingencies	570.5	1.6	-	(4.6)	567.5
Unrealized forex losses	7.6	8.4	(7.6)	-	8.4
Other expenses	54.7	25.8	(2.2)	-	78.3
Provisions for contingencies and losses	692.3	84.7	(45.0)	(4.6)	727.4
Total	2,408.8	254.9	(45.1)	(5.7)	2,612.9
of which: financial income/(expense)		178.6	(7.7)	(1.1)	
operating profit/(loss)		74.7	(37.4)	-	
of which: Personnel costs		74.7	(37.4)	-	
other		1.6	-	(4.6)	
		254.9	(45.1)	(5.7)	

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 notified, 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 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)	2019	2018
Bonds	6,647.0	6,604.0
Bank loans and borrowings	0.6	-
Intra-Group financial debt	2,805.3	3,102.4
Other financial debt	2,805.9	3,102.4
Gross borrowings	9,452.9	9,706.4

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, 2019 (EUR millions)	Accrued interest after swap (EUR millions)	Total (EUR millions)
EUR 700,000,000; 2019	0.125%	-	99.470%	2023	700.0	0.7	700.7
EUR 300,000,000; 2019	-	-	99.937%	2021	300.0	-	300.0
EUR 600,000,000; 2013	1.750%	66.67%	99.119%	2020	600.0	0.9	600.9
EUR 1,200,000,000; 2017	0.750%	25.00%	99.542%	2024	1,200.0	4.8	1,204.8
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	470.1	0.8	470.9
EUR 1,250,000,000; 2017	-	-	99.609%	2020	1,250.0	-	1,250.0
USD 750,000,000; 2016	-	-	102.806%	2021	667.6	-	667.6
EUR 650,000,000; 2014	1.000%	Total	99.182%	2021	650.0	0.4	650.4
Total					6,637.7	9.3	6,647.0

(a) After fees.

Bond issues are mainly made under a Euro Medium-Term Note (EMTN) program, the maximum issuable amount of which was 20 billion euros as of December 31, 2019.

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 February 2019, LVMH completed two fixed-rate bond issues totaling 1 billion euros, comprised of 300 million euros in bonds maturing in 2021 and 700 million euros in bonds maturing in 2023.

During the fiscal year, LVMH repaid the 300 million euro bond issued in 2014, the 600 million euro bond issued in 2013 and 2014, and the 150 million Australian dollar bond issued in 2014.

19.2 Breakdown 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	6,647.0	1,859.3	4,787.7	-	9.3	-
Bank loans and borrowings	0.6	0.6	-	-	-	-
Intra-Group financial debt	2,805.3	2,805.3	-	-	0.5	2,805.3
Other financial debt	2,805.9	2,805.9	-	-	0.5	2,805.3
Gross borrowings	9,452.9	4,665.2	4,787.7	-	9.8	2,805.3

19.3 Intra-Group financial debt

Intra-Group financial debt mainly corresponds to a medium-term loan taken out with the Company that pools the Group's cash.

19.4 Covenants

As of December 31, 2019, none of LVMH's drawn or undrawn credit lines were concerned by a commitment on the part of LVMH to comply with any financial covenants.

19.5 Guarantees and collateral

As of December 31, 2019, financial debt was not subject to any guarantees or collateral.

20. OTHER DEBT

The breakdown of other debt 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	215.6	215.6	-	-	203.7	152.7
Tax and social security liabilities	47.6	47.6	-	-	33.6	-
Other debt	206.0	141.0	65.0	-	102.0	103.0
of which: Tax consolidation current accounts	101.2	101.2	-	-	-	101.2
Other debt	469.2	404.2	65.0	-	339.3	255.7

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, 2019, 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)	133.5	-	133.5
Bond debt (see Note 19)	(6,637.7)	-	(6,637.7)
Total financial positions	(6,504.2)	-	(6,504.2)
Hedging instruments	1,677.3	(1,677.3)	-
Financial positions after hedging	(4,826.9)	(1,677.3)	(6,504.2)

(a) Asset/(Liability).

The following table presents the types of instruments outstanding as of December 31, 2019, the underlying amounts broken down by expiration period and their market value:

(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	2,020.1	400.0	1,620.1	-	(22.9)
Fixed-rate payer swap	342.8	-	342.8	-	(3.7)
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.

These broke down as follows as of December 31, 2019:

(EUR millions)	US dollar	Pound sterling	Total ^(a)
Non-current financial assets (see Note 13)	133.5	-	133.5
Bond debt (see Note 19)	(667.6)	(470.1)	(1,137.7)
Total financial positions	(534.1)	(470.1)	(1,004.2)
Derivatives used to hedge financial positions	534.1	470.1	1,004.2
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)	2019	2018
Other receivables	7.0	2.5
Provisions for contingencies and losses	(4.4)	(3.8)
Market value of isolated open positions	2.6	(1.3)

The nominal values of hedges outstanding as of December 31, 2019, 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	534.1	-	534.1	-	32.5
Pound sterling	470.1	-	470.1	-	13.1
Hedges of financial positions	1,004.2	-	1,004.2	-	45.6
US dollar	(400.6)	(400.6)	-	-	7.0
Swiss franc	(624.1)	(624.1)	-	-	(4.4)
Japanese yen	(46.7)	(46.7)	-	-	-
Isolated open positions	(1,071.4)	(1,071.4)	-	-	2.6

(a) Purchase/(Sale).

(b) Gain/(Loss).

23. OTHER INFORMATION

23.1 Share purchase commitments

Share purchase commitments amount to 25,554 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.

Share purchase commitments also included LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co., for a total of 16.2 billion US dollars (see Note 1.2).

23.2 Other commitments given in favor of third parties

(EUR millions)	As of December 31, 2019
Guarantees and comfort letters granted to subsidiaries or other Group companies	10,421.5

23.3 Other commitments given in favor of LVMH

As of December 31, 2019, undrawn confirmed credit lines totaled 21.1 billion euros.

This amount includes the equivalent of 15.2 billion euros in credit lines set up in November 2019 to secure financing for the

acquisition of Tiffany. These credit lines comprised a bridge loan for 8.5 billion US dollars and two revolving credit facilities for 5.75 billion US dollars and 2.5 billion euros, respectively.

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.

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 corporate giving 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
103,502,647 shares with a par value of EUR 15 each in LVMH Miscellanées SA	99.99	1,418.2
35,931,661 shares with a par value of EUR 7 each in Moët Hennessy SAS	58.67	1,018.9
23,743,207 shares with a par value of EUR 1.50 each in LV Group SA	99.95	822.4
25,000 shares with a par value of EUR 1 each in Rimowa Group GmbH (Germany)	100.00	642.8
1,961,052 shares with a par value of EUR 15 each in Le Bon Marché SA	99.99	259.2
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	30.6
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		26,284.7

See also Note 11, "Equity investments".

SUBSIDIARIES AND INVESTMENTS

Company (in millions of units of currency)	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 2019 ^(c)
						Gross	Net					
1. Subsidiaries (>50%)												
Sofidiv SAS	Paris	EUR	8,427.4	4,350.6	100.00%	10,116.4	10,116.4	-	-	1,092.2	1,049.0	569.5
Grandville SA	Luxembourg	EUR	100.0	542.8	100.00%	6,000.0	6,000.0	-	-	-	(0.2)	-
Bulgari SpA	Rome	EUR	24.5	570.3	100.00%	4,268.7	4,268.7	-	-	327.1	131.2	250.0
LVMH Miscellanées SA	Paris	EUR	1,552.5	(294.1)	99.99%	3,290.5	1,418.2	-	-	0.2	(174.9)	-
Vicuna Holding SpA	Milan	EUR	110.1	1,659.1	100.00%	1,533.4	1,533.4	-	-	76.3	78.0	52.0
Moët Hennessy SAS	Paris	EUR	428.7	2,983.1	58.67%	1,018.9	1,018.9	-	1.8	1,473.3	977.7	212.3
LV Group SA	Paris	EUR	35.6	1,133.4	99.95%	822.4	822.4	-	-	3,095.8	2,943.9	2,698.4
Rimowa Group GmbH	Cologne	EUR	642.8	(0.1)	100.00%	642.8	642.8	-	-	-	(0.1)	-
Le Bon Marché SA	Paris	EUR	29.4	125.1	99.99%	259.2	259.2	-	-	514.4	14.1	15.0
Parfums Christian Dior SA	Paris	EUR	2.6	931.8	99.99%	76.5	76.5	-	6.5	1,850.3	443.3	360.0
Moët Hennessy Inter. SAS	Paris	EUR	151.6	521.6	58.67%	74.4	74.4	-	-	239.3	235.8	92.6
LVMH Services Ltd	London	GBP	34.4	(8.0)	100.00%	43.8	30.6	-	-	2.7	(0.4)	-
LVMH KK	Tokyo	JPY	1,150.0	1,204.0	100.00%	7.6	7.6	-	403.4	1,169.3	344.0	0.5
2. Investments (>10% and <50%)												
GIE LVMH Services	Paris	EUR	44.3	(2.5)	20.00%	8.9	8.9	-	-	2.5	(2.5)	-
3. Investments (<10%)												
Loewe SA	Madrid	EUR	5.3	43.1	5.44%	6.7	6.7	-	-	344.2	60.2	3.0
4. Other subsidiaries and investments												
Total						28,170.2	26,284.7		411.7			4,253.3

(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)	2015	2016	2017	2018	2019
1. Share capital					
Share capital	152.1	152.1	152.1	151.5	151.6
Number of ordinary shares outstanding	507,139,110	507,126,088	507,042,596	505,029,495	505,431,285
Maximum number of future shares to be created:					
- through conversion of bonds	-	-	-	-	-
- through exercise of equity warrants	-	-	-	-	-
- through exercise of share subscription options	2,821,150	1,903,010	1,180,692	411,088	-
2. Operations and profit for the fiscal year					
Income from investments and other revenue	6,842.7	3,441.3	2,912.8	3,866.5	4,631.5
Profit before taxes, depreciation, amortization and movements in provisions	5,971.8	2,917.7	2,523.0	3,322.8	3,789.1
Income tax income/(expense) ^(a)	-	-	-	-	-
Profit after taxes, depreciation, amortization and movements in provisions ^(b)	6,019.8	2,645.3	2,853.2	3,384.1	3,711.5
Profit distributed as dividends ^(c)	1,800.3	2,028.5	2,535.2	3,030.2	2,426.1
3. Earnings per share					
Earnings per share after taxes but before depreciation, amortization and movements in provisions	11.79	5.45	5.72	7.04	7.75
Earnings per share after taxes, depreciation, amortization and movements in provisions ^(b)	11.87	5.22	5.63	6.70	7.34
Gross dividend distributed per share ^{(c)(d)}	3.55	4.00	5.00	6.00	4.80
4. Employees					
Average number of employees	19	18	18	19	20
Total payroll	77.7	103.4	103.5	161.0	219.7
Amounts paid in respect of employee benefits	19.3	15.7	16.8	20.1	33.0

(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.

(b) 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. In respect of fiscal year 2019, amount proposed by the Board of Directors at its meeting of April 15, 2020 for approval at the Shareholders' Meeting of June 30, 2020.

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

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Fiscal year ended December 31, 2019

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, 2019.

In our opinion, the parent company financial statements give a true and fair view of the Company's assets, liabilities and financial position as of December 31, 2019 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 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, 2019 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.

3. 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 fiscal year, 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 expressed above. We do not provide a separate opinion on specific items of the parent company financial statements.

Valuation of equity investments

Risk identified

As of December 31, 2019, the net amount of equity investments recognized as assets amounted to 26 billion euros, after impairment of 1.9 billion euros, representing 96% of total assets. They are stated at acquisition cost (excluding incidental costs) or at contribution value, after revaluation pursuant to French law where appropriate.

If the recoverable amount as of the fiscal year-end is lower than the carrying amount, a provision is recorded in the amount of the difference. As specified in Note 2.3 to the parent company financial statements, the recoverable amount 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 for the purposes of a disposal transaction, or by comparison with recent similar transactions.

We considered the valuation of equity investments to be a key audit matter, due to their significance in the Company's financial statements, and because the determination of their recoverable amount, especially regarding value in use, requires the use of assumptions, 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 recoverable amount is close to the net carrying amount.

We assessed the data and assumptions that served as the basis for the main estimates used, in particular forecast cash flows, long-term growth rates and the discount rates applied. We analyzed the consistency of forecasts with past performance and market outlook, and 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. These analyses were carried out in conjunction with 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

Risk identified

As of December 31, 2019, provisions for contingencies and losses amounted to 727 million euros and essentially comprised provisions for general contingencies amounting to 568 million euros.

The Company's activities and those of its subsidiaries are carried out in an international regulatory environment that is often imprecise, varies from country to 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 notified, 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 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 concerned and the level of judgment required to evaluate these provisions within a constantly evolving international regulatory environment.

Our response

In the context of our audit of the parent company financial statements, our work consisted in particular in:

- assessing the procedures implemented by the Company in order to identify and catalog 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 our 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 information relating to these risks disclosed in the notes to the parent company financial statements.

4. Specific verifications

We also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information provided in the Management Report and in the other documents given to shareholders related 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 provided in the *Management Report of the Board of Directors* and in the other documents on the financial position and the parent company financial statements given to shareholders.

We attest to the fair presentation and the consistency with the parent company financial statements of the information on payment terms set out in Article D.441-4 of the French Commercial Code.

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 provided in accordance with the requirements of Article L.225-37-3 of the French Commercial Code relating to compensation and benefits paid or awarded to company officers and any other commitments made in their favor, we have verified its consistency with the financial statements or the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled companies included in the scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to Article L.225-37-5 of the French Commercial Code, we verified their compliance with the source documents communicated to us. Based on our work, we have no matters to report regarding 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.

5. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

Our audit firms were appointed as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton by your Shareholders' Meeting held on April 14, 2016.

As of December 31, 2019, our audit firms were in the fourth consecutive year of their engagement, it being specified that Ernst & Young et Autres and Ernst & Young Audit, members of the international EY network, were respectively Statutory Auditors from 2010 to 2015 and from 1988 to 2009.

6. 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 the accounting and financial reporting procedures.

The parent company financial statements have been approved by the Board of Directors.

7. 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 as to whether the parent company 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 in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 its 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 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 its 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 issue a qualified or adverse audit opinion;
- assesses the overall presentation of the parent company financial statements and whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Performance Audit Committee

We submit 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 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) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set out 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. We discuss any risks that may reasonably be thought to bear on our independence, and the related safeguards, with the Performance Audit Committee.

Courbevoie and Paris-La Défense, February 3, 2020

The Statutory Auditors

French original signed by

MAZARS

Loïc Wallaert

Isabelle Sapet

ERNST & YOUNG Audit

Gilles Cohen

Patrick Vincent-Genod

This is a free translation into English of the Statutory Auditors' report on the parent company financial statements of the Company, issued in French. It is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required under European regulations and French law, such as information about the appointment of the Statutory Auditors and the verification of information concerning the Group presented in the Management Report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED RELATED-PARTY AGREEMENTS

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.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements 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. 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 prior to their approval.

In accordance with Article R.225-31 of the French Commercial Code, we are also required to inform you of the continuation of the implementation, during the fiscal year under review, of any agreements previously approved at a Shareholders' Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) relating to this engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

AGREEMENTS SUBMITTED FOR APPROVAL AT THE SHAREHOLDERS' MEETING

In accordance with Article L.225-40 of the French Commercial Code, we have been notified of the following related-party agreement entered into during the past fiscal year, which received prior authorization from your Board of Directors.

With Groupe Arnault SEDCS

Persons concerned: Bernard Arnault, Antoine Arnault and Nicolas Bazire, Directors.

Nature and purpose: Assistance agreement entered into with Groupe Arnault SEDCS

Conditions and reasons justifying why the Company benefits from this agreement

At its meeting of January 29, 2019, your Board of Directors authorized the signing of a new amendment, executed on June 13, 2019, to the assistance agreement of July 31, 1998 relating 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 fields.

The assistance agreement entered into with Groupe Arnault SEDCS covers a wide range of high value-added services, mainly relating to financial, legal, tax and administrative matters, provided by specialists with considerable experience in these areas. It provides for the sharing of skills as well as certain costs, thus reducing expenses in the interests of both parties.

The amendment to this agreement has to do with the fees stipulated therein, which were set at 1,500,000 euros per year beginning on January 1, 2019.

During the fiscal year ended December 31, 2019, your Company paid 1,500,000 euros (exclusive of VAT) to Groupe Arnault SEDCS.

AGREEMENTS PREVIOUSLY APPROVED AT A SHAREHOLDERS' MEETING

In accordance with Article R.225-30 of the French Commercial Code, we have been notified that the implementation of the following agreements, which were approved at a Shareholders' Meeting in a prior fiscal year, remained in effect during the fiscal year under review.

With Moët Hennessy SAS, a subsidiary of your Company**1. LVMH group holding company cost-sharing agreement****Nature, purpose and conditions**

Diageo holds a 34% stake in Moët Hennessy SAS. When that holding was acquired in 1994, 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.

This apportionment of shared costs is laid out in the shareholders' agreement entered into in 1994 with the Diageo group.

Under this agreement, Moët Hennessy SAS assumed 14.2% of shared costs in 2019 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 25.4 million euros for the fiscal year ended December 31, 2019.

With Bernard Arnault, Antonio Belloni and Nicolas Bazire, Directors**2. 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 your Company's Executive Committee members, employees and senior executives of French companies, some of whom are also Directors, remained in effect during fiscal year 2019.

The resulting expense for your Company in fiscal year 2019 is included in the amount disclosed in Note 33.4 to the consolidated financial statements.

With Christian Dior SE

Persons concerned: Bernard Arnault, Nicolas Bazire and Delphine Arnault, Directors.

3. 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 relating 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 during fiscal year 2019.

Pursuant to this agreement, your Company received annual fees of 60,000 euros (exclusive of VAT) from Christian Dior SE for the fiscal year ended December 31, 2019.

Courbevoie and Paris-La Défense, February 3, 2020

The Statutory Auditors

French original signed by

MAZARS

Loïc Wallaert

Isabelle Sapet

ERNST & YOUNG Audit

Gilles Cohen

Patrick Vincent-Genod

This is a free translation into English of a 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.

OTHER INFORMATION

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1. INFORMATION REGARDING THE PARENT COMPANY

1.1 Role of the parent company within the Group

LVMH SE 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 2019, LVMH billed its subsidiaries 188.5 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

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). Phone number: +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: the Company is governed by French law.

Trade and Companies Register: the Company is registered in the Paris Trade and Companies Register under number 775 670 417 RCS Paris. 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. At the Shareholders' Meeting of April 14, 2016, the shareholders voted to preemptively 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.

Website: www.lvmh.com.

1.3 Additional information

The complete text of the Bylaws currently in effect is presented in full on the Company's website, www.lvmh.com.

Corporate purpose (Extract from Article 2 of the Bylaws): Acquiring any stakes in 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.

Board of Directors (Extract from Articles 11, 12, 13, 14 and 15 of the Bylaws)

- 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. Subject to shareholder approval of the amendment to Article 11 of the Bylaws at the Shareholders' Meeting of June 30, 2020, the Board of Directors shall also include Directors representing the employees appointed by the Group Works Council and, where applicable, the SE Works Council.

Each Director must own at least five hundred (500) shares in the Company throughout his/her entire term of office.

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. The Director or Directors representing the employees are not taken into account when calculating this limit.

Directors shall be appointed for three-year terms. 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, to make the renewal of appointments as balanced over time as possible, and in any event to make them complete for each three-year period, the Board will have the option of determining the order in which Directors' appointments expire by drawing lots at a Board meeting for one-third of its members each year. Once the rotation has been established, renewals will take place according to seniority.

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.

Subject to shareholder approval at the Shareholders' Meeting of June 30, 2020, the main provisions in the Bylaws related to Directors representing the employees are set out below.

As provided by law, if the number of members of the Board of Directors, calculated in accordance with the provisions of Article L.225-27-1-II of the French Commercial Code, is less than or equal to eight, a Director representing the employees shall be appointed by LVMH's Group Works Council.

If the Board of Directors has more than eight members, a second Director representing the employees shall be appointed by the SE Works Council. If the number of members of the Board of Directors is initially more than eight but subsequently falls to eight or fewer members, the Director appointed by the SE Works Council shall remain in office until the end of his/her term.

The term of office of the Directors representing the employees will begin from the date of notice of the first meeting of the Board of Directors following their appointment by the Works Council that appointed them.

Pursuant to Article L.225-25 §3 of the French Commercial Code, the Directors representing the employees are not required to hold shares in the Company for the duration of their term of office.

The Director representing the employees shall be appointed for a term of three years expiring 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. The term of the Director representing the employees is renewable.

The appointment of the Director representing the employees may be terminated early as provided by law and by the Bylaws, in particular if his/her employment contract is terminated (excluding intra-Group transfers). If the conditions for the application of Article L.225-27-1 of the French Commercial Code are no longer met at the end of a fiscal year, the term of office of the Director or Directors representing the employees shall end at the close of the meeting during which the Board of Directors observes that the Company no longer falls within the scope of application of the law.

Should the position of a Director representing the employees fall vacant for any reason, the vacant position shall be filled in accordance with the conditions set out in Article L.225-34 of the French Commercial Code, it being specified that until the date of replacement of the Director (s) representing the employees, the Board of Directors shall be able to meet and pass valid resolutions.

Directors representing the employees are entitled to vote. Subject to the provisions specific to their role, the Directors representing the employees have the same powers, are subject to the same obligations (in particular as regards confidentiality) and incur the same liabilities as the other Directors.

The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his/her term of office, which cannot exceed that of his/her office as Director, and may dismiss him/her at any time.

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.

The Chairman of the Board of Directors cannot be more than seventy-five years old. Should the Chairman reach this age limit during his/her term of office, his/her 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 appoint one or more of its members as Vice-Chairmen and set their term of office, which may not exceed their term of office as a Director.

- The Board of Directors, 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. Subject to the vote at the Shareholders' Meeting of June 30, 2020, meetings of the Board of Directors may be convened by any means.

The meetings of the Board are held at the registered office or at any place, in France or abroad.

A meeting of the Board of Directors shall be valid if at least half of its members are present or represented. 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. Pursuant to Article L.225-37 of the French Commercial Code, and subject to a vote in favor at the Shareholders' Meeting of June 30, 2020, the Board of Directors may cast votes in writing, as provided by law.

- The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation. A resolution will be presented at the Shareholders' Meeting of June 30, 2020, specifying that the Board of Directors should consider the social and environmental issues facing its businesses (and, where applicable, the Company's mission statement) in setting these guidelines. Subject to the powers expressly granted to the shareholders at Shareholders' Meetings, and within the limits of the corporate purpose, it addresses any issues relating to the Company's proper operation and settles the affairs concerning it through its resolutions. The Board of Directors performs such monitoring and verifications as it deems appropriate.

Executive Management (Extract from Article 16 of the Bylaws): the Company's Executive Management function is performed under the responsibility of either the Chairman of the Board of Directors or another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer. The Board of Directors chooses one of these two methods of exercising the Executive Management function, and informs the shareholders of its decision in accordance with regulatory conditions.

If the Company's Executive Management function is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to him/her.

The Chief Executive Officer may or may not be chosen from among the Directors. The Board sets his/her term of office and 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/her term of office, his/her 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 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/she 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.

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. 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.

Advisory Board (Extract from Article 21 of the Bylaws): Shareholders at the Shareholders' Meeting may, upon proposal of the Board of Directors, appoint Advisory Board members, whose number shall not exceed nine.

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.

Shareholders' Meetings (Extract from Article 23 of the Bylaws): Shareholders' Meetings are convened and held pursuant to the provisions of laws. The agenda of a Shareholders' Meeting shall be stated on the convening notice and letters, and is set 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.

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 can always be represented by proxy 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.

Shareholders may vote by mail at any Meeting in accordance with applicable laws and regulations.

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 using videoconferencing or other means of telecommunication that allow shareholders to be identified.

Shareholders' Meetings are chaired by the Chairman of the Board of Directors or, in his/her absence, by the oldest Vice-Chairman of the Board of Directors or, in the absence of a Vice-Chairman, by a Director appointed by the Board for that purpose. In all other cases, the shareholders at the meeting elect its Chairman.

The role of scrutineer is served by the two shareholders present at the Meeting who have the greatest number of votes and accept this role. The officers of the meeting appoint a secretary, who may or may not be a shareholder.

Rights, preferences and restrictions attached to shares (Extracts from Articles 6, 8, 9, 23 and 28 of the Bylaws): All shares belong to the same category, whether issued in registered or bearer form. 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 or dividend share (*action de jouissance*) entitles its holder to one vote.

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 only be removed by a vote at the Extraordinary Shareholders' Meeting with the approval at a Special Meeting of the holders of this right.

This double voting right shall automatically lapse in the case of 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 a spouse or a family 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.

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. Whenever a certain number of shares is required in order to exercise a right, any shareholders who do not hold the required number shall be responsible for forming a group with a sufficient number of shares.

Crossing of shareholding thresholds (Extract from 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. The same obligation applies whenever the portion of capital held increases by at least 1%. It ceases to apply when the shareholder in question reaches the threshold of 60% of the share capital.

Fiscal year (Extract from Article 26 of the Bylaws): From January 1 to December 31.

Distribution of profits (Extract from 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 a Shareholders' Meeting may deduct the amounts they deem appropriate to allocate to all optional, ordinary or special reserve funds, or retain. Any remaining balance is divided among shareholders as a special 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 exceptional distribution.

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 REGARDING THE CAPITAL

2.1 Share capital

As of December 31, 2019, the Company's share capital was 151,629,385.50 euros, consisting of 505,431,285 fully paid-up shares with a par value of 0.30 euros each.

At its meeting of January 28, 2020, the Board of Directors noted the increase in the share capital resulting as of December 31, 2019 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 28, 2020, the share capital under the Bylaws amounted to 151,508,201.70 euros divided into 505,027,339 fully paid-up shares with a par value of 0.30 euros each. Of these 505,027,339 shares, 232,283,687 shares conferred double voting rights.

2.2 Authorized share capital

As of December 31, 2019, the Company's authorized share capital was 201,508,201.50 euros, divided into 671,694,005 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 information is provided 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 Identifying holders of securities

Article 25 of the Bylaws authorizes the Company to set up a procedure for identifying holders of securities, in accordance with applicable laws and regulations.

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 share capital were outstanding as of December 31, 2019.

2.7 Changes in the Company’s share capital during the last three fiscal years

(EUR thousands)		Change in capital			Capital after transaction	
	Type of transaction	Number of shares	Par value	Issue premium	Amount	Total number of shares
As of December 31, 2016					152,414	508,047,039
Fiscal year 2017	Issue of shares ^(a)	708,485	212	52,450	152,350	507,834,573
"	Retirement of shares	791,977	(238)	(39,589)	152,113	507,042,596
Fiscal year 2018	Issue of shares ^(a)	762,851	228	48,751	152,342	507,805,447
"	Retirement of shares	2,775,952	(833)	(364,379)	151,509	505,029,495
Fiscal year 2019	Issue of shares ^(a)	403,946	121	20,424	151,630	505,433,441
	Retirement of shares	2,156	(1)	(110)	151,629	505,431,285
As of December 31, 2019					151,629	505,431,285

(a) In connection with the exercise of share subscription options.

3. BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS

3.1 Share ownership of the Company

As of December 31, 2019, the Company’s share capital comprised 505,431,285 shares:

- 235,518,797 pure registered shares;
- 7,028,812 administered registered shares;
- 262,883,676 bearer shares.

Taking into consideration treasury shares, 503,652,374 shares carried voting rights, of which 232,293,143 shares carried double voting rights.

General information regarding the parent company and its share capital; Stock market information

Shareholders	Number of shares	Number of voting rights ^(a)	% of share capital	% of voting rights
Arnault Family Group ^(b)	239,314,535	466,570,719	47.35	63.40
<i>of which: Financière Jean Goujon</i>	<i>207,962,425</i>	<i>415,783,750</i>	<i>41.15</i>	<i>56.50</i>
Other shareholders ^(c)	266,116,750	269,374,798	52.65	36.60
Total as of December 31, 2019	505,431,285	735,945,517	100.00	100.00

(a) Voting rights exercisable at Shareholders' Meetings.

(b) Excluding Financière Jean Goujon, the Arnault family and companies it controls directly or indirectly held 6.20% of the Company's share capital and 6.90% of the voting rights exercisable at Shareholders' Meetings (see also §3.2 and 3.4 below).

(c) Including 1,778,911 treasury shares, i.e. 0.35% of the share capital.

On the basis of registered shareholders and information provided by the latest Euroclear survey of depository banks in November 2019, without applying an ownership threshold, the Company had about 220,000 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, 2019;
- 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, 2019, members of the Executive Committee and the Board of Directors directly held 0.5% of the Company's share capital and voting rights, personally and as registered shares.

As of December 31, 2019, the Company held 1,778,911 shares as treasury shares. Of these shares, 1,104,965 were recognized as short-term investments, with the main objective of covering commitments for bonus share plans, while 673,946 shares were recognized as long-term investments, with the main objective of covering commitments for 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, 2019, employees of the Company and affiliated companies, as defined in Article L.225-180 of the French Commercial Code, held shares in employee savings plans and in registered form as bonus shares identified as having been awarded under the October 20, 2016 plan, equivalent to 0.11% of the share capital.

During the 2019 fiscal year, Française Investissement Solutions and BlackRock Inc. informed the Company that they had exceeded the thresholds specified under the Bylaws with 1.18% and 3.22% of the share capital, respectively. Amundi informed the Company that it had gone below, then exceeded, then again gone below the thresholds specified under the Bylaws with 0.99%, 1% and 0.99% of the share capital.

During the fiscal year ended December 31, 2019 and as of the date at which this Universal Registration 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 & Compensation Committee and the Ethics & Sustainable Development Committee must also be Independent Directors.

General information regarding the parent company and its share capital; Stock market information

3.2 Changes in share ownership during the last three fiscal years

As of December 31, 2019

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM	% of voting rights exercisable at SM
Arnault Family Group ^(a)	239,314,535	47.35	466,570,719	63.24	466,570,719	63.40
<i>of which: Financière Jean Goujon</i>	<i>207,962,425</i>	<i>41.15</i>	<i>415,783,750</i>	<i>56.36</i>	<i>415,783,750</i>	<i>56.50</i>
Treasury shares	1,778,911	0.35	1,778,911	0.24	-	-
Free-float registered	7,231,941	1.43	12,268,900	1.66	12,268,900	1.67
Free-float bearer	257,105,898	50.87	257,105,898	34.86	257,105,898	34.93
Total	505,431,285	100.00	737,724,428	100.00	735,945,517	100.00

(a) Excluding Financière Jean Goujon, the Arnault family and companies it controls directly or indirectly held 6.20% of the Company's share capital and 6.90% of the voting rights exercisable at Shareholders' Meetings.

As of December 31, 2018

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM	% of voting rights exercisable at SM
Arnault Family Group ^(a)	238,155,505	47.16	464,890,015	63.09	464,890,015	63.27
<i>of which: Financière Jean Goujon</i>	<i>207,962,425</i>	<i>41.18</i>	<i>415,783,750</i>	<i>56.43</i>	<i>415,783,750</i>	<i>56.59</i>
Treasury shares	2,135,404	0.42	2,135,404	0.29	-	-
Free-float registered	7,313,267	1.45	12,412,768	1.68	12,412,768	1.69
Free-float bearer	257,425,319	50.97	257,425,319	34.94	257,425,319	35.04
Total	505,029,495	100.00	736,863,506	100.00	734,728,102	100.00

(a) Excluding Financière Jean Goujon, the Arnault family and companies it controls directly or indirectly held 5.98% of the Company's share capital and 6.68% of the voting rights exercisable at Shareholders' Meetings.

As of December 31, 2017

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM	% of voting rights exercisable at SM
Arnault Family Group ^(a)	237,517,765	46.84	462,359,566	62.76	462,359,566	63.13
<i>of which: Financière Jean Goujon</i>	<i>207,821,325</i>	<i>40.99</i>	<i>415,642,650</i>	<i>56.42</i>	<i>415,642,650</i>	<i>56.75</i>
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) Excluding Financière Jean Goujon, the Arnault family and companies it controls directly or indirectly held 5.85% of the Company's share capital and 6.38% 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

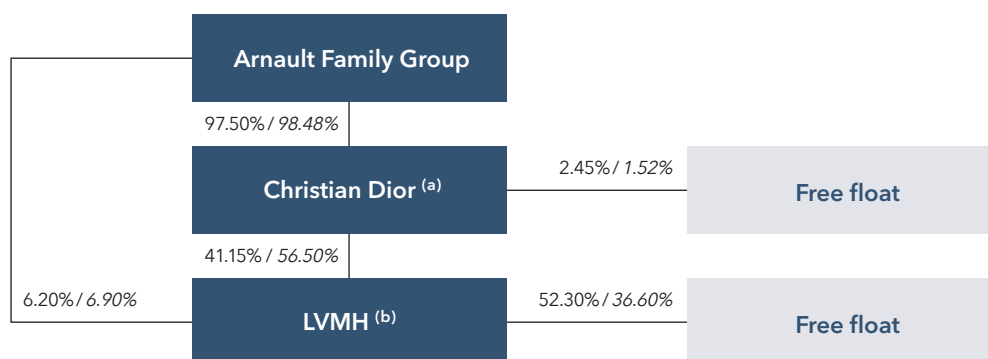
As of December 31, 2019, the Arnault Family Group, comprising the Arnault family and the companies it controls, owned, directly and indirectly, 47.35% of the share capital of the Company (i.e. 239,314,535 shares) and 63.40% of the voting rights that may be exercised at Shareholders' Meetings, which breaks down as follows:

- 41.15% of the share capital of the Company (i.e. 207,962,425 shares) and 56.50% of the voting rights that may be exercised at Shareholders' Meetings, via Financière Jean Goujon, a wholly

owned subsidiary of Christian Dior whose main activity is to hold LVMH securities; and

- 6.20% of the share capital of the Company (i.e. 31,352,110 shares) and 6.90% of the voting rights that may be exercised at Shareholders' Meetings, via the Arnault family and other companies that it controls.

The organizational chart below provides a simplified overview of the shareholding structure as of December 31, 2019 (% of share capital/% of voting rights exercisable at Shareholders' Meetings):



(a) Treasury shares: 0.05% based on the share capital under the Bylaws as of December 31, 2019.

(b) Treasury shares: 0.35% based on the share capital under the Bylaws as of December 31, 2019.

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 investing.

As of end-December, LVMH's market capitalization was 208 billion euros, making it the largest company on the CAC 40.

In 2019, 149,837,018 LVMH shares were traded on Euronext for a total of 52 billion euros. This corresponds to an average daily volume of 587,596 shares.

Trading volumes and amounts on Euronext Paris and share price movement in 2019

	Opening price, first day (EUR)	Closing price, last day (EUR)	Highest share price ^(a) (EUR)	Lowest share price ^(a) (EUR)	Number of shares traded (millions)	Value of shares traded (EUR billions)
January	254.05	279.75	280.00	243.65	16.0	4.1
February	282.50	302.00	305.00	280.30	12.5	3.7
March	305.00	327.90	330.40	285.70	13.1	4.1
April	332.50	349.05	354.35	327.15	12.2	4.2
May	349.45	338.60	355.05	323.05	13.5	4.6
June	335.30	374.30	375.25	330.40	13.1	4.7
July	380.15	375.30	392.65	371.10	11.9	4.5
August	373.00	362.40	379.30	341.00	15.1	5.4
September	362.25	364.65	384.20	353.65	11.3	4.2
October	366.80	382.50	389.60	344.00	12.1	4.5
November	384.50	407.30	411.05	384.20	9.0	3.6
December	408.00	414.20	419.50	386.60	9.9	4.0

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 12, 2018 and April 18, 2019. Under this program, between January 1 and December 31, 2019, stock market purchases of LVMH shares

by LVMH SE amounted 614,711 shares, or 0.1% of its share capital. Disposals of shares, bonus share awards and retired shares involved the equivalent of 971,204 LVMH shares.

4.3 LVMH bond markets

Among the bonds issued by LVMH Moët Hennessy - Louis Vuitton outstanding as of December 31, 2019, those 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
EUR	700,000,000	2019	2023	0.125%
EUR	300,000,000	2019	2021	0.00%
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	650,000,000	2014	2021	1.00%
EUR	600,000,000	2013	2020	1.75%

4.4 Dividend

A dividend of 4.80 euros per share is being proposed for fiscal year 2019. Given the current environment resulting from the Covid-19 pandemic and in light of government recommendations, the Board of Directors, at its meeting of April 15, 2020, decided to propose at the Shareholders' Meeting of June 30, 2020 a dividend 30% lower than that announced by the Board of Directors at its meeting of January 28, 2020.

Based on the 505,431,285 shares outstanding as of December 31, 2019, the total LVMH Moët Hennessy - Louis Vuitton distribution will amount to 2,426 million euros for fiscal year 2019, before the impact of treasury shares.

The Company has a steady dividend distribution policy, designed to ensure a stable payout to shareholders, while making them partners in the Group's growth and, where appropriate, in response to exceptional events.

In accordance with applicable laws in France, dividends and interim dividends not claimed within five years become void and are paid to the French state.

Dividend distribution in respect of fiscal years 2015 to 2019

Fiscal year	Gross dividend per share (EUR)	Dividend distribution (EUR millions)
2019^(a)	4.80	2,426
2018	6.00	3,030
2017	5.00	2,535
2016	4.00	2,029
2015	3.55	1,800

(a) Proposal by the Board of Directors at its meeting of April 15, 2020 for approval at the Shareholders' Meeting of June 30, 2020.

4.5 Change in the number of shares outstanding

During the fiscal year, 403,946 shares were issued as a result of the exercise of share subscription options, and 2,156 shares were retired, bringing the number of shares outstanding to 505,431,285 shares as of December 31, 2019.

4.6 Performance per share

(EUR)	2019	2018 ^(a)	2017 ^(a)
Diluted Group share of earnings per share	14.23	12.61	10.64
Gross dividend per share	4.80 ^(b)	6.00	5.00
Change compared to previous year	-20.0%	20.0%	25.0%
Highest share price (intra-day)	419.50	313.70	260.55
Lowest share price (intra-day)	243.65	232.50	175.80
Share price as of December 31	414.20	258.20	245.40
Change compared to previous year	60.4%	5.2%	35.3%

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

(b) Proposal by the Board of Directors at its meeting of April 15, 2020 for approval at the Shareholders' Meeting of June 30, 2020.

OTHER INFORMATION

Person responsible for the Universal Registration Document; financial information

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1. STATEMENT BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

We declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Universal Registration 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 9 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.

Paris, April 29, 2020

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 THE UNIVERSAL REGISTRATION DOCUMENT

In application of Article 28 of European Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Universal Registration Document:

- the 2018 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 169-243 and 244-248, respectively, of the 2018 Reference Document, filed with the AMF on March 27, 2019 under the number D.19-0208;
- the 2017 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 172-241 and 242-246, respectively, of the 2017 Reference Document, filed with the AMF on March 22, 2018 under the number D. 18-0166;
- the developments in the Group's financial situation and in the results of its operations between the 2018 and 2017 fiscal years, presented on pages 14-44 of the 2018 Reference Document, filed with the AMF on March 27, 2019 under the number D.19-0208;
- the developments in the Group's financial situation and in the results of its operations between the 2017 and 2016 fiscal years, presented on pages 24-41 of the 2017 Reference Document, filed with the AMF on March 22, 2018 under the number D. 18-0166;
- the 2018 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 249-274 and 275-278, respectively, of the 2018 Reference Document, filed with the AMF on March 27, 2019 under the number D.19-0208;
- the 2017 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 248-272 and 273-276, respectively, of the 2017 Reference Document, filed with the AMF on March 22, 2018 under the number D. 18-0166;
- the Statutory Auditors' special report on related party agreements and commitments of the 2018 fiscal year, included on pages 279-280 of the 2018 Reference Document, filed with the AMF on March 27, 2019 under the number D.19-0208;
- the Statutory Auditors' special report on related party agreements and commitments of the 2017 fiscal year, included on pages 277-278 of the 2017 Reference Document, filed with the AMF on March 22, 2018 under the number D. 18-0166;

The sections of the 2018 and 2017 Reference Documents that are not incorporated are either not relevant to investors or are included in this Universal Registration Document.

3. DOCUMENTS ON DISPLAY

The full text of the Bylaws of LVMH SE is available on the Company's website: www.lvmh.com. Other legal documents pertaining to the Company may be consulted at its headquarters under the conditions provided by law.

The Company's Universal Registration 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: www.lvmh.com.

OTHER INFORMATION

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1. TABLE OF CONCORDANCE WITH HEADINGS PRESENTED IN ANNEX 1 OF COMMISSION DELEGATED REGULATION (EU) 2019/980

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N/A: Not applicable

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N/A: Not applicable

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(a) Pursuant to Articles L.451-1-2 of the French Monetary and Financial Code and 222-3 of the AMF's General Regulations.



AUTORITÉ
DES MARCHÉS FINANCIERS

The original French version of the Universal Registration Document was filed on April 29, 2020 with the AMF in its capacity as the competent authority designated under Regulation (EU) 2017/1129, without prior approval in accordance with Article 9 of that regulation.

The original French version of the Universal Registration Document may be used for the purposes of a public offering of securities or the admission of securities to trading on a regulated market if it is accompanied by a prospectus and, where applicable, a summary and any amendments to the Universal Registration Document. This set of documents is then approved by the AMF, in accordance with Regulation (EU) 2017/1129.

LVMH

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