

LVMH

MOËT HENNESSY ♦ LOUIS VUITTON

TRANSLATION OF THE FRENCH
DOCUMENT DE RÉFÉRENCE

FISCAL YEAR ENDED DECEMBER 31, 2018

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

HISTORY

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

From the 14th century to the present

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

FINANCIAL HIGHLIGHTS

Key consolidated data

<i>(EUR millions and percentage)</i>	2018	2017	2016
Revenue	46,826	42,636	37,600
Profit from recurring operations	10,003	8,293	7,026
Net profit	6,990	5,840	4,453
Net profit, Group share	6,354	5,365	4,066
Cash from operations before changes in working capital ^(a)	11,965	10,405	8,733
Operating investments	3,038	2,276	2,265
Free cash flow ^(b)	5,452	4,696	3,911
Total equity ^(c)	33,957	30,377	27,898
Net financial debt ^(d)	5,487 ^(e)	7,153	3,244
Net financial debt/Equity ratio	16% ^(e)	24%	12%

(a) Before tax and interest paid.

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

(c) Including minority interests.

(d) Excluding purchase commitments for minority interests included in "Other non-current liabilities".

(e) Excluding the acquisition of Belmond shares.

Information by business group

Revenue by business group <i>(EUR millions)</i>	2018	2017	2016
Wines and Spirits	5,143	5,084	4,835
Fashion and Leather Goods	18,455	15,472	12,775
Perfumes and Cosmetics	6,092	5,560	4,953
Watches and Jewelry	4,123	3,805	3,468
Selective Retailing	13,646	13,311	11,973
Other activities and eliminations	(633)	(596)	(404)
Total	46,826	42,636	37,600

Change in revenue by business group <i>(EUR millions and percentage)</i>	2018	2017	2018/2017 Change		2016
			Published	Organic ^(a)	
Wines and Spirits	5,143	5,084	+ 1%	+ 5%	4,835
Fashion and Leather Goods	18,455	15,472	+ 19%	+ 15%	12,775
Perfumes and Cosmetics	6,092	5,560	+ 10%	+ 14%	4,953
Watches and Jewelry	4,123	3,805	+ 8%	+ 12%	3,468
Selective Retailing	13,646	13,311	+ 3%	+ 6%	11,973
Other activities and eliminations	(633)	(596)	-	-	(404)
Total	46,826	42,636	+ 10%	+ 11%	37,600

(a) On a constant consolidation scope and currency basis. The net impact of exchange rate fluctuations was -4% and the net impact of changes in the scope of consolidation was +3%. The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 37.

Profit from recurring operations by business group <i>(EUR millions)</i>	2018	2017	2016
Wines and Spirits	1,629	1,558	1,504
Fashion and Leather Goods	5,943	4,905	3,873
Perfumes and Cosmetics	676	600	551
Watches and Jewelry	703	512	458
Selective Retailing	1,382	1,075	919
Other activities and eliminations	(330)	(357)	(279)
Total	10,003	8,293	7,026

Information by geographic region

Revenue by geographic region of delivery (as %)	2018	2017	2016
France	10	10	10
Europe (excluding France)	19	19	18
United States	24	25	27
Japan	7	7	7
Asia (excluding Japan)	29	28	26
Other markets	11	11	12
Total	100	100	100

Revenue by invoicing currency (as %)	2018	2017	2016
Euro	22	23	23
US dollar	29	30	32
Japanese yen	7	7	7
Hong Kong dollar	6	6	6
Other currencies	36	34	32
Total	100	100	100

Number of stores	2018	2017 ^(a)	2016 ^(b)
France	514	508	492
Europe (excluding France)	1,153	1,156	1,061
United States	783	754	703
Japan	422	412	387
Asia (excluding Japan)	1,289	1,151	991
Other markets	431	393	314
Total	4,592	4,374	3,948

(a) Including 198 stores for Christian Dior Couture and 57 for Rimowa.

(b) Excluding Rimowa, whose network was integrated in 2017.

Data per share

(EUR)	2018	2017	2016
Earnings per share			
Basic Group share of earnings per share	12.64	10.68	8.08
Diluted Group share of earnings per share	12.61	10.64	8.06
Dividend per share			
Interim	2.00	1.60	1.40
Final	4.00	3.40	2.60
Gross amount paid for fiscal year ^{(a)(b)}	6.00	5.00	4.00

(a) For fiscal year 2018, amount proposed at the Shareholders' Meeting of April 18, 2019.

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

EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

Board of Directors⁽¹⁾

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Antoine Arnault
Delphine Arnault

Nicolas Bazire

Sophie Chassat^{(2) (3)}

Bernadette Chirac⁽²⁾

Charles de Croisset⁽²⁾

Diego Della Valle⁽²⁾

Clara Gaymard⁽²⁾

Marie-Josée Kravis⁽²⁾

Lord Powell of Bayswater

Marie-Laure Sauty de Chalon⁽²⁾

Yves-Thibault de Silguy⁽²⁾

Hubert Védrine⁽²⁾

Advisory Board member

Paolo Bulgari

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Delphine Arnault
Louis Vuitton Products

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⁽¹⁾

Yves-Thibault de Silguy⁽²⁾
Chairman

Antoine Arnault

Charles de Croisset⁽²⁾

Nominations and Compensation Committee⁽¹⁾

Charles de Croisset⁽²⁾
Chairman

Marie-Josée Kravis⁽²⁾

Yves-Thibault de Silguy⁽²⁾

Ethics and Sustainable Development Committee⁽¹⁾

Yves-Thibault de Silguy⁽²⁾
Chairman

Delphine Arnault

Marie-Laure Sauty de Chalon⁽²⁾

Hubert Védrine⁽²⁾

Statutory Auditors⁽¹⁾

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

MAZARS
*represented by Simon Beillevaire
and Loïc Wallaert*

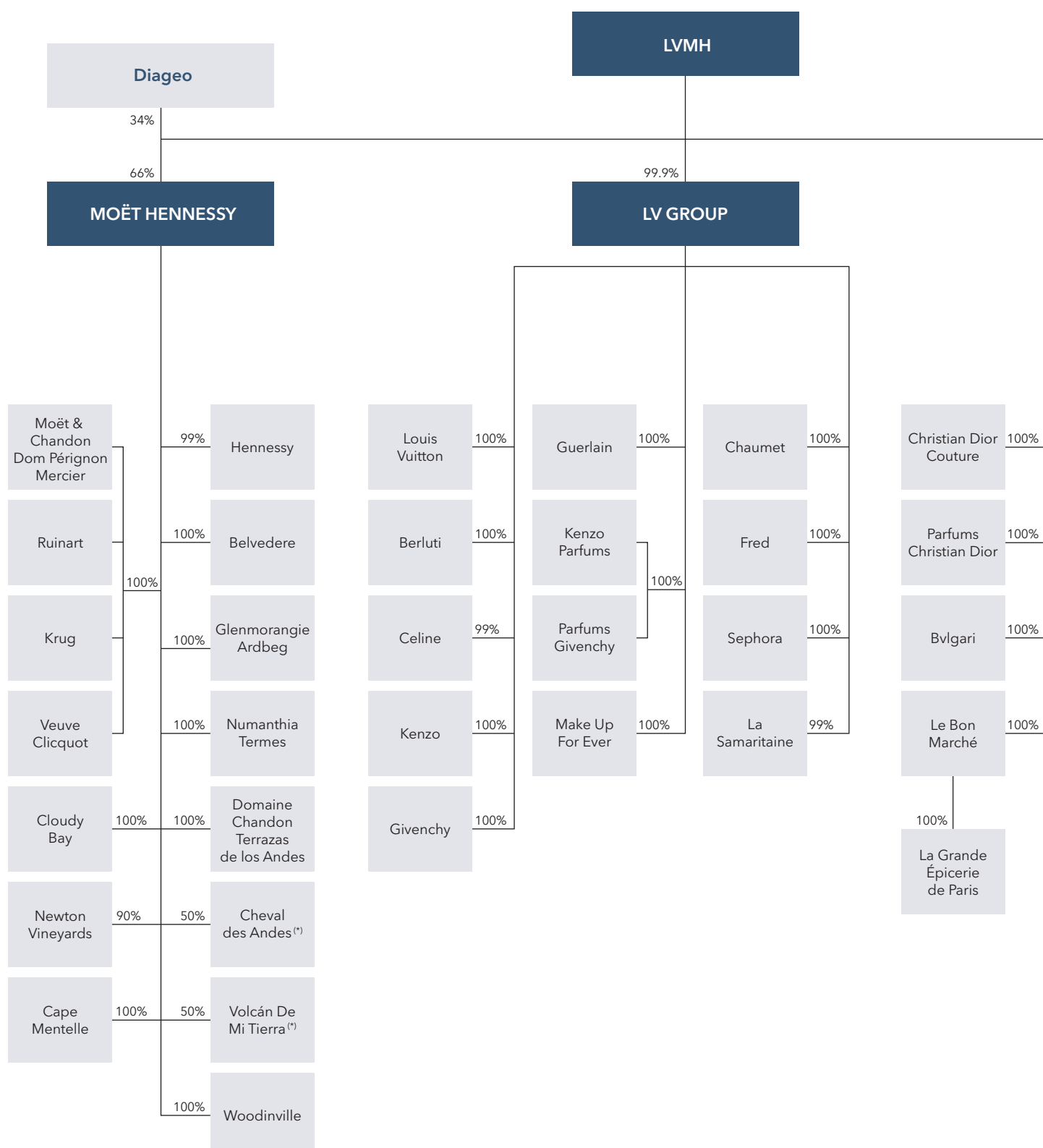
(1) As of December 31, 2018.

(2) Independent Director.

(3) Co-opted by the Board of Directors at its meeting on October 25, 2018.

The list of Directors' appointments can be found in §1.4.1 of the Board of Directors' report on corporate governance on pages 137 to 147 of the Reference Document.

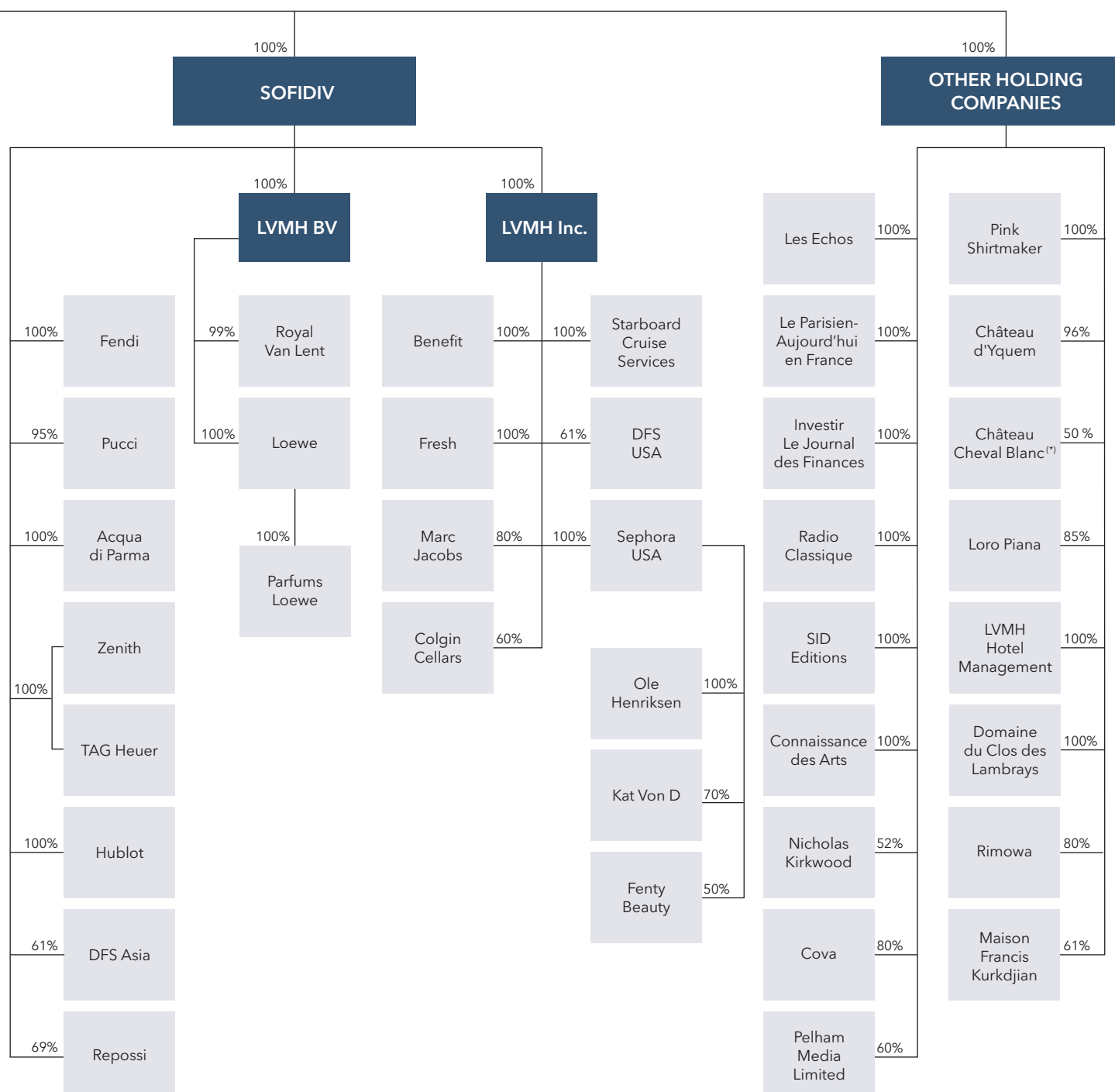
SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2018



(*) 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 70 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 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-quality 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 the most recent of LVMH's business groups operate in the high-quality 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, apart from *Les Echos* itself – 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; and the exceptional Cheval Blanc hotels, which operate worldwide.

Key figures

(as of December 31, 2018)

70 Maisons

25 Maisons over 100 years old

70 countries worldwide

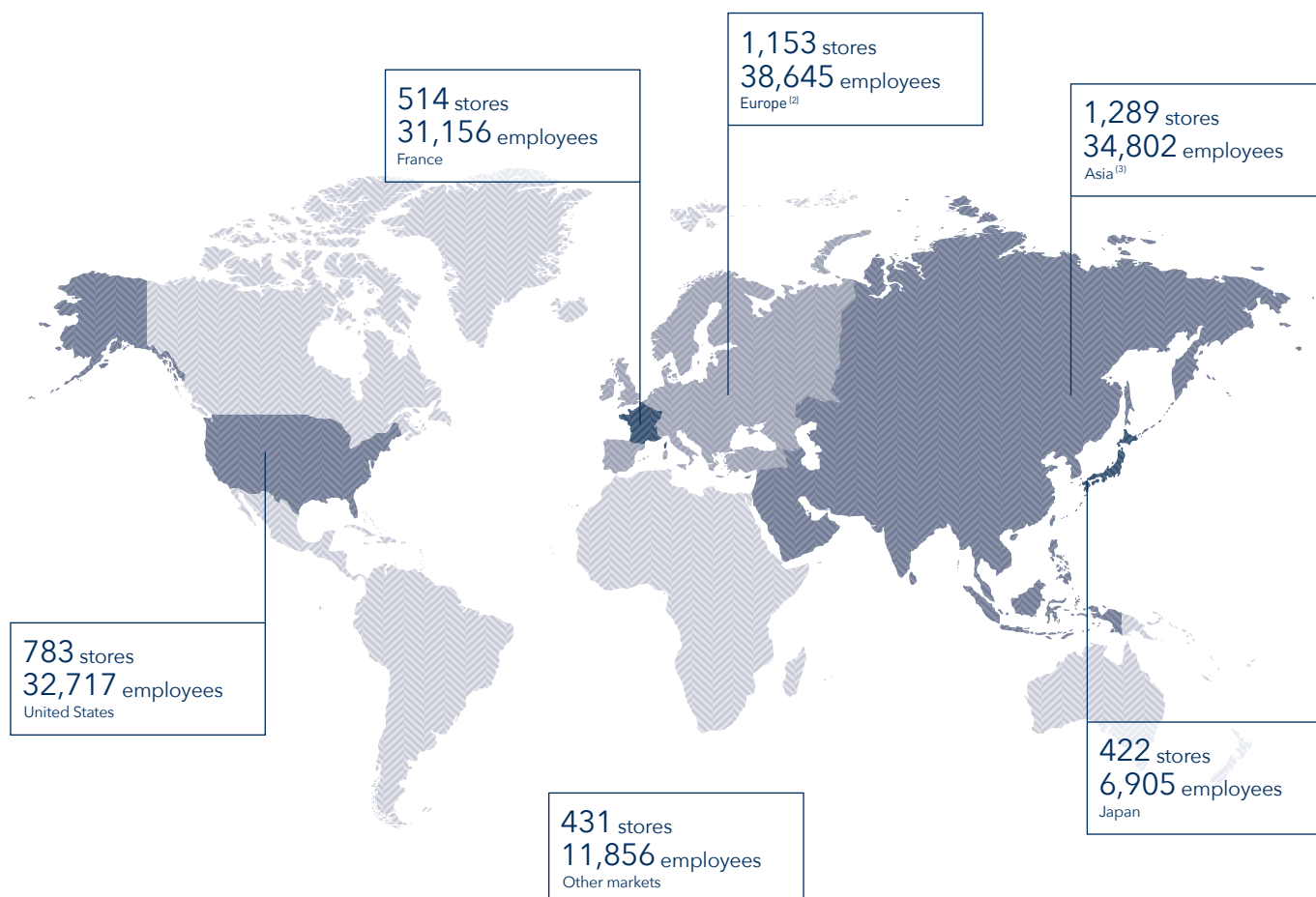
156,088 employees worldwide

40,614 joiners⁽¹⁾ including 4,946 in France

4,592 stores worldwide

Geographic presence

(as of December 31, 2018)



(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 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.

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 2018, revenue for the Wines and Spirits business group represented 11% of the LVMH group's total revenue. Champagne and wines made up 46% of this revenue, while cognacs and spirits accounted for 54%.

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 and its legendary vintage champagnes while garnering a considerable following for its rosé champagnes, the Maison is also squarely positioned as an innovator, having broken new ground in particular with *Moët Ice Impérial*, the very first champagne designed to be served over ice in large glasses to reveal all of its subtle nuances.

The prestige brand **Dom Pérignon**, which only releases vintage champagnes, carries the legacy of its namesake, the Benedictine monk Dom Pierre Pérignon, universally regarded as the spiritual father of champagne. The first vintage of Dom Pérignon was produced by Moët & Chandon in 1936.

Ranking second in the industry, **Veuve Clicquot** embodies a bold, chic *art de vivre* cultivated by the Maison since it was founded in 1772. The Maison's iconic champagnes include *Brut Carte Jaune*; *Veuve Clicquot Rosé*, the first blended rosé champagne, created 200 years ago; the prestige cuvée *La Grande Dame*, an exclusive blend of eight of Veuve Clicquot's classic grands crus; and the "Extra Brut Extra Old" premium cuvée launched in 2017, which is blended exclusively from select reserve wines.

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 champagne house to create an exclusively prestige cuvée every year: *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 New World and French appellations.

The Group's wineries from the New World are **Cape Mentelle** in Australia, **Cloudy Bay** in New Zealand, **Newton Vineyard** in California, **Terrazas de Los Andes** and **Cheval des Andes** in Argentina, **Ao Yun** in China, **Numanthia Termes** in Spain (founded in 1998 and acquired by LVMH in 2008), and **Colgin Cellars**, a winery founded by Ann Colgin 25 years ago in the heart of Napa Valley and acquired by LVMH in 2017. 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*. Lastly, in 2014, LVMH acquired **Domaine du Clos des Lambrays**, one of the oldest and most prestigious Burgundy vineyards, and the premier Grand Cru of the Côte de Nuits.

1.1.2 Competitive position

In 2018, shipments of LVMH champagne brands were down 3% in volume, while shipments from the Champagne region as a whole were down 2% (source: CIVC). LVMH's market share was 21.7% of the total shipments from the region, compared to 21.9% in 2017.

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

(in millions of bottles and percentage)	2018			2017			2016		
	Volumes		Market share (%)	Volumes		Market share (%)	Volumes		Market share (%)
	Region	LVMH		Region	LVMH		Region	LVMH	
France	147.0	8.7	5.9	153.5	9.9	6.4	157.7	9.8	6.2
Export	154.9	56.7	36.6	153.9	57.3	37.3	148.4	52.7	35.6
Total	301.9	65.4	21.7	307.4	67.2	21.9	306.1	62.5	20.4

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

The geographic breakdown of LVMH champagne sales in 2018 is as follows (as a percentage of total sales expressed in number of bottles):

(as %)	2018	2017	2016
Germany	5	5	5
United Kingdom	7	8	9
United States	19	19	19
Italy	4	4	4
Japan	10	10	9
Australia	5	5	5
Other	36	34	34
Total export	87	85	85
France	13	15	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 200 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 89 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 production processes, in order to ensure absolute consistency in champagne quality from year to year. Moët & Chandon, whose historic production site is located in Epernay, has expanded its capacity with its new Mont Aigu site in Oiry. Located not far from one of the Maison's pressing houses, the site was constructed to very precise specifications in order to perpetuate and elevate Moët & Chandon's ancestral expertise. It also implements sustainable development principles, with landscape design features to achieve harmony with its surroundings as well as reduced water and electricity consumption. The Mont Aigu site's fermentation room, bottling line, cellars, disgorging area and packaging workshop now supplement the production capacity of Moët & Chandon's historic facilities in Epernay. The historic production sites of Veuve Clicquot, Ruinart and Krug are in Reims.

1.1.4 Grape supply sources and subcontracting

The Group owns just over 1,700 hectares under production, which provide slightly more than 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.

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, which is 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 (for *plafond limite de classement*), the quantity by which the appellation's marketable yield can be exceeded. For the 2018 harvest, the marketable yield for the Champagne appellation was set at 10,800 kg/ha and the PLC at 4,700 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 2018 harvest ranged between 5.72 euros and 6.55 euros depending on the vineyard, an average increase of 2.5% compared to the 2017 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 2018, the champagne houses used subcontractors for about 28 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 leading markets for the brand were Ireland and Great Britain, but Hennessy rapidly expanded its presence in Asia, which represented nearly 30% of its shipments as early as 1925. The brand became the world cognac leader in 1890. Hennessy created *X.O (Extra Old)* in 1870, and since then 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)	2018			2017			2016		
	Volumes		Market share (%)	Volumes		Market share (%)	Volumes		Market share (%)
	Region	LVMH		Region	LVMH		Region	LVMH	
France	4.0	0.8	19.1	3.5	0.7	20.1	3.5	0.4	11.2
Europe (excluding France)	33.3	8.1	24.3	35.3	8.4	23.9	33.1	8.2	24.8
United States	86.9	53.6	61.6	82.4	53.4	64.8	73.9	48.0	65.0
Asia	61.9	22.9	36.9	58.1	23.0	39.7	51.8	22.3	43.0
Other markets	14.5	8.9	61.7	14.1	8.4	59.8	13.1	7.8	59.7
Total	200.6	94.2	47.0	193.3	94.0	48.6	175.5	86.7	49.4

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

(as %)	2018	2017	2016
United States	56	55	53
Japan	1	1	1
Asia (excluding Japan)	23	24	25
Europe (excluding France)	9	9	10
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 2018, the volumes shipped from the Cognac region were up 4% from 2017 (source: *Bureau National Interprofessionnel du Cognac* – BNIC), while volumes of Hennessy shipped increased slightly. Hennessy's market share was 47.0%, compared to 48.6% in 2017. 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 75,000 hectares, consists almost exclusively of the white ugni varietal which yields a wine that produces the best *eaux-de-vie*. This region is divided into six vineyards, each of which has its own qualities: Grande Champagne, Petite Champagne, Borderies, Fins Bois, Bons Bois and Bois Ordinaires. Hennessy selects its *eaux-de-vie* essentially from the first four vineyards, where the quality of the wines is more suitable for the preparation of its cognacs.

Charentaise distillation is unique because it takes place in two stages, a first distillation (*première chauffe*) and a second distillation (*seconde chauffe*). The *eaux-de-vie* obtained are aged in oak barrels. 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 170 hectares, providing for less than 1% of its *eaux-de-vie* needs.

Purchase prices for *eaux-de-vie* are agreed on between the Company and each producer based on supply and demand and the quality of the *eaux-de-vie*. In 2018, the price of *eaux-de-vie* from the harvest increased by 7% compared to the 2017 harvest.

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.

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

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

Vodka is generally obtained from the distillation of various grains or potatoes. Belvedere vodka is quadruple distilled from Polish rye. Three of these distillations are carried out at the Polmos Zyrardów distillery in Poland, which uses water purified with a special process that yields a vodka with a unique taste. Overall, Belvedere's top raw *eaux-de-vie* supplier represents less than 30% of the Company's supplies.

1.2.6 The Scotch whisky production method

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.

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 2018, 26% 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 2018 and outlook for 2019

	2018	2017	2016
Revenue (EUR millions)	5,143	5,084	4,835
Of which: Champagne and wines	2,369	2,406	2,288
Cognac and spirits	2,774	2,679	2,547
Sales volume (millions of bottles)			
Champagne	64.9	65.6	63.2
Cognac	93.3	90.9	83.8
Other spirits	19.1	17.8	19.1
Still and sparkling wines	38.5	43.8	44.2
Revenue by geographic region of delivery (%)			
France	6	6	6
Europe (excluding France)	19	18	18
United States	32	32	31
Japan	6	6	6
Asia (excluding Japan)	23	22	22
Other markets	14	16	17
Total	100	100	100
Profit from recurring operations (EUR millions)	1,629	1,558	1,504
Operating margin (%)	31.7	30.6	31.1
Operating investments of the period (EUR millions)	298	292	276

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, with particularly remarkable momentum in the United States and Asia. The Maisons maintained a strong innovation policy and stepped up their environmental and social commitments.

The champagne Maisons enhanced their value propositions in a particularly competitive market. While champagne volumes were down 1%, organic revenue growth was 4%. The increased value was driven by more rapid growth in prestige cuvées and a firm price increase policy. For all Maisons, it was a year of exceptional harvests in terms of both quality and quantity.

Moët & Chandon consolidated its leading position with solid growth in value, driven by successful product innovations such as *Ice Impérial* and *Ice Impérial Rosé*. In June, the Maison unveiled its new signature, “Must be Moët & Chandon”, and in December announced a partnership with the FIA Formula E championship for electric cars.

Dom Pérignon continued to reaffirm its unique model. Its growth was driven by *Dom Pérignon Vintage 2009* and *Dom Pérignon 2000 Plénitude 2*. A highlight of the year was the passing of the torch by Richard Geoffroy – the Maison’s cellar master for the past 28 years – on to Vincent Chaperon, who has worked alongside him since 2005. An artistic collaboration was launched with Lenny Kravitz.

On the occasion of its 160th anniversary, Mercier unveiled a fully renovated visitor center.

Following another record-setting year, Ruinart confirmed its growth, driven in particular by its premium cuvées and its iconic *Blanc de Blancs*. The Maison’s oenological excellence was highlighted once again by the launch of *Dom Ruinart 2007*. Its support for contemporary art was illustrated by photographer Liu Bolin’s creations depicting the people and expertise behind Ruinart.

In 2018, Veuve Clicquot celebrated the bicentennial of the first-ever blended Rosé, created by Madame Clicquot. The Maison continued to honor women entrepreneurs around the world by launching the Veuve Clicquot Businesswoman of the Year Award in Japan, Hong Kong, Russia and South Korea. Construction continued at its new production site near Reims.

Krug gained momentum with *Krug Grande Cuvée 166e Édition* and *Krug Rosé 21e Édition*. The Krug Encounters program, rolled out worldwide, met with great success and the Krug Echoes communication platform was enriched with the addition of innovative tasting experiences.

Estates & Wines reinforced its wines’ reputation for excellence among consumers and opinion leaders: Terrazas de los Andes was named Argentine Wine Producer of the Year, while Newton was recognized by industry publications, receiving exceptional tasting notes.

Chandon launched *Aluminum Sweet Star Mini*, a single-serving bottle, in the United States. *Chandon Brut* was named Best Australian Sparkling Wine and *Baron B Brut Nature* was selected as Best Argentine Sparkling Wine, crowning the excellent work of its oenologists.

Hennessy maintained excellent momentum in its strategic markets (the United States and China) as well as emerging markets (Africa, the Caribbean, Russia and Eastern Europe), with all its ranges of cognac contributing to this performance in a supply-constrained environment. Organic revenue growth in 2018 came to 7%, with volumes up 3%. The Maison continued to innovate across the various quality grades in its portfolio. It also maintained a high level of investment to ensure the excellence of its *eaux-de-vie* and increased its production capacity at the new Pont Neuf site – an exemplary model of sustainable design – which was inaugurated in 2017. Marketing campaigns allowed it to reach target customers with even more precision, while the online portion progressed strongly.

Glenmorangie and Ardbeg whiskies delivered a solid performance, fueled by ongoing innovation and value creation provided by prestigious offerings designed for connoisseurs and collectors. An ambitious expansion plan is underway for both companies’ distilleries.

Belvedere vodka’s growth was also driven by innovation. Its new *Single Estate Rye* series received numerous awards. The brand maintained its commitment to social and environmental responsibility.

Volcán De Mi Tierra tequila, launched in 2017, continued its selective rollout in its two main markets, the United States and Mexico.

Woodinville Whiskey Company successfully began its commercial expansion outside Washington State.

The Clos 19 online platform enriched its selection of exclusive products and experiences. It continued its expansion in the United States and consolidated its position in the United Kingdom and Germany.

Outlook

Excellence, innovation and careful attention to customers' specific expectations in each country will continue to drive growth and value creation in the Wines and Spirits business group in the

coming months. In an uncertain global context, all Maisons will rely on their highly dedicated staff, their drive for excellence and innovation, and the strong appeal of their brands to continue securing and sustainably building their long-term future. The diverse range of customer experience they 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 for all Maisons. 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 2018, the Fashion and Leather Goods business group represented 39% 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 novelties 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 travel or city models and with new materials, shapes and colors. Famous for its originality and the high quality of its creations, today Louis Vuitton is the world leader in luxury goods and 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 nine women's fragrances and five men's fragrances.

Christian Dior was founded in 1946. Ever since its first "New Look" show, it has continued to assert its vision through elegant, structured and infinitely feminine collections, 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 company created in 1846 and acquired by LVMH in 1996, originally specialized in very high-quality leather work. Today it operates in leather goods and ready-to-wear. Perfumes 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 Company operates in the areas of ready-to-wear for men and women, fashion accessories and leather goods. Its perfume business is part of the Perfumes and Cosmetics business group.

Givenchy, founded in 1952 by Hubert de Givenchy and part of the Group since 1988, a company rooted in a tradition of excellence in Haute Couture, is also known for its collections of men and women's ready-to-wear and its fashion accessories. Givenchy perfumes are included in the Perfumes and Cosmetics business group.

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.

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

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.

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. While Karl Lagerfeld and Silvia Fendi have together driven the success of Rome-based fashion house Fendi for many years, 2018 featured four new arrivals to the Group:

Virgil Abloh as Artistic Director of Menswear at Louis Vuitton, with Kim Jones named to the same position at Christian Dior Couture; 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 Artistic Director of Givenchy with responsibility for Haute Couture, ready-to-wear and women's and men's accessories and John Ray was appointed as Creative Director at Pink Shirtmaker. 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, while Humberto Leon and Carol Lim have served as Kenzo's Co-Creative Directors since 2011. 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 first international network of exclusive boutiques under the banner of its Fashion and Leather Goods brands. This network included more than 1,500 stores as of December 31, 2018.

2.5 Supply sources and subcontracting

In 2018, Louis Vuitton increased its production capacity, mainly in France, thanks to a massive recruitment campaign for leather goods artisans and the opening of a new workshop in the Vendée region. Louis Vuitton's twenty-one leather goods workshops – fifteen in France, three in Spain, two in the United States and one in Italy – manufacture most of its leather goods products. All development and manufacturing processes for the entire footwear line are handled at Louis Vuitton's workshops in Fiesse d'Artico, Italy, whilst production of accessories (textiles, jewelry, belts, eyewear, etc.) is concentrated in the Louis Vuitton workshops at Barbera (Catalonia) and Gallarate (Lombardy). Louis Vuitton uses external manufacturers only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Louis Vuitton purchases its materials from suppliers located around the world, with whom 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.

Dior Couture's production capacity and use of outsourcing vary very widely depending on the product. In leather goods, it works with companies outside the Group to increase its production capacity and provide greater flexibility in its manufacturing processes. In ready-to-wear and 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 Métier d'Arts business segment created in 2015 invests in, and provides long-term support to, its best suppliers. In leather, for example, LVMH teamed up with the Koh brothers in 2011 to develop the business of the Heng Long tannery in Singapore. Founded in 1950, it is now a leading crocodile leather tannery. In 2012, LVMH acquired Tanneries Roux, founded in 1803 and one of the last French tanneries specializing in calfskin. In 2017, LVMH formed Thélios, a joint venture with Marcolin, combining the latter's expertise in the production of fashion eyewear with the know-how of LVMH Maisons.

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 2018 and outlook for 2019

	2018	2017	2016
Revenue (EUR millions)	18,455	15,472	12,775
Revenue by geographic region of delivery (%)			
France	9	9	8
Europe (excluding France)	23	24	23
United States	18	19	21
Japan	11	11	12
Asia (excluding Japan)	31	29	28
Other markets	8	8	8
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton and Christian Dior Couture)			
Retail	67	64	64
Wholesale	32	35	35
Licenses	1	1	1
Total	100	100	100
Profit from recurring operations (EUR millions)	5,943	4,905	3,873
Operating margin (%)	32.2	31.7	30.3
Operating investments of the period (EUR millions)	827	563	506
Number of stores	1,852	1,769^(a)	1,508^(b)

(a) Including 198 stores for Christian Dior Couture and 57 for Rimowa.

(b) Excluding Rimowa, whose network was integrated in 2017.

Highlights

The Fashion and Leather Goods business group achieved organic revenue growth of 15% in 2018.

Louis Vuitton's excellent performance was driven by its momentum in all its creative areas, and reflected an ideal balance between the vitality of its iconic product lines and the contribution of fresh new designs. Opening a new chapter for its Menswear collections, Virgil Abloh's first runway show in June was met with an enthusiastic welcome. Continuing a longstanding tradition of artistic friendships, the collaboration between Creative Director of Womenswear Nicolas Ghesquière and stylist Grace Coddington featured a playful assortment of animals across a collection of handbags, accessories and footwear. In leather goods, a new line – *New Wave* – made its debut, and the iconic *Twist*, *Capucines* and *Néonoé* models were revisited. The first Louis Vuitton fragrances for men were launched, while the women's perfume collection was expanded. With the launch of its most recent creation, *Attrape-Rêves*, actress Emma Stone became the star of Louis Vuitton's first fragrance film. In its constant quest to offer its customers unique experiences, the Maison continued enhancing the quality of its retail network, renovating its South Coast Plaza store in California. Pop-up stores were also opened

in several cities around the world. To meet high demand for its products, Louis Vuitton opened a new workshop in the Vendée department of western France in 2018. In October, the Maison was awarded the Butterfly Mark by Positive Luxury for its commitment to excellence in the field of environmental and social responsibility. Continuing its worldwide tour, the *Volez, Volez, Voyagez* exhibition touched down in Shanghai at the end of the year.

For its first full year as part of the LVMH group, Christian Dior Couture turned in a remarkable performance in all its product categories and all its regions, and enhanced its appeal worldwide. Dior's excellence and creativity were on display, particularly at the runway shows for Maria Grazia Chiuri's womenswear collections: the highly acclaimed Spring/Summer 2018 Haute Couture show, an ode to surrealism, was followed by an extraordinary masked ball in the gardens of the Rodin Museum; the Cruise show was held at the Domaine de Chantilly, with a spectacular performance by traditional female equestrians from Mexico; the Spring/Summer 2019 Ready-to-Wear collection was accompanied by a poetic ballet of contemporary dance. In June 2018, the new Creative Director of Menswear Kim Jones had his runway debut with the Spring/Summer 2019 show, held in the courtyard of the French Republican Guard in Paris, which was a resounding success, as was the Fall 2019 show held in Tokyo in November 2018. Dior's iconic Toile de Jouy design embellished the imposing facades of its largest boutiques. In another first, the *Dior Dior Dior* high jewelry collection was exhibited at the City of Paris' Museum of Modern Art during Couture Week, and was a great success.

Fendi continued to reaffirm its creativity and expertise through its ready-to-wear, handbag and footwear collections, as well as its Couture runway show in Paris, designed by Karl Lagerfeld and Silvia Fendi. The iconic *Peekaboo* handbag was showcased in an innovative digital marketing campaign, while two capsule collections – *FF Reloaded* and *Fendi Mania* – were launched, expressing a highly contemporary side of the brand. Fendi reinforced its retail network and reaffirmed its commitment to preserving expertise with an exhibition in Rome and strong involvement in LVMH's Institut des Métiers d'Excellence.

Growth at Loro Piana was driven in particular by the success of its recent *The Gift of Kings* collection, made from the world's finest wool, an emblem of the excellence of the raw materials sourced by the company. Its Baby Cashmere, another exceptional material, celebrated its 10th anniversary at a series of pop-up stores around the world. Footwear turned in an excellent performance. The brand focused on developing women's ready-to-wear and the customer experience in a network of stores whose expansion remained selective.

Celine's momentum remained strong, driven by the ongoing success of its leather goods lines. It embarked on a new phase in its development with the arrival of Hedi Slimane as Artistic, Creative and Image Director. In September, his first runway show was a great success and had a huge impact in the fashion world.

Givenchy was boosted by the success of Clare Waight Keller's first collections, available in boutiques starting in February. The design of the Duchess of Sussex's wedding gown substantially raised its brand exposure. Clare Waight Keller's talent was recognized several times throughout the year, particularly at the British Fashion Awards. A flagship boutique was inaugurated on New Bond Street in London.

Under the leadership of its Creative Director Jonathan Anderson, Loewe achieved very strong momentum, with the success of its new *Gate* line of leather goods and rapid growth in ready-to-wear. A wide range of gifts was on offer at the end of the year. The brand continued to selectively expand and improve its network of stores.

Kenzo's casual urban offering was expanded, with Menswear performing especially well. Women's ready-to-wear reaffirmed the balance sought between modernity and desirability. One of the year's highlights was a significant geographic expansion, with the brand opening boutiques and inaugurating its digital presence in the United States, and resuming retail operations in China and Macao.

Berluti achieved strong performance and expanded its retail network. All product categories posted growth, especially exceptional items such as tailored footwear, exotic leathers and special orders. The *Zero Cut* shoe, crafted from a single piece of leather, expresses the quintessence of Berluti's shoemaking expertise. The year was marked by the arrival of Kris Van Assche as its new Artistic Director.

Marc Jacobs continued to reorganize and to develop its product lines. Its *Snapshot* leather goods line saw rapid growth. A pop-up store was opened on Madison Avenue in New York to mark the launch of the *Redux Grunge Collection 1993/2018* capsule collection.

Rimowa continued its collaborations to design limited-edition suitcases. The collections designed together with streetwear

brand Supreme and Off-White, Virgil Abloh's label, were very well received and enhanced Rimowa's appeal. The brand celebrated its 120th anniversary and launched its first global marketing campaign.

Thomas Pink revised its visual identity and became Pink Shirtmaker London.

Outlook

Louis Vuitton will keep building its growth on its creative momentum and its unique traditional craftsmanship. In terms of products, high-profile initiatives will be launched in all businesses. Plans are underway for a number of emblematic stores. Campaigns and events connected with Louis Vuitton's business highlights will support these developments. The Maison will continue to reinforce its production capacity with the opening of a new workshop in Beaulieu-sur-Layon in the Maine-et-Loire department of western France in early 2019.

Christian Dior Couture has set itself ever more ambitious targets for the months ahead. Creativity, innovation and expertise will continue to fuel its business, and several high-impact events in key markets will increase the brand's international reach.

Fendi plans to step up the pace of its growth, with a number of product launches in the coming months and strong performance in ready-to-wear collections as well as the expansion of its leather goods offering. The first highlight of the year will involve a refocus on its iconic *Baguette* handbag. At Celine, its new designer's first ready-to-wear collections will debut in boutiques in the first half of the year, marking the beginning of the rollout of its new store concept. All of the business group's brands will maintain their focus on creativity in their collections and achieving excellence with respect to products, retail and the customer experience. The continued selective expansion of their boutique networks will go hand in hand with a stronger digital strategy and the development of online sales.

3. PERFUMES AND COSMETICS

In 2018, the Perfumes and Cosmetics business group posted revenue of 6,092 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 and powerful concept of “total beauty” with the launch of *Miss Dior* perfume, soon 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. Guerlain's iconic perfumes include *Shalimar*, *L'Instant de Guerlain* and *La Petite Robe Noire*.

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 *FlowerbyKenzo*, *L'eau Kenzo*, and *KenzoHomme*.

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.

3.2 Competitive position

Worldwide, the LVMH group's brands achieved market-beating growth in 2018, enabling them to increase their market share

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.

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: Kat Von D 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.

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

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.

Overall, manufacturing subcontracting represented about 8% of the cost of sales for this activity in 2018, plus approximately 10 million euros for logistics subcontracting.

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

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.

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 2018 and outlook for 2019

	2018	2017	2016
Revenue (EUR millions)	6,092	5,560	4,953
Revenue by product category (%)			
Perfumes	35	36	38
Makeup	47	47	44
Skincare products	18	17	18
Total	100	100	100
Revenue by geographic region of delivery (%)			
France	11	11	12
Europe (excluding France)	22	24	25
United States	16	17	18
Japan	5	5	5
Asia (excluding Japan)	35	30	28
Other markets	11	13	12
Total	100	100	100
Profit from recurring operations (EUR millions)	676	600	551
Operating margin (%)	11.1	10.8	11.1
Operating investments of the period (EUR millions)	330	286	268
Number of stores	354	302	248

Driven in large part by the performance of its flagship brands, the Perfumes and Cosmetics business group recorded strong growth, which was particularly high in Asia. Reflecting the creativity and commitment to excellence of its different brands, all product categories contributed to this growth.

Highlights

Parfums Christian Dior had another excellent year and gained market share, underscoring the vitality of its iconic fragrances and the success of its innovations. *J'adore*, boosted by a new marketing campaign, made further progress and *Miss Dior* established its leadership in Asia. Men's fragrance *Sauvage*, which had an Eau de Parfum version added to its range, saw exceptional growth. With the launch of *Joy by Dior*, embodied by actress Jennifer Lawrence, the brand added a fresh new scent to its olfactory landscape. The Maison Christian Dior boutique concept, offering a collection of exceptional fragrances, confirmed its appeal with excellent results. Parfums Christian Dior showcased its roots in Grasse; a source of inspiration and a creative hub (with Les Fontaines Parfumées, François Demachy's fragrance laboratory) as well as an exceptional terroir for its flowers used to make perfume. Guided by the creative vision of Peter Philips and backed by a strong digital marketing strategy, makeup consolidated its positions, with strong performance in lipstick, in particular the new *Ultra Rouge* lipstick, and a substantial acceleration in

foundation fueled by new additions to the *Forever* range and the launch of the *Dior Backstage Face & Body Foundation* inspired by techniques used by makeup artists. Skincare was boosted by strong momentum in Asia and by the vitality and innovation of the *Prestige* range's *Micro-Huile de Rose* and *Micro-Sérum de Rose. Capture Youth*, launched in January 2018, won over customers in their thirties with its six targeted serums.

Guerlain turned in a remarkable performance. Perfume did very well, with the expansion of *Mon Guerlain* and the international rollout of Guerlain Parfumeur boutiques, which offer a captivating immersion in the perfume-maker's world. Momentum in makeup was driven by the highly successful *Rouge G*, which offers an unrivaled potential for customization, with 450 possible case and color combinations. In skincare, Guerlain's results were fueled by strong growth in its *Orchidée Impériale* and *Abeille Royale* lines. As part of its "In the Name of Beauty" commitment to sustainability, Guerlain continued to scale up its initiatives to preserve biodiversity, particularly to protect bees. During LVMH's Journées Particulières open-house event, Guerlain celebrated its 190th anniversary with the public by unveiling an exceptional setting at 68 Champs-Élysées, its iconic address.

Parfums Givenchy saw growth accelerate, with perfume doing very well in Europe and strong gains from makeup in Asia. The success of its new women's fragrance, *L'Interdit*, incarnated by actress Rooney Mara, helped the brand gain market share. Makeup sales were particularly strong in lip cosmetics and foundation.

Kenzo Parfums continued to roll out *Kenzo World* and revisited its iconic *Flower by Kenzo* line with a new marketing campaign filmed in the streets of San Francisco. With the highly successful launch of *BADgal BANG!*, *Benefit* became the global market leader in mascara. The brand also consolidated its lead in brow products with the success of *Brow Contour*, an innovative 4-in-1 brow pencil. *Make Up For Ever* continued its international development, particularly thanks to the expansion of its online sales. *Fresh* achieved strong growth, particularly in Asia, with the success of its *Rose* and *Black Tea* skincare lines. This range was enriched by its *Black Tea Kombucha* age-delay facial essence, maintaining its focus on offering a unique sensory experience through a fusion of effective natural ingredients, traditional rituals and modern science. *Acqua di Parma* saw strong growth in its *Colonia* lines, thanks to *Colonia Pura* in particular, while the *Chinotto di Liguria* fragrance rounded out the *Blu Mediterraneo* range. For its first full year of activity, *Fenty Beauty by Rihanna* confirmed its worldwide success with a very strong digital presence and a robust innovation program in foundation and lip cosmetics with the *Mattemoiselle* lipstick. *Marc Jacobs Beauty*'s momentum was driven by the launch of its new *Shameless* liquid foundation. Parfums Loewe launched the women's version of its *Solo Loewe* line. *Maison Francis Kurkdjian* enjoyed very strong growth in its iconic *Baccarat Rouge 540* fragrance and continued to showcase its exceptional expertise in artisanal perfume-making.

Outlook

In a highly competitive market environment, the Perfumes and Cosmetics business group will draw on the strength of its well-differentiated brand portfolio to win new market share. Its brands will focus on gaining innovative momentum, retail quality and digital marketing. Parfums Christian Dior will innovate in its three product categories. In perfume, the brand will continue to showcase its global pillars, with strong marketing support in conjunction with Couture, and will roll out its boutique concept as well as its initiatives to build a unique customer experience around perfume, both in-store and online. Drawing on the expertise of professional makeup artists and the brand's couture spirit, makeup will be the focus of an extensive innovation plan, backed by a bolstered digital activation strategy. Dior skincare – which aims to accelerate the brand's growth in

the *Prestige* and age-defying lines – will be boosted by momentum in Asia. Guerlain will continue rolling out its Guerlain Parfumeur boutiques; expand its flagship makeup and skincare ranges; and launch a high-performance, highly natural foundation, in line with its “In the Name of Beauty” commitment to sustainability. A new version of its *L'Interdit* fragrance and bold innovations in makeup will help speed up growth at Parfums Givenchy. Benefit's initiatives will mainly focus on brow products, to consolidate its lead in this category, and on conveying its unique positioning, particularly in the digital realm. Kenzo will launch a light eau de parfum version of *Flower by Kenzo* and a new variant of *Kenzo World*. Parfums Loewe will roll out its fresh new brand identity, backed by a groundbreaking marketing campaign strengthening its ties with the world of couture. Fenty Beauty by Rihanna will continue its international expansion, particularly in Asia.

4. WATCHES AND JEWELRY

In 2018, the Watches and Jewelry business group represented 9% 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 manufactures. In the watchmaking sector, the term manufacture designates a company that provides the entire design and manufacturing of

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

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

Chaumet, a jeweler established in 1780, has maintained its prestigious expertise, which is reflected in all its designs, 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 the retailers become first-rate ambassadors for the brands when interacting with the end customer. The Maisons also continue to refurbish and open their own stores in buoyant markets in key cities.

The Watches and Jewelry brands' directly operated store network comprised 428 stores as of year-end 2018 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.

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

Overall, for the Group's watches and jewelry operations, subcontracting accounted for around 10% of the cost of sales in 2018.

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 2018 and outlook for 2019

	2018	2017	2016
Revenue (EUR millions)	4,123	3,805	3,468
Revenue by geographic region of delivery (%)			
France	6	6	5
Europe (excluding France)	23	25	26
United States	9	9	10
Japan	12	13	14
Asia (excluding Japan)	35	31	28
Other markets	15	16	17
Total	100	100	100
Profit from recurring operations (EUR millions)	703	512	458
Operating margin (%)	17.1	13.5	13.2
Operating investments of the period (EUR millions)	303	269	229
Number of stores	428	405	397

Highlights

Growth for the Watches and Jewelry business group was once again driven by the creativity of its brands and the strong performance delivered by their stores. Jewelry showed remarkable momentum and gained market share. In a market environment that remained challenging, the watch business grew thanks to the strength of its brands' flagship lines and the excellence of their innovations.

Bvlgari had a very good year and continued to gain market share. Jewelry was spurred by its strong creative momentum. The *Serpenti*, *B.Zero1* and *Diva's Dream* lines were enriched with new models, and the launch of the *Fiorever* collection, designed around a central diamond and white gold, is set to become a new pillar for the brand. The *Wild Pop* high jewelry collection, which embodies Bvlgari's modernity and expertise, continued its rollout. In watches, the new *Lucea*, *Serpenti Turbogas*, and *Diva's Dream* timepieces were highly successful, and the favorable reception of the new *Octo Finissimo* models confirmed the iconic potential of this men's line. Momentum in leather goods was driven by the *Serpenti Forever* and *Black Glam* models. The store improvement plan continued, with reopenings in Hong Kong and Milan, while new boutiques were opened in locations

including Boston and Saint Petersburg. Bvlgari also continued its pop-up store program, which rounds out and energizes the network. Development in the luxury hotel sector continued with the inauguration of a new *Bvlgari Hotels & Resorts* location in Shanghai. The *Tribute to Femininity* exhibition at the Moscow Kremlin Museums presented over 500 exceptional pieces of jewelry showcasing the brand's heritage, wealth of inspiration, visionary creativity and refined craftsmanship.

TAG Heuer continued expanding its flagship *Carrera*, *Aquaracer* and *Formula 1* lines. Its catalogue was enriched with the limited editions of the *Monaco Bamford* and *Carrera Fujiwara* models, while a 41mm version of the smartwatch proved a successful addition to the range. Other highlights of the year included the opening of a flagship store on Fifth Avenue in New York and a modular smart boutique, faithful to the brand's avant-garde spirit, in Tokyo's Ginza district. TAG Heuer's team of brand ambassadors, its sports and cultural contracts, and its very active social media presence have helped raise its profile among target customers.

Hublot continued its robust 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. Hublot once again demonstrated its creativity by releasing a range of extraordinary and highly technical models, including the *Meca-10 Ceramic Blue* and the *Classic Fusion Aerofusion Orlinski* designed in collaboration with French sculptor Richard Orlinski. New stores were opened in London and Geneva, and a boutique was acquired in Beverly Hills. A marketing strategy combining prestigious partnerships, events and a strong digital presence helped raise the brand's profile. Special emphasis was placed on the 2018 soccer World Cup, including the launch of Hublot's first smartwatch, the *Big Bang Referee 2018*. The young soccer star Kylian Mbappé joined the brand's network of ambassadors.

While continuing to develop its iconic *Chronomaster*, *Elite* and *Pilot* collections, Zenith completed the launch of its *Defy* line. The brand's revolutionary *El Primero 21* model, which measures time down to the hundredth of a second, proved highly successful. Zenith continued to consolidate its organization while leveraging synergies offered by the Group's other watchmaking brands.

Growth at Chaumet was fueled by the successful *Liens* and *Joséphine* collections, along with its ongoing shift further upmarket, particularly in China. Its flagship lines were enriched by *Liens Séduction* designs, *Liens Evidence* bracelets and new *Joséphine Aigrette* rings. The brand expressed its exceptional creativity in high jewelry by launching its *Les Mondes de Chaumet* collection, made up of three chapters: *Promenades Impériales*, *Chant du Printemps* and *Trésors d'Afrique*. The success of the Mitsubishi Ichigokan Museum's exhibition on Chaumet's culture and history increased brand awareness in Japan. The store network continued to expand, particularly in Asia.

Fred's *Force 10* line and its new *8°0* collection were its main growth drivers. It opened new stores in Tokyo, Macao, Saint-Tropez and Busan in South Korea.

Outlook

By constantly monitoring markets and remaining highly selective in its allocation of resources, the Watches and Jewelry business group is actively pursuing its market share growth target. This ambition is based on sustaining its key growth drivers: the exceptional creativity of its brands, combined with their constant pursuit of perfection in iconic lines and new collections alike; consolidating their world-class craftsmanship and technological leadership through investments in production capacity; precisely targeted marketing campaigns, especially in the digital realm, to raise the watches and jewelry brands' profiles in key regions; and lastly, improvements in the quality, productivity and profitability of retail networks, which remain a top priority. Bvlgari will continue to expand its network, with the opening of a flagship store in Paris on the Avenue des Champs-Élysées, the expansion of its boutique on Place Vendôme, and selective renovations and openings in Asia and the United States. The flagship *B.Zero1* line will celebrate its 20th anniversary. TAG Heuer plans to open stores in China and Hong Kong. Chaumet will continue rolling out its new store concept, with projects that will raise brand awareness in Europe.

5. SELECTIVE RETAILING

In 2018, the Selective Retailing business group represented 29% of the total revenue of LVMH.

5.1 Travel retail

DFS

Duty Free Shoppers (DFS) which joined LVMH in 1997, is the pioneer and the world leader in the sale of luxury products to international travelers. Its activity is closely linked to tourism cycles.

Since it was formed in 1960 as a duty-free concession in the Kai Tak airport in Hong Kong, DFS has acquired an in-depth knowledge of the needs of traveling customers, built solid partnerships with Japanese and international tour operators 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 nearly 60% of its revenue. The 20 DFS *Gallerias*, 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 and Celine).

5.2 Selective retail

Sephora

Sephora, founded in 1969, has developed over time a perfume and beauty format that combines direct access and customer assistance. This concept led to a new generation of stores with a sober and luxurious architecture, designed in three spaces dedicated to perfumes, makeup and skincare respectively. Based on the quality of this concept, Sephora has gained the confidence of selective perfume and cosmetics brands. In addition, Sephora has offered products sold under its own brand name since 1995 and has developed a line of exclusive products thanks to its close ties with brands selected for their bold ideas and creativity.

Since it was acquired by LVMH in July 1997, Sephora has recorded rapid growth in Europe by opening new stores and acquiring companies that operated perfume retail chains. Sephora is present in 16 European countries. The Sephora concept also crossed the Atlantic in 1998, with a strong presence in the United States, 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, in Latin America, in Russia via the perfumes and cosmetics retail chain *Ile de Beauté* (wholly owned since 2016), and in 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 and on its strong presence on the social networks to increase the touch points and oppor-

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

Starboard Cruise Services

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

tunities for shared moments with its customers. 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, after the entrepreneur Aristide Boucicaut had revamped the existing novelty shop on the same site. 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

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* added a second, smaller location on *Rue de Passy* in the city's 16th arrondissement, installed in premises formerly occupied by *Franck et Fils*.

5.3 Competitive position

Following the recent round of market consolidation, DFS is now 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 3.3% in 2018 compared with 2017, Sephora slightly increased its market share. In addition, Sephora continued to gain market share in Canada, where it has led the market since 2015, and in Italy.

5.4 Highlights of 2018 and outlook for 2019

	2018	2017	2016
Revenue (EUR millions)	13,646	13,311	11,973
Revenue by geographic region of delivery (%)			
France	12	12	12
Europe (excluding France)	9	8	8
United States	38	39	41
Japan	2	1	1
Asia (excluding Japan)	27	28	27
Other markets	12	12	11
Total	100	100	100
Profit from recurring operations (EUR millions)	1,382	1,075	919
Operating margin (%)	10.1	8.1	7.7
Operating investments of the period (EUR millions)	537	570	558
Number of stores			
Sephora	1,886	1,825	1,726
Other	54	55	52

Highlights

All of the Group's Selective Retailing brands showed strong momentum, helping the business group achieve organic revenue growth of 6% in 2018. Excluding the impact of the termination of DFS's airport concessions in Hong Kong at the end of 2017, this growth came to 12%.

Sephora saw another year of strong growth – especially in North America, Asia and the Middle East – and gained market share. Sephora – which connects with its customers through more than 1,900 stores and 29 online shops, and is present in 34 countries – was named Retailer of the Year at the 2018 World Retail Congress, recognizing its global success, its innovative momentum and its lead in the digital sphere. Sephora continued its expansion with the opening of more than 100 stores worldwide, including superb locations on Nanjing Road in Shanghai, Zeil in Frankfurt and at the Saint-Lazare train station in Paris; the launch of online sales in Germany; the new version of the completely redesigned sephora.fr website; and a dazzling array of digital innovation on the sephora.cn website. The brand successfully oversaw the opening of its first points of sale under the Sephora trade name in Russia and the renovation of its iconic stores in SoHo (New York) and Milan's Duomo district (Italy). It continued to personalize the customer experience as part of its ongoing quest to captivate and satisfy beauty fans around the world. Thanks to its dedicated staff, Sephora's boutiques offer beauty and makeup services that are constantly being updated, based around its *Beauty Hubs*, as well as a plethora of experiences available throughout the store. In addition, across its entire digital ecosystem, interactive mobile app features let users extend the in-store experience and connect with its community of self-proclaimed beauty addicts. This personalized, omnichannel relationship helps provide

bespoke support to each and every one of its customers as they discover the iconic brands, wide range of new products and highly innovative exclusive collections that make up the Sephora offering.

Amidst an upturn in its markets, DFS saw strong revenue growth, buoyed by sales initiatives launched to win over international travelers, including high-impact marketing campaigns, in-store events and the introduction of new communication tools. It expanded its selection of products to meet the expectations of younger, more exacting travelers while showcasing the uniqueness of each destination. While major renovation work was completed in Sydney and Auckland, DFS continued to expand its presence in Macao with the opening of two boutiques devoted to beauty, bringing its store count to six in the city. A multi-brand fashion boutique designed to attract a millennial clientele was also inaugurated within the *T Galleria* City of Dreams. In Venice, the *T Fondaco dei Tedeschi* store turned in an excellent performance, boosted by a year-round program of events that make it an unrivaled venue for shopping and culture. The Siem Reap *T Galleria* in Cambodia also enjoyed strong momentum, with an offering that showcased the quality of local craftsmanship alongside luxury products.

Starboard Cruise Services maintained its position as the leading retailer of high-end brands on board cruise ships by expanding its presence in Asia. It further enhanced the appeal of its stores while improving the quality of its product offerings and the experiences it offers its customers.

Le Bon Marché continued on its strong growth trajectory during a very eventful year. The refinement, quality of service and selectivity on offer at the iconic department store on Paris' Left Bank continued to place it a cut above the rest for its French and international clientele, and its loyalty program was highly successful. The new children's department – the renovation of which was completed in the second half of the year – introduced "Les Récés du Bon Marché", an ingenious new concept which is the first of its kind among department stores: fun workshops for children of all ages to enjoy while their parents shop in peace. Event highlights included the substantial media coverage of the exhibition of works by Argentinian artist Leandro Erlich in the beginning of the year, and the major success of the Los Angeles exhibition in the fall. La Grande Épicerie de Paris Rive Droite, which opened in late 2017, won over a new clientele. The 24 Sèvres digital platform continued its targeted growth, enriching its range with exclusive offerings including a capsule collection in collaboration with designer Inès de la Fressange.

Outlook

In 2019, Sephora will continue to design and offer its customers the best omnichannel experience in the beauty world, while maintaining its focus on its core strengths: its dedicated, professional staff; the expansion and renovation of its store network; its rich, innovative range of products and services; and its desire to keep surprising its customers and give them an ever more personalized connection at its stores and throughout its digital

ecosystem. DFS enters 2019 with confidence, while remaining vigilant to the key issues inherent in its business segment, such as currency fluctuations and potential changes in the sales environment. Work is underway to expand and enhance the flagship store on Canton Road in Hong Kong and to renovate the Four Seasons Hotel Macao store. The brand will expand its store network, particularly in Asia, and step up its digital

initiatives to better serve travelers. **Le Bon Marché** will continue to cultivate its uniqueness, its creative and exclusive offerings, and its dual identity as both a trendsetting retail destination and a venue for art and culture. The opening of a VIP lounge will round out the range of perks available to its customers. **La Grande Épicerie de Paris** will keep working to 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 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.

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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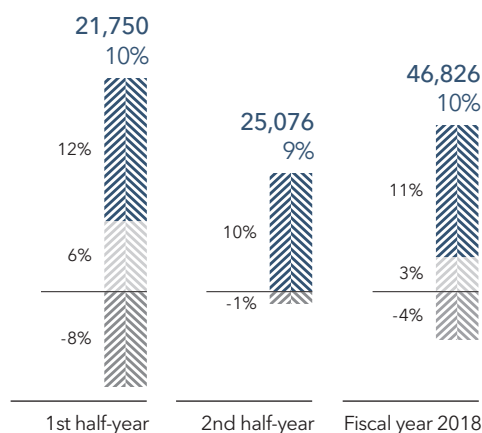
1. BUSINESS AND FINANCIAL REVIEW

1.1 Comments on the consolidated income statement

1.1.1 Analysis of revenue

Change in revenue per half-year period

(EUR millions and percentage)



■ Organic growth

■ Changes in the scope of consolidation ^(a)

■ Exchange rate fluctuations ^(a)

(a) The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 37.

Revenue for fiscal year 2018 was 46,826 million euros, up 10% over the preceding fiscal year. Many of the Group's invoicing currencies weakened against the euro, notably the US dollar, thus making a negative 4 point impact to revenue growth.

The main change to the Group's consolidation scope since January 1, 2017 related to the integration of Christian Dior Couture in Fashion and Leather Goods as of the second half of 2017. This change in the scope of consolidation made a positive 3 point contribution to revenue growth.

On a constant consolidation scope and currency basis, revenue increased by 11%.

Revenue by invoicing currency

(as %)	2018	2017	2016
Euro	22	23	23
US dollar	29	30	32
Japanese yen	7	7	7
Hong Kong dollar	6	6	6
Other currencies	36	34	32
Total	100	100	100

The breakdown of revenue by invoicing currency changed very little. The contributions of the euro and the US dollar fell by 1 point each to 22% and 29%, respectively. The contributions of the Japanese yen and the Hong Kong dollar remained stable at 7% and 6%, respectively, while that of other currencies rose by 2 points to 36%.

Revenue by geographic region of delivery

(as %)	2018	2017	2016
France	10	10	10
Europe (excluding France)	19	19	18
United States	24	25	27
Japan	7	7	7
Asia (excluding Japan)	29	28	26
Other markets	11	11	12
Total	100	100	100

By geographic region of delivery, the relative contribution of Asia (excluding Japan) to Group revenue rose by 1 point to 29% while that of the United States fell by 1 point to 24%. The relative contributions of France, Europe (excluding France), Japan and other markets remained stable at 10%, 19%, 7% and 11%, respectively.

Revenue by business group

(EUR millions)	2018	2017	2016
Wines and Spirits	5,143	5,084	4,835
Fashion and Leather Goods	18,455	15,472	12,775
Perfumes and Cosmetics	6,092	5,560	4,953
Watches and Jewelry	4,123	3,805	3,468
Selective Retailing	13,646	13,311	11,973
Other activities and eliminations	(633)	(596)	(404)
Total	46,826	42,636	37,600

By business group, the breakdown of Group revenue changed appreciably. The contribution of Fashion and Leather Goods rose 3 points to 39%, while the contributions of Wines and Spirits and Selective Retailing decreased respectively by 1 point and 2 points to 11% and 29%. The contributions of Perfumes and Cosmetics and Watches and Jewelry remained stable at 13% and 9%, respectively.

Revenue for Wines and Spirits increased by 5% on a constant consolidation scope and currency basis. Impacted by a negative exchange rate impact of 4 points, published revenue for this business group increased by 1%. This performance was largely driven by higher prices and a favorable product mix. Demand remained

very strong in Asia, particularly in China, with the latter still the second-largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth of 15%. The positive consolidation scope impact of 8 points resulting from the integration of Christian Dior Couture, tempered by the negative exchange rate impact of 3 points, raised this growth to 19% based on published figures. This business group's performance was driven by the very solid momentum achieved by Louis Vuitton and Christian Dior Couture, as well as by Celine, Loro Piana, Kenzo, Loewe, Fendi and Berluti, which confirmed their potential for strong growth.

Revenue for Perfumes and Cosmetics increased by 14% on a constant consolidation scope and currency basis, and by 10% based on published figures. This growth and the related market share gains confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures. The Perfumes and Cosmetics business group saw very significant revenue growth across all regions, Asia in particular.

Revenue for Watches and Jewelry increased by 12% on a constant consolidation scope and currency basis, and by 8% based on published figures. The business group benefited from the good performance of Bvlgari; Chaumet, Hublot and Fred saw strong gains. Asia and the United States were the most buoyant regions.

Revenue for Selective Retailing increased by 6% on a constant consolidation scope and currency basis, and by 3% based on published figures. It is worth noting that this performance was achieved in spite of the negative impact of the termination of the Hong Kong airport concessions operated by DFS at the close of 2017. The business group's performance was driven by Sephora, which saw appreciable growth in revenue, and by the return of Chinese tourists to regions where DFS has many locations.

1.1.2 Profit from recurring operations

(EUR millions)	2018	2017	2016
Revenue	46,826	42,636	37,600
Cost of sales	(15,625)	(14,783)	(13,039)
Gross margin	31,201	27,853	24,561
Marketing and selling expenses	(17,755)	(16,395)	(14,607)
General and administrative expenses	(3,466)	(3,162)	(2,931)
Income/(loss) from joint ventures and associates	23	(3)	3
Profit from recurring operations	10,003	8,293	7,026
Operating margin (%)	21.4	19.5	18.7

The Group achieved a gross margin of 31,201 million euros, up 12% compared to the prior fiscal year. As a percentage of revenue, the gross margin was 67%, 1.3 points higher than in 2017.

Marketing and selling expenses totaled 17,755 million euros, up 8% based on published figures and up 11% on a constant consolidation scope and currency basis. This increase was mainly due to the development of retail networks but also to higher communications investments, especially in Perfumes and Cosmetics. The level of these expenses as a percentage of revenue fell by 0.6 points to 38%. Among these marketing and selling expenses, advertising and promotion costs amounted to 12% of revenue, increasing by 14% on a constant consolidation scope and currency basis.

The geographic breakdown of stores was as follows:

(number)	2018	2017 ^(a)	2016 ^(b)
France	514	508	492
Europe (excluding France)	1,153	1,156	1,061
United States	783	754	703
Japan	422	412	387
Asia (excluding Japan)	1,289	1,151	991
Other markets	431	393	314
Total	4,592	4,374	3,948

(a) Including 198 stores for Christian Dior Couture and 57 for Rimowa.

(b) Excluding Rimowa, whose network was integrated in 2017.

General and administrative expenses totaled 3,466 million euros, up 10% based on published figures and up 9% on a constant consolidation scope and currency basis. They amounted to 7% of revenue, remaining stable with respect to 2017.

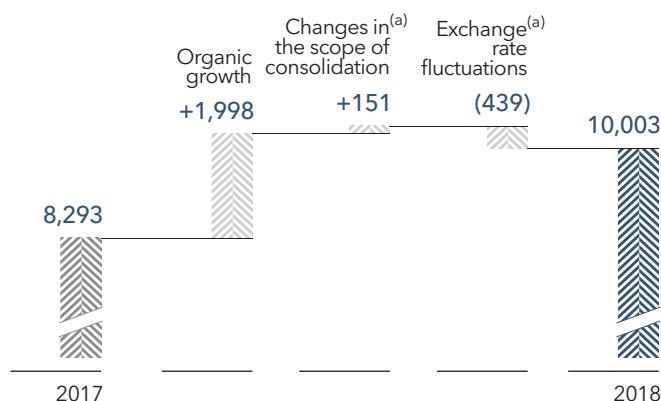
Profit from recurring operations by business group

(EUR millions)	2018	2017	2016
Wines and Spirits	1,629	1,558	1,504
Fashion and Leather Goods	5,943	4,905	3,873
Perfumes and Cosmetics	676	600	551
Watches and Jewelry	703	512	458
Selective Retailing	1,382	1,075	919
Other activities and eliminations	(330)	(357)	(279)
Total	10,003	8,293	7,026

The Group's profit from recurring operations was 10,003 million euros, up 21%. The Group's operating margin as a percentage of revenue was 21.4%, up 1.9 points compared with December 31, 2017.

Change in profit from recurring operations

(EUR millions)



(a) The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 37.

Exchange rate fluctuations had a negative overall impact of 439 million euros on profit from recurring operations compared to the previous fiscal year. This total comprises the following three items: the impact of exchange rate fluctuations on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the eurozone.

On a constant consolidation scope and currency basis, the Group's profit from recurring operations was up 24%.

Wines and Spirits

	2018	2017	2016
Revenue (EUR millions)	5,143	5,084	4,835
Profit from recurring operations (EUR millions)	1,629	1,558	1,504
Operating margin (%)	31.7	30.6	31.1

Profit from recurring operations for Wines and Spirits was 1,629 million euros, up 5% compared with 2017. Champagne and Wines contributed 649 million euros while Cognacs and Spirits accounted for 980 million euros. This performance was the result of both sales volume growth and a favorable impact of the mix of products sold. The operating margin as a percentage of revenue for this business increased by 1.1 points to 31.7%.

Fashion and Leather Goods

	2018	2017	2016
Revenue (EUR millions)	18,455	15,472	12,775
Profit from recurring operations (EUR millions)	5,943	4,905	3,873
Operating margin (%)	32.2	31.7	30.3

Fashion and Leather Goods posted profit from recurring operations of 5,943 million euros, up 21% compared with 2017. This sharp increase included the positive impact of the consolidation of Christian Dior Couture, but above all reflected the very strong performance of certain brands. Louis Vuitton maintained its exceptional level of profitability. Loewe and Loro Piana confirmed their profitable growth momentum while Marc Jacobs, Pink Shirtmaker and Pucci improved their results. The business group's operating margin as a percentage of revenue grew by 0.5 points to 32.2%.

Perfumes and Cosmetics

	2018	2017	2016
Revenue (EUR millions)	6,092	5,560	4,953
Profit from recurring operations (EUR millions)	676	600	551
Operating margin (%)	11.1	10.8	11.1

Profit from recurring operations for Perfumes and Cosmetics was 676 million euros, up 13% from 2017. This growth was driven by Parfums Christian Dior, Guerlain, Fresh, Parfums Givenchy and Benefit, 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 grew by 0.3 points to 11.1%.

Watches and Jewelry

	2018	2017	2016
Revenue (EUR millions)	4,123	3,805	3,468
Profit from recurring operations (EUR millions)	703	512	458
Operating margin (%)	17.1	13.5	13.2

Profit from recurring operations for Watches and Jewelry was 703 million euros, up 37% compared with 2017. This increase was the result of strong performance at Bvlgari, Hublot and Chaumet, with operating margin as a percentage of revenue rising by 3.6 points to 17.1%.

Selective Retailing

	2018	2017	2016
Revenue (EUR millions)	13,646	13,311	11,973
Profit from recurring operations (EUR millions)	1,382	1,075	919
Operating margin (%)	10.1	8.1	7.7

Profit from recurring operations for Selective Retailing was 1,382 million euros, up 29% from 2017. This improvement was driven by DFS, which benefited from its strong commercial performance and from the favorable impact of the termination of the Hong Kong airport concessions.

The business group's operating margin as a percentage of revenue grew by 2 points to 10.1%.

Other activities

The result from recurring operations of “Other activities and eliminations” was a loss of 330 million euros, representing an improvement relative to 2017. In addition to headquarters expenses, this heading includes the results of the Media division, Royal Van Lent yachts, and hotel and real estate activities.

1.1.3 Other income statement items

(EUR millions)	2018	2017 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾
Profit from recurring operations	10,003	8,293	7,026
Other operating income and expenses	(126)	(180)	(122)
Operating profit	9,877	8,113	6,904
Net financial income/(expense)	(388)	(59)	(318)
Income taxes	(2,499)	(2,214)	(2,133)
Net profit before minority interests	6,990	5,840	4,453
Minority interests	(636)	(475)	(387)
Net profit, Group share	6,354	5,365	4,066

(1) The financial statements as of December 31, 2017 and December 31, 2016 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS 9 Financial Instruments. See Note 1.2 to the consolidated financial statements.

(2) The financial statements as of December 31, 2017 have been restated to reflect the definitive allocation of the purchase price of Christian Dior Couture. See Note 2 to the consolidated financial statements.

“Other operating income and expenses” amounted to a net expense of 126 million euros, compared with a net expense of 180 million euros in 2017. In 2018, “Other operating income and expenses” included 117 million euros in amortization and impairment charges for brands and goodwill. The remainder was essentially comprised of expenses relating to acquisitions.

The Group’s operating profit was 9,877 million euros, up 22% compared with 2017.

The net financial expense for the fiscal year was 388 million euros, compared with a net financial expense (restated to reflect the application of IFRS 9) of 59 million euros as of December 31, 2017. This item comprised:

- the aggregate cost of net financial debt, which totaled 117 million euros, representing an improvement of 20 million euros compared to 2017 (after restatement to reflect the application of IFRS 9);
- other financial income and expenses, which amounted to a net expense of 271 million euros, compared to net income of 78 million euros in 2017 (after restatement to reflect the application of IFRS 9). The expense related to the cost of foreign exchange derivatives was 160 million euros, versus an expense of 168 million euros a year earlier. Lastly, other income from financial instruments, which mainly arose from capital gains on sales and changes in market value of available for sale financial assets, amounted to a net expense of 108 million euros, compared to net income of 264 million euros in 2017.

The Group’s effective tax rate was 26%, down 1 point relative to 2017. This decrease primarily reflected the downward trend in corporate tax rates worldwide, particularly in the United States.

Profit attributable to minority interests was 636 million euros, compared to 475 million euros in 2017; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group’s share of net profit was 6,354 million euros, compared with 5,365 million euros in 2017. This represented 14% of revenue in 2018, up 1 point with respect to 2017. The Group share of net profit in 2018 was up 18% compared to 2017.

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

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

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

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

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

1.2 Comments on the consolidated balance sheet

1.2.1 Restatements in the balance sheet as of December 31, 2017

The balance sheet as of December 31, 2017 has been restated to reflect:

- the impact of the retrospective application of IFRS 9 Financial Instruments as of January 1, 2016: see Note 1.2 to the consolidated financial statements;
- the impact of the definitive allocation of the purchase price of Christian Dior Couture, acquired in 2017: see Note 2 to the consolidated financial statements.

1.2.2 Balance sheet as of December 31, 2018

(EUR billions)	Dec. 31, 2018	Dec. 31, 2017	Change
Property, plant and equipment and intangible assets	46.1	44.7	1.4
Other non-current assets	4.6	4.0	0.6
Non-current assets	50.7	48.7	2.0
Inventories	12.5	10.9	1.6
Other current assets	11.1	10.2	0.9
Current assets	23.6	21.1	2.5
Assets	74.3	69.8	4.5

LVMH's consolidated balance sheet totaled 74.3 billion euros as of year-end 2018, representing a 7% increase from year-end 2017. Non-current assets rose by 2.0 billion euros and represented 68% of total assets, compared with 70% as of year-end 2017.

Property, plant and equipment and intangible assets grew by 1.4 billion euros, including 1.0 billion euros related to investments made during the year, net of depreciation and amortization charges as well as disposals. The comments on the cash flow statement provide information on the year's investments. Exchange rate fluctuations – mainly involving the US dollar and the Swiss franc – had an additional positive 0.4 billion euro impact on the value of property, plant and equipment and intangible assets.

Other non-current assets increased by 0.6 billion euros, amounting to 4.6 billion euros. This increase was related to purchases of non-current available for sale financial assets, for 0.4 billion euros (in particular Belmond shares, for 0.3 billion euros), and to the increase in deferred tax assets, for 0.2 billion euros.

Inventories increased by 1.6 billion euros, with 1.7 billion euros related to changes in levels of business activity (discussed in further detail in the comments on the cash flow statement), and 0.1 billion euros resulting from exchange rate fluctuations, mainly involving the US dollar. Conversely, net provisions for inventory impairment had a negative impact of 0.3 billion euros.

Other current assets grew by 0.9 billion euros, including 0.9 billion euros related to the increase in the cash balance, 0.5 billion euros resulting from an increase in trade accounts receivable, and 0.2 billion euros related to the increase in current available for sale financial assets. Conversely, income tax receivables and the market value of derivatives decreased by 0.4 billion euros each.

(EUR billions)	Dec. 31, 2018	Dec. 31, 2017	Change
Equity	34.0	30.4	3.6
Long-term borrowings	6.0	7.0	(1.0)
Other non-current liabilities	17.5	17.4	0.1
Equity and non-current liabilities	57.5	54.8	2.7
Short-term borrowings	5.0	4.5	0.5
Other current liabilities	11.8	10.5	1.3
Current liabilities	16.8	15.0	1.8
Liabilities and equity	74.3	69.8	4.5

Other non-current liabilities remained stable, totaling 17.5 billion euros versus 17.4 billion euros in 2017, with this 0.1 billion euro increase arising from the fair value adjustment of purchase commitments for minority interests' shares.

Other current liabilities increased by 1.3 billion euros, amounting to 11.8 billion euros, of which 1.3 billion euros related to the increase in trade accounts payable and other operating payables, and 0.2 billion euros to the rise in tax and social security liabilities. Conversely, income tax payable decreased by 0.2 billion euros.

Net financial debt and equity

(EUR billions or as %)	Dec. 31, 2018	Dec. 31, 2017	Change
Long-term borrowings	6.0	7.0	(1.0)
Short-term borrowings and derivatives	5.2	4.5	0.7
Gross borrowings after derivatives	11.2	11.5	(0.3)
Cash, cash equivalents and other ^(a)	(5.7)	(4.3)	(1.4)
Adjusted net financial debt (excluding the acquisition of Belmond shares)	5.5	7.2	(1.7)
Equity	34.0	30.4	3.6
Adjusted net financial debt/Equity ratio	16.2%	23.7%	-7.5 pts

(a) The adjusted net financial debt (excluding the acquisition of Belmond shares) presented above helps show the impact of the Group's performance in 2018 on the level of net financial debt at the balance sheet date. See Note 18 to the consolidated financial statements.

The ratio of (adjusted) net financial debt to equity, which was 23.7% as of December 31, 2017, fell 7.5 points to 16.2%; cash generated during the fiscal year helped to substantially reduce net debt by 1.7 billion euros.

Total equity amounted to 34.0 billion euros as of year-end 2018, up 3.6 billion euros compared to year-end 2017. This change primarily reflects the strong earnings achieved by the Group, distributed only partially, representing a net increase of 3.9 billion euros. Exchange rate fluctuations had a positive impact of 0.2 billion euros, mainly related to the appreciation of the US dollar and the Swiss franc against the euro between December 31, 2017 and December 31, 2018. Conversely, the change in revaluation reserves had a negative impact of 0.2 billion euros, mainly due to the decrease in unrealized gains on hedges of future foreign currency cash flows. The impact of changes in purchase commitments for minority interests' shares was also negative, for 0.3 billion euros. As of December 31, 2018, total equity was equal to 46% of total assets, compared to 44% as of year-end 2017.

Gross borrowings after derivatives totaled 11.2 billion euros as of year-end 2018, down 0.3 billion euros compared with

year-end 2017, including the negative 0.6 billion euro impact of net repayments made during the fiscal year; this decrease was partially offset by fair value adjustments of borrowings and derivatives, which had a positive 0.3 billion euro impact. During the fiscal year, repayment of borrowings had a negative impact of 2.1 billion euros, including 1.8 billion euros for the repayment of a tranche of the bond issue completed in 2017 following the acquisition of Christian Dior Couture. Conversely, commercial paper outstanding increased by 1.3 billion euros in 2018. No bonds were issued during the fiscal year.

Cash, cash equivalents, current and non-current available for sale financial assets used to hedge financial debt, and the Belmond shares acquired in December 2018 after the announcement of LVMH's acquisition of Belmond totaled 5.7 billion euros at the end of the fiscal year, up 1.4 billion euros compared to year-end 2017.

As of year-end 2018, the Group's undrawn confirmed credit lines amounted to 3.9 billion euros, exceeding the outstanding portion of its commercial paper program, which came to 3.2 billion euros as of December 31, 2018.

1.3 Comments on the consolidated cash flow statement

1.3.1 Restatements in the consolidated cash flow statement as of December 31, 2017

The consolidated cash flow statement as of December 31, 2017 has been restated to reflect:

- the impact of the retrospective application of IFRS 9 Financial Instruments as of January 1, 2016: see Note 1.2 to the consolidated financial statements;
- the impact of the definitive allocation of the purchase price of Christian Dior Couture, acquired in 2017: see Note 2 to the consolidated financial statements.

1.3.2 Cash flow statement as of December 31, 2018

(EUR millions)	Dec. 31, 2018	Dec. 31, 2017	Change
Cash from operations before changes in working capital	11,965	10,405	1,560
Cost of net financial debt: interest paid	(113)	(129)	16
Income taxes paid	(2,275)	(2,790)	515
Net cash from operating activities before changes in working capital	9,577	7,486	2,091
Change in working capital	(1,087)	(514)	(573)
Operating investments	(3,038)	(2,276)	(762)
Free cash flow	5,452	4,696	756
Financial investments	(401)	(6,331)	5,930
Transactions relating to equity	(3,531)	(2,105)	(1,426)
Change in cash before financing activities	1,520	(3,740)	5,260

Cash from operations before changes in working capital totaled 11,965 million euros, up 15% from 10,405 million euros a year earlier. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 9,577 million euros, up 28% from fiscal year 2017.

Interest paid, for 113 million euros, was lower than in 2017, with the favorable impact of the decrease in the Group's average interest rate outweighing the unfavorable impact of the increase in the Group's average net debt with respect to 2017.

Income taxes paid came to 2,275 million euros, 18% less than the 2,790 million euros paid a year earlier, reflecting the downward trend in corporate tax rates worldwide, particularly in the United States, and the non recurrence of certain exceptional tax rates.

The 1,087 million euro increase in the working capital requirement was higher than the 514 million euro increase observed a year earlier. The cash requirement relating to the increase in inventories amounted to 1,722 million euros, versus 1,006 million euros a year earlier, mainly due to growth in the Fashion and Leather Goods and Selective Retailing businesses. The increase in trade account payables and tax and social security liabilities, which was higher in 2018 than in 2017 (806 million euros in 2018 versus 624 million euros in 2017) helped to partly finance the cash requirement related to the increase in inventories.

Operating investments net of disposals resulted in an outflow of 3,038 million euros in 2018, compared to 2,276 million euros a year earlier, up 762 million euros. These mainly included investments by the Group's brands – notably Sephora, Louis Vuitton, DFS, Parfums Christian Dior, Bvlgari and Christian Dior Couture – in their retail networks. They also included investments by the champagne houses, Hennessy, Louis Vuitton and Parfums Christian Dior in their production equipment; investments related to the La Samaritaine and Jardin d'Acclimatation projects; and various real estate investments.

In 2018, 401 million euros were spent on financial investments, including 274 million euros relating to the acquisition of Belmond shares in late December 2018, after the announcement of LVMH's acquisition of Belmond.

Transactions relating to equity generated an outflow of 3,531 million euros. A portion of this amount, 2,714 million euros, related to dividends paid during the fiscal year by LVMH SE, excluding the amount attributable to treasury shares, of which 1,717 million euros were for the final dividend payment in respect of fiscal year 2017 and 997 million euros were for the interim dividend payment in respect of fiscal year 2018. Dividends paid out to minority shareholders of consolidated subsidiaries amounted to 339 million euros and acquisitions of minority interests generated an outflow of 236 million euros (see Note 2 to the consolidated financial statements). Acquisitions of LVMH treasury shares generated an additional outflow of 295 million euros, while share subscription options exercised and capital increases subscribed by minority interests generated an inflow of 90 million euros.

The cash surplus after all transactions relating to operating activities, investments and equity thus totaled 1,520 million euros, of which 792 million euros were used to pay down the Group's debt. As the change in the cumulative translation adjustment relating to cash flows had a positive impact of 67 million euros, the cash balance at the fiscal year-end was 795 million euros higher than its level as of year-end 2017.

2. FINANCIAL POLICY

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

- Improving the Group's financial structure and flexibility, as evidenced by the following key indicators:
 - level of equity: Equity before appropriation of profit was up 12% to 34.0 billion euros as of end-2018, versus 30.4 billion euros a year earlier;
 - the Group's access to liquidity, notably through its European billets de trésorerie and US 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 remaining at low levels in 2018;
 - maintaining a necessary level of cash and cash equivalents with a diversified range of top-tier banking partners and short-term money market funds. Special attention was 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 totaling 3.9 billion euros, including 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 operations and to hedge its debt.
 - 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. As a rule, the Group applies a diversified short-term and long-term investment policy.

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

- an interim dividend for 2018 of 2.00 euros was paid in December 2018;
- a dividend payment of 6.00 euros per share is proposed for the fiscal year (i.e. a final dividend of 4.00 euros available for distribution in 2019). As a result, total dividend payments to shareholders by LVMH in respect of 2018 amounted to 3.0 billion euros, before the impact of treasury shares.

Net debt (adjusted to reflect the value of Belmond shares acquired at the end of 2018; see Note 18 to the consolidated financial statements) came to 5.5 billion euros as of end-2018, as against 7.2 billion euros a year earlier. Net debt thus declined by 1.7 billion euros, owing to high levels of net cash from operating activities and operating investments (free cash flow) in 2018, which allowed the Group to repay a significant portion of the debt incurred to finance the acquisition of Christian Dior Couture in 2017.

In 2018, the Group was able to take advantage of increasingly favorable market conditions and maintained a good balance of short- and long-term debt. As a result, borrowing costs were 20 million euros lower than in 2017, amounting to 117 million euros in 2018 (versus 137 million euros in 2017), a 15% decrease despite a slight increase in average net debt compared with 2017.

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 weakened throughout the year. The hedging strategies resulted in exchange rates for the US dollar and the Japanese yen better than the respective average exchange rates over the year, and for the pound sterling the hedged exchange rate was in line with the average for the year.

3. OPERATING INVESTMENTS

3.1 Communication and promotion expenses

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

Communication and promotion expenses	2018	2017	2016
- in millions of euros	5,518	4,831	4,242
- as % of revenue	11.8	11.3	11.3

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

3.2 Research and development costs

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

(EUR millions)	2018	2017	2016
Research and development costs	130	130	111

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

3.3 Investments in production facilities and retail networks

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

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

Purchase of tangible and intangible fixed assets	2018	2017	2016
- in millions of euros	2,990	2,299	2,261
- as % of cash from operations before changes in working capital	25	22	26

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

In 2018, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total retail network increasing from 4,374 to 4,592 stores. In particular, Sephora continued to expand its worldwide retail network, which reached 1,886 stores as of end-2018, up from 1,825 as of end-2017.

In Wines and Spirits, in addition to necessary replacements of barrels and production equipment, investments in 2018 were related to ongoing investments in Champagne (initiated in 2012) as well as the new packaging and shipping site for Hennessy.

4. MAIN LOCATIONS AND PROPERTIES

4.1 Production

Wines and Spirits

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

(in hectares)	2018		2017	
	Total	Of which under production	Total	Of which under production
France				
Champagne appellation	1,851	1,759	1,845	1,718
Cognac appellation	187	160	187	160
Vineyards in Bordeaux	194	156	194	152
Vineyards in Burgundy	12	12	11	11
International				
California (United States)	461	305	462	337
Argentina	1,661	945	1,677	967
Australia, New Zealand	685	626	681	603
Brazil	198	110	204	119
Spain	116	80	116	80
China	68	60	68	60
India	4	2	4	2

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

The Group also owns industrial and office buildings, wineries, cellars, warehouses, and visitor and customer centers for each

of its main 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 and in Poland. The total surface area is approximately 829,000 square meters in France and 305,000 square meters abroad.

Fashion and Leather Goods

Louis Vuitton owns twenty-one 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 near Barcelona in Spain; in Fiesso, Italy; and in San Dimas, California. In 2018, Louis Vuitton completed the construction of its new workshop in Beaulieu-sur-Layon, France, which is due to open in early 2019. Overall, production facilities and warehouses owned by the Group represent approximately 199,000 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 in Italy.

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

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

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

Rimowa owns its offices in Germany and has several production facilities and warehouses in Germany, the Czech Republic and Canada. Overall, this property represents approximately 69,000 square meters.

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

LVMH Métiers d'Arts owns several crocodile farms in Australia and the United States, with a total surface area of about 2,200,000 square meters, as well as a tannery covering about 13,500 square meters in France.

The other facilities utilized by this business group are leased.

4.2 Distribution

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

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 8,000 square meters.

Christian Dior Couture 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 in 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 140,000 square meters. At the end of 2018, Parfums Christian Dior acquired a production facility in Chartres with a surface area of about 18,000 square meters.

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

Parfums Givenchy owns two plants in France, one in Beauvais and the other in Vervins, corresponding to a total surface area of 19,000 square meters. The second of these two facilities handles the production of both the Givenchy and Kenzo perfume 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.

Bvlgari owns its production facilities in Italy and Switzerland.

The facilities operated by this business group's remaining 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.

As of December 31, 2018, the Group's store network broke down as follows:

(number of stores)	2018	2017	2016
France	514	508	492
Europe (excluding France)	1,153	1,156	1,061
United States	783	754	703
Japan	422	412	387
Asia (excluding Japan)	1,289	1,151	991
Other markets	431	393	314
Total	4,592	4,374	3,948

(number of stores)	2018	2017	2016
Fashion and Leather Goods	1,852	1,769	1,508
Perfumes and Cosmetics	354	302	248
Watches and Jewelry	428	405	397
Selective Retailing	1,940	1,880	1,778
<i>of which: Sephora</i>	<i>1,886</i>	<i>1,825</i>	<i>1,726</i>
<i>Other, including DFS</i>	<i>54</i>	<i>55</i>	<i>52</i>
Other	18	18	17
Total	4,592	4,374	3,948

4.3 Administrative sites and investment property

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

The Group holds a 40% stake in the company that owns the building housing its headquarters on Avenue Montaigne in Paris. It also owns three buildings in New York with about 18,000 square meters of office space and three buildings in London with about 3,500 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 19,500, 2,500, 3,000 and 2,000 square meters, respectively. These buildings are leased to third parties.

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

5. OPTION PLANS SET UP BY SUBSIDIARIES

None.

6. SUBSEQUENT EVENTS

No subsequent events occurred between December 31, 2018 and January 29, 2019, the date on which the financial statements were approved for publication by the Board of Directors.

7. RECENT DEVELOPMENTS AND PROSPECTS

Despite a climate of geopolitical and currency uncertainties, LVMH is well equipped to continue its growth momentum across all business groups in 2019. The Group will maintain a strategy focused on developing its brands by continuing to build on strong innovation and investments as well as a constant quest for quality in their products and their distribution.

Driven by the agility of its teams, their entrepreneurial spirit, the balance of its different businesses and its geographic diversity, LVMH enters 2019 with cautious confidence and has, once again, set an objective of increasing its global leadership position in luxury goods.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: 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:

- 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 economic crime;
- responding to environmental challenges in light, in particular, of urgent changes called for by climate change;
- taking into account changing career expectations and helping employees navigate, in particular, new unique career paths, technological changes and new demographics;
- sensitivity to the use of personal data, an issue of the highest relevance 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, the European Directive on disclosure of non-financial information and measures to transpose it into domestic law, and Europe's General Data Protection Regulation.

To take into account stakeholders' expectations and regulatory developments, the Group has reconfigured the organization and presentation of information relating to corporate responsibility. 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 Management Report.

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, social responsibility and respect for the environment.

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.

2.1 International instruments

The LVMH group was quick to demonstrate its desire to act as a responsible corporate citizen and align its operations and strategy to support various benchmark international texts, including the following:

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

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, and promotes consistency and continuous improvement across all the Maisons.

It is based on the following six core principles:

- acting responsibly and with social awareness;
- offering a fulfilling work environment and valuing talent;
- commitment to protect the environment;
- winning the trust of customers;
- winning the confidence of shareholders;
- acting with and commitment to 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 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 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; all partners working with the Group 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, 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 standards;
- encouraging collective commitment;
- controlling environmental risks;
- designing products that factor in innovation and environmental creativity;
- making a commitment that goes beyond the Company.

It 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.

Charter on Working Relations with Fashion Models

In 2017, the Group drew up a Charter on Working Relations with Fashion Models in consultation with Kering 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 group and Kering 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. This charter sets out the main rules that should be known by all employees in conducting commercial relationships on a day-to-day basis, and defines in a pragmatic way the standards of conduct expected of them. 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 finalized 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 Social Responsibility correspondents 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;
- Responsible Purchasing seminars, which bring together all representatives from the Maisons responsible for purchasing, supply chains and supplier relations to review priority issues, launch new initiatives and share their views on best practice within the Group;
- the network of Internal Control Officers led by the Audit and 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.

The 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 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: corruption index, 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, risk of drought, etc.

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, Social Responsibility and Environment correspondents, 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 of 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.

Risk mapping details will be updated on a regular basis, and the system includes an assessment questionnaire filled out by each Maison, which is used to determine its current level of maturity in relation to risk management practices in the areas of anti-corruption, respect for human rights, and the protection of the environment, for each of the countries identified as particularly significant given the Company's level of risk exposure and the scale of its business activities there (revenue, amount of purchases, number of employees).

Based on the results of this questionnaire, the Maisons draw up and implement action plans that outline the initiatives to be taken in order to improve preventive measures for the identified risks and the next steps.

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 “Management of financial and operational risk 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.

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, 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 the ecosystems of which they are a part, 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;
- site audits to check that the Group's requirements are met on the ground;
- supplier support and training;
- 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 country risk, category risk and the amount of purchases in question.

In addition, in 2018 the Group stepped up its use of the EcoVadis platform, which also helps identify priority suppliers by assessing their ethical, social and environmental performance through the collection of documentary data and external intelligence. More than 500 suppliers to the Group have been invited to use the platform, which Sephora has joined in its own right, alongside the Group Purchasing Department, Louis Vuitton and the Perfumes and Cosmetics business group. The portfolio of Group suppliers that have been assessed have achieved scores

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.

higher than the EcoVadis average, notably on environmental and social aspects.

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 proportion 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 with whom the Group maintains a direct relationship include a clause requiring them to disclose their subcontractors.

For some Maisons, the majority of audits are above Tier 1: at Fendi, for example, 60% of audits completed in 2018 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 2018, 1,092 audits (not including EcoVadis assessments) were undertaken at 877 suppliers and subcontractors; Maisons using the Sedex platform also had access to the findings of a further 37 audits. The majority of 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 (30%) or environmental aspects only (13%).

The Maisons focus their efforts on follow-up audits (which accounted for 22% of audits completed in 2018) and pre-production audits of potential suppliers (in 2018, 13 potential commercial relationships were not pursued as a result of unsatisfactory audit findings).

	Europe	Asia	North America	Other
Breakdown of suppliers – all categories (as %)	65	14	14	7
Breakdown of audits (as %)	68	28	1	3

In 2018, some Maisons rolled out solutions for directly gathering opinion from suppliers' employees. For example, to improve its ability to assess human rights and satisfaction levels at supplier sites, Sephora US coordinated three surveys in China with Elevate, a responsible supply chain consulting firm, to directly gather comments from 91 employees via the WeChat platform.

In 2018, 20% 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; 4% 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. Nine such relationships were terminated in 2018, 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 2018:

- 200 Group suppliers took part in training on responsible cotton suppliers, in partnership with members of the Better Cotton Initiative;
- Bvlgari hosted a meeting with around 60 of its suppliers to discuss key issues and actions relating to social and environmental responsibility;
- targeted training was once again offered through the multi-party Sedex platform, of which LVMH is a member. In 2018, Marc Jacobs added a dedicated CSR training module offered to around 60 employees of its suppliers.

At the same time, the Group ensures that its buyers receive training in issues relating to responsible purchasing. For example, in 2018:

- five training sessions were made available to the Purchasing community on assessing environmental risk at supplier sites;
- the Perfumes and Cosmetics business group trained 15 buyers in how to effectively monitor corrective action plans;

- Louis Vuitton delivered dedicated training to buyers tasked with monitoring SA8000 certification audits and corrective action plans;

- over a hundred people took part in the annual Responsible Purchasing seminar run in November by the Group Purchasing Department, in cooperation with the Environment Department. The seminar is an opportunity for attendees from different Maisons to share experience and best practice in relation to social and environmental responsibility.

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 diamond and 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. Work to map Indian mica supply chains began in 2015, followed by a program of audits down to individual mine level. Over 80% of the supply chain has been covered to date. 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. Lastly, the Maisons in the Perfumes and Cosmetics business group have exceeded their target of using at least 50% RSPO (Roundtable on Sustainable Palm Oil) certified palm oil derivatives by the end of 2018 (79% of certified derivatives, by weight).

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.

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 cosmetics. Their products must meet very strict internal requirements covering development, quality, traceability and safety.

For all Maisons, and more specifically those in the Selective Retailing, Wines and Spirits and Perfumes and Cosmetics business groups, particular attention is paid to purchases of packaging materials due to fragmentation of production processes in this sector.

Maisons in the Fashion and Leather Goods, and Watches and Jewelry business groups abide by the LVMH Restricted Substances List, an internal standard that prohibits or restricts the use of certain substances in products brought to 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 2018, more than 300 employees and around 100 suppliers received training in how to apply it.

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 a new 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 and launched an entirely digital training program for students at partner hotel 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 around the world 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 non-profit 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 realize 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.

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.

5.6 Integrity in business

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 expose the Group, if applicable, to administrative and judicial penalties of various kinds (fines, withdrawals of authorizations, legal actions brought against employees, etc.).

Due to their extraterritorial aspects, laws relating to the prevention of corruption and other forms of economic 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.

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.

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. Maisons with their own intranets refer their users to this central resource.

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. In 2018, this module was translated into around ten languages to make it available to a wider audience.

Awareness initiatives are coordinated by the Ethics & Compliance Department, in the context of seminars organized by the Group in various regions. In 2018, presentations along these lines took place in the United States, across Europe, and in China (for the Asia region), particularly for staff working in the Internal Control and Purchasing Departments, who are key actors in the Ethics & Compliance program.

The Group has also developed a specific anti-corruption online training module, which is available to all Maisons and serves as a common core that supplements existing training materials. This module is mandatory for all staff identified as particularly exposed to corruption risk and its results are regularly assessed.

Rules, procedures and tools

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.

LVMH's internal control framework was revised in 2018, notably to incorporate new or more stringent ethical and compliance requirements and to ensure that the Group's various entities meet those requirements.

In addition to the usual existing communication and warning channels within the Group and 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 social standards 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 help improve risk identification procedures, as part of a continuous improvement approach.

If employees fail to abide by rules laid down in the Code of Conduct, the guiding principles or, more generally, the Internal Rules (or equivalent document) of their employing Maison, the Group will take appropriate and timely 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 Internal Rules (or equivalent document) and applicable laws and regulations.

5.7 Responsible management of personal data

Given the acute sensitivity of civil society with regard to security and use of personal data, the tightening of rules and the greater severity of penalties, as well as the fragmentation of laws and their increasing complexity, it is essential to ensure adequate governance.

In an era of innovation for the Group, which is moving ahead with an ambitious digital strategy, resolutely focused on its customers and their aspirations, LVMH must offer services that guarantee perfect compliance. This 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 the resulting technical and methodological developments.

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 suitable to protect personal data within the LVMH group worldwide, 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. It notably draws on internal rules concerning the requirement for information systems that handle personal data to be compliant from the design stage onwards, the principles laid down in the General Data Protection Regulation and recommendations issued by various national data protection authorities.

This policy aims, in particular, to promote a consistent and stringent approach to protecting the privacy of the Group's customers. In this regard, LVMH and its Maisons do not sell their customers' personal data and only communicate with their customers in strict compliance with applicable rules.

A community to exchange ideas and share experiences, bringing together the Data Protection Officers at all Maisons, has been formed in order to address common problems and define concerted approaches for the Group's business lines.

6. INDEPENDENT VERIFIER'S REPORT ON THE CONSOLIDATED STATEMENT OF NON-FINANCIAL PERFORMANCE INCLUDED IN THE MANAGEMENT REPORT

Dear Shareholders,

In our capacity as an Independent Verifier accredited by COFRAC (Accreditation No. 3-1050; scope of accreditation available at www.cofrac.fr) and belonging to the network of a Statutory Auditor of LVMH Moët Hennessy - Louis Vuitton SE (hereinafter "entity"), we hereby present our report on the consolidated statement of non-financial performance for the fiscal year ended December 31, 2018 (hereinafter "Statement"), as set out in the Management Report pursuant to the legal and regulatory 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 "Framework"), the significant components of which are set out in the Statement and are available on request from the 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 environmental information selected by the entity and identified by an asterisk (✓) in Appendix 1 (hereinafter "Selected Environmental Information") was prepared, in all material respects, in accordance with the Framework.

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;
- 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 determining the terms under which Independent Verifiers perform their duties and in keeping with industry guidelines as well as the ISAE 3000 international standard, “Assurance engagements other than audits or reviews of historical financial information.”

Our work enabled us to assess the Statement’s compliance with regulatory provisions and the fair presentation of the Information:

- We familiarized ourselves with the business of all companies falling within the scope of consolidation, the key workforce-related and environmental risks associated with that business and, where applicable, its impact with regard to human rights and the prevention of corruption and tax evasion, as well as the resulting policies and their results.
- 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 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 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.
- We checked, where relevant to the key risks and policies presented, that the Statement presents the information laid down in Section II of Article R.225-105 of the French Commercial Code.
- We assessed the process used to select and validate the key risks.
- We asked about the internal control and risk management procedures put in place by the entity.
- We assessed the consistency of results and key performance indicators in light of the key risks and policies presented.
- 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 of the French Commercial Code, within the limits set out in the Statement.
- We assessed the collection process put in place by the entity 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 below:
 - environmental information: Wines and Spirits: MHCS (France), Glenmorangie (Tain, Scotland), Chandon Argentina (Argentina), Belvedere (Poland), Chandon India (India); Perfumes and Cosmetics: Parfums Christian Dior (Saint-Jean-de-Braye, France), Guerlain (Orphin, France), LVMH Fragrance Brands (Vervins, France); Fashion and Leather Goods: Louis Vuitton Malletier (headquarters and manufacturing sites), Loro Piana (Quarona, Italy), Rimowa (Cologne, Germany), Christian Dior Couture (stores in France); Watches and Jewelry: Bulgari (Rome, Italy), Artécad (Switzerland), Tag Heuer (La Chaux-de-Fonds, Switzerland); Selective Retailing: Sephora Europe/Middle East/Asia (France); DFS (stores in Singapore and Hong Kong); Other activities: Royal Van Lent (Netherlands),
 - workforce-related information: Wines and Spirits: MHCS (France); Perfumes and Cosmetics: LVMH Fragrance Brands (France); Fashion and Leather Goods: Société Louis Vuitton Services (France), Givenchy (France); Watches and Jewelry: Bulgari SpA, Bulgari Italia SpA, Bulgari Accessori Srl (Rome, Italy); Selective Retailing: Le Bon Marché (France), Sephora USA Inc.; Other activities: Royal Van Lent (Netherlands),

- social information: Wines and Spirits: MHCS (France); Perfumes and Cosmetics: Parfums Christian Dior (France); Fashion and Leather Goods: Louis Vuitton Malletier (France); Watches and Jewelry: Bulgari (Rome, Italy),
- the selected entities cover between 11% and 86% of the consolidated data selected for these tests (17% of the workforce; 54% of energy-related greenhouse gas emissions; 58% of leather supplied by LWG-certified tanneries);
- We consulted source documents and conducted interviews to corroborate what we considered the most important qualitative information (actions and results) set out in Appendix 1.
- We assessed the Statement's overall consistency with our knowledge of all the companies 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 nine people between September 2018 and February 2019, for a period of approximately fourteen weeks.

We conducted around ten 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 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 Framework.

2. Reasonable assurance report on the Selected Information

Nature and scope of work

Concerning the Selected Information identified by an asterisk (✓) 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 51% of the Selected Environmental Information.

We consider that this work allows us to express a reasonable assurance conclusion on the Selected Information.

Conclusion

In our opinion, the Selected Information provided by the entity has been established, in all material aspects, in compliance with the Guidelines.

Paris-La Défense, February 7, 2019

The Independent Verifier

ERNST & YOUNG et Associés

Éric Duvaud

Sustainable Development Partner

Jean-François Bélorgey

Partner

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 onto 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 for absence
- Workplace accident frequency rate
- Workplace 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)
- Proportion of grapes (in kg), whether from the Company's own vineyards or bought in, produced under a sustainable winegrowing certification (%)
- Proportion of palm oil derivatives (in kg) certified RSPO Mass Balance or Segregated (%)
- Proportion of leather (in m²) sourced from LWG-certified tanneries (%)
- Proportion of gold purchases (in kg) certified RJC CoP or CoC
- Proportion of diamond purchases (in carats) certified RJC CoP
- Proportion of cotton purchases (in metric tons) certified BCI (%)
- 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 "Site" targets

Social information
Quantitative information (including key performance indicators)

- Number of supplier and subcontractor audits carried out
- Proportion of grape supplies (in kg), whether from the Company's own vineyards or bought in, produced under a 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 CoP or CoC
- Proportion of diamond supplies (in carats) certified RJC CoP
- Proportion of cotton supplies (in metric tons) certified BCI (%)

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
-

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.

7. CROSS-REFERENCE TABLES

7.1 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 of 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 the *Management Report of the Board of Directors* 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 "LVMH's 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;
- with regard to the fight against tax evasion, in §1.2.1 of the "Management of financial, operational and internal control risks" 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 report.

7.1.1 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) - Training and support for employees throughout their careers (§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) - Staff 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 sessions 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	<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) - LVMH Talent platform (§3.1 of the "Attracting and retaining talent" section) - DARE program (§3.1 of the "Attracting and retaining talent" section) - Employee induction seminars (§3.1 of the "Attracting and retaining talent" section) - Manager training (§3.1 of the "Attracting and retaining talent" section) - Group Works Council and European Companies' Committee (§3.2 of the "Attracting and retaining talent" section) 	<ul style="list-style-type: none"> - Number of managers having received specific training (§3.1 of the "Attracting and retaining talent" section) - Number of employees having completed induction seminars (§3.1 of the "Attracting and retaining talent" section) - Number of employees having completed performance and career reviews in 2018 (§3.1 of the "Attracting and retaining talent" section) - Number of meetings held by employee representative bodies in 2018 (§3.2 of the "Attracting and retaining talent" section)

7.1.2 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 terminated contracts 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 controls on recruitment 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 in key positions (§3.1 of the "Attracting and retaining talent" section) - Number of beneficiaries of the coaching program for high-potential female employees (§3.1 of the "Attracting and retaining talent" section) - Proportion of female employees among joiners and in the Group's active workforce (§3.1 of the "Attracting and retaining talent" section) - Number of beneficiaries of 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)

7.1.3 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) - Measures to address 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 indices 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 by 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 environmental management systems 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 "Ethics and responsibility" 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 (§3 of the "Environment and sustainability" 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 targets for sourcing, 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)

7.1.4 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) - LVMH 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 and 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 cases of corruption or influence peddling noted during the fiscal year - Since the Group’s whistleblowing system was officially introduced in the first half of 2018, no instances of alleged corruption or influence peddling have been reported

7.2 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 the Management Report of the Board of Directors where further details may be found.

7.2.1 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"> - Risk mapping by the Group (§4 of the "Ethics and responsibility" section) - Supplemental assessment of risk exposures 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 audit and control framework (§3.2 of the "Management of financial, operational and internal control risks" 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 controls on recruitment 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) - Specific 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) - Certified supply chains (§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"> - The Group's employees can use the whistleblowing system to report suspected violations by suppliers and subcontractors - In 2018, some Maisons rolled out solutions for directly gathering opinions from suppliers' employees on 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 at suppliers (§5.2 of the "Ethics and responsibility" section)

7.2.2 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) - Supplemental assessment of risk exposures 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 audit and control framework (§3.2 of the "Management of financial, operational and internal control risks" section) - Accident analysis and prevention 	<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, an internal standard (§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 "Management of financial, operational and internal control risks" section) - Specific insurance policies in countries where work-related accidents are not covered by state insurance or social security regimes (§2.3 of the "Management of financial, operational and internal control risks" section) 	<ul style="list-style-type: none"> - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Specific 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) - Certified supply chains (§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"> - The Group's employees can use the whistleblowing system to report suspected violations by suppliers and subcontractors - In 2018, some Maisons rolled out solutions for directly gathering opinions from suppliers' employees on 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 at suppliers (§5.2 of the "Ethics and responsibility" section)

7.2.3 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) - Supplemental assessment of risk exposures 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 systems (§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 covering environmental losses (§2.3 of the "Management of financial, operational and internal control risks" section) 	<ul style="list-style-type: none"> - Supplier Code of Conduct (§2.2 of the "Ethics and responsibility" section) - Specific 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) - Certified supply chains (§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"> - The Group's employees can use the whistleblowing system to report suspected violations by suppliers and subcontractors
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 at 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, a key driver for competitiveness. Having recognized the importance of action in this area more than 25 years ago, the Group formed an Environment Department in 1992 reporting directly to Executive Management. With a staff of 10 professionals, the objectives of this department are to:

- roll out the LIFE (LVMH Initiatives for the Environment) program;
- guide Maisons' 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 Maisons safeguard against risks;
- train employees and raise environmental awareness at every level of the organization;
- define and consolidate environmental indicators;
- work with the various stakeholders involved (non-profits, rating agencies, public authorities, etc.).

Each Maison also draws on its own in-house expertise in environmental matters. These experts constitute a network of nearly 90 environmental representatives 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 156,000 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. In 2016, the Group established an Environment Academy to serve this role. The Academy designs courses in line with the objectives of the LIFE program, employing a range of educational methods and materials – face-to-face training sessions, e-learning modules, virtual classes, etc. – and covering a large number of subjects, from eco-design to environmental audits. In addition, almost all Maisons continued with their employee environmental training and awareness programs. These programs totaled 20,196 hours.

1.1.2 Commitments

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

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

The Environment 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 10 universal principles, including the following three relating to the environment:

- adopt a precautionary approach to all issues impacting the environment;
- promote greater environmental responsibility;
- favor the development and dissemination 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. Maisons have incorporated the LIFE program into their strategic plans since 2014. The LIFE program was implemented by a Steering Committee at each Group company and is based on nine key aspects of environmental performance:

- environmental design;
- securing access to strategic raw materials and supply channels;
- traceability and compliance of materials;
- suppliers' environmental and social responsibility;
- preserving critical expertise;
- reducing greenhouse gas emissions;
- environmental excellence in manufacturing processes;
- product life span and reparability;
- customer and key stakeholder information.

In 2018, 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.

Environmental expenses are recognized in accordance with the recommendations of the French Accounting Standards Authority (ANC). Operating expenses and capital expenditure are recognized against each of the following items:

- air and climate protection;
- waste water management;
- waste management;
- protection and purification of soil, groundwater and surface water;
- noise and vibration reduction;
- biodiversity and landscape protection;

- radiation protection;
- research and development;
- other environmental protection measures.

Environmental protection expenses in 2018 broke down as follows:

- operating expenses: 26.1 million euros;
- capital expenditure: 12.7 million euros.

Provisions for environmental risks amounted to 12.4 million euros as of December 31, 2018. 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 2018:

Production facilities, warehouses and administrative sites (number)	2018
Sites covered ^(a)	266
Sites not covered ^(b)	127
Total number of sites	393

(a) Integration of Rimowa and Louis Vuitton manufacturing sites.

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

97% of production sites are covered. The manufacturing, logistics and administrative sites that are not covered by environmental reporting are essentially excluded for operational reasons and are not material. A plan to gradually include them is underway.

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

	% of Group sales floor space taken into account in calculating energy consumption and greenhouse gas emissions ^(a)		% of Group sales floor space taken into account in calculating water consumption ^(a)	
	2018	2017	2018	2017
Group total	70	69	19	19

(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 sales floor space used to calculate energy consumption, greenhouse gas emissions and water consumption at major Maisons is as follows, expressed as a percentage of the total sales floor space of each Maison:

	% of Maison sales floor space taken into account in calculating energy consumption and greenhouse gas emissions		% of Maison sales floor space taken into account in calculating water consumption	
	2018	2017	2018	2017
DFS	77	87	52	54
Louis Vuitton	69	66	16	-
Sephora North America and Latin America	59	71	-	18
Sephora Europe and Asia	80	74	9	8
Le Bon Marché	100	-	100	-
Christian Dior Couture	74	-	22	-

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 and Pink Shirtmaker.

Calculations of water consumption also include certain stores operated by Berluti, Bvlgari, Chaumet, Fendi, Guerlain, Kenzo and Loewe. The 19% of Group sales floor space taken into account represents total water consumption of 543,000 m³.

For waste production, only stores operated by DFS, Le Bon Marché and certain Acqua di Parma, Berluti, Bvlgari, Christian Dior Couture, Givenchy, Louis Vuitton and Sephora Europe stores are included in the scope. The 17% of Group sales floor space taken into account represents waste production of 4,760 metric tons.

1.2.2 Main risks

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

1. impacts 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"> - Packaging production; - Distillation; - Transportation of products; - Grape growing. 	<ul style="list-style-type: none"> - Store lighting and air-conditioning; - Transportation of products; - 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; - Transportation of products. 	<ul style="list-style-type: none"> - Store lighting and air-conditioning. 	<ul style="list-style-type: none"> - Store lighting and air-conditioning; - Transportation of products.
Impact on water resources	<ul style="list-style-type: none"> - Water consumption (irrigation of vines in Australia, New Zealand, Argentina and California); - Production of effluents containing organic matter during wine-making and distillation. 	<ul style="list-style-type: none"> - Water consumption (crocodile farms and tanneries); - Production of effluents containing organic matter and minerals (crocodile farms and tanneries). 	<ul style="list-style-type: none"> - Protection and saving of water resources. 		
Impacts on ecosystems and depletion of natural resources	<ul style="list-style-type: none"> - Production of plant resources essential to 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. 	<ul style="list-style-type: none"> - Extraction of resources needed to manufacture products: <ul style="list-style-type: none"> - Stones and precious metals, - Exotic leather. 	
Waste recovery and the circular economy	<ul style="list-style-type: none"> - Residues from wine-making 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 from electrical and electronic equipment, such as batteries). 	<ul style="list-style-type: none"> - Recycling of point-of-sale advertising materials.

1.2.3 LIFE 2020 objectives

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 values for its indicators presented in the “Baseline” column of the tables presented below):

- sustainable product design: by 2020, Maisons must make all their products more environmentally friendly. LVMH'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%;
- make all production sites and stores more environmentally friendly: Maisons undertake to reduce at least one of the following indicators – water consumption, energy consumption or waste production – by 10% at each of their sites, and to have an effective environmental management system focused on ongoing improvement. Stores must be made 15% more energy efficient and new stores will have to achieve a minimum performance of 50% according to the LVMH Store Guidelines score chart.

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 environmental impacts of the sourcing of raw materials, production, inbound and outbound transport, and sales, are addressed by the other LIFE 2020 targets. With respect to this objective, eco-design is the key priority for all LVMH 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.

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 companies and Watches and Jewelry companies are working to reduce their environmental impact arising from the sourcing of raw materials.

2.2 Analysis

The following items are covered by the calculation of EPIs for product packaging:

- Wines and Spirits: bottles, boxes, caps, etc.
- Fashion and Leather Goods: boutique bags, pouches, cases, etc.
- Perfumes and Cosmetics: bottles, cases, etc.

- Watches and Jewelry: cases and boxes, etc.
- Selective Retailing: boutique bags, pouches, cases, etc.

Packaging used for transportation is not included in this analysis.

2.3 Tracking target achievement

Progress toward meeting the LIFE 2020 Products targets:

Indicators	Baseline	Performance in 2018	Target for 2020
Overall EPI score for Perfumes and Cosmetics packaging	8.32	8.55 (+4%)	+10%
Overall EPI score for Wines and Spirits packaging	Champagne 16.03 Cognac 10.60	16.88 (+5%) 11.90 (+12%)	+10%

The weight of packaging that reaches customers changed as follows between 2017 and 2018:

(in metric tons)	2018	2017	2018 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Wines and Spirits	159,844	161,890	154,688	(4)
Fashion and Leather Goods	11,059	9,522	10,971	15 ^(a)
Perfumes and Cosmetics	29,167	28,340	29,167	3
Watches and Jewelry	4,834	4,880	4,834	(1)
Selective Retailing	4,651	5,177	4,651	(10)
Total	209,555	209,809	204,311	(3)

(a) Change related to business activity and optimization of reporting process.

The total weight of packaging that reaches customers, by type of material, broke down as follows in 2018:

(in metric tons)	Glass	Paper- cardboard	Plastic	Metal	Fabric	Other packaging material
Wines and Spirits	138,968	15,650	1,809	1,807	75	1,535
Fashion and Leather Goods	-	9,355	130	25	1,530	19
Perfumes and Cosmetics	15,094	4,886	6,914	1,935	97	241
Watches and Jewelry	1,936	1,248	1,234	184	152	80
Selective Retailing	99	3,152	1,323	68	1	8
Total	156,097	34,291	11,410	4,019	1,855	1,833

3. LIFE 2020 – “SOURCING” TARGET

3.1 Objectives and joint actions

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 components for product manufacturing 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.

(1) Value and change at constant scope.

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.

LIFE 2020 Sourcing targets relate in particular to the following raw materials:

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

3.2 Wines and Spirits

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

LVMH takes a long-term and 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). LVMH is now an official member of the FRB, with which it has been working for more than seven years. Sylvie Bénard, LVMH's Environment Director, has also served as Vice-President of the Foundation's Strategic Orientation Committee for four years. As part of this committee, which brings together more than 160 stakeholders to jointly design research programs that favor biodiversity, the Group has mainly focused on accessing genetic resources and sharing the benefits resulting from their use.

Stepping up the roll-out of sustainable and/or organic winegrowing at the business group's vineyards and among grape suppliers (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 targets to be met by 2020:

- leather from LWG-certified tanneries purchased for at least 70% of volumes used. The LWG certification is a very ambitious standard created by the Leather Working Group to improve the environmental performance of tanneries (energy, water, waste, traceability);
- sustainable cotton purchased for at least 70% of volumes used. The Group has notably joined the Better Cotton Initiative (BCI), which has developed a standard to encourage measurable improvements in the main environmental impacts of growing cotton on a worldwide scale;
- certification for all crocodile farms supplying the Group's exotic leather tannery;
- pelts supplied by certified fur farms for 80% of volumes used by the end of 2019, in particular by rolling out the FurMark certification;
- integration of supplier contracts under Animal Sourcing Principles, developed in association with the nonprofit organization Business for Social Responsibility (BSR). Along with civil society, LVMH aims to protect and improve the welfare of animals providing many of its raw materials, from leather and wool to fur. The Group has drafted formal rules that its Maisons and their suppliers must follow by implementing the best practices in favor of animal well-being.

3.4 Perfumes and Cosmetics

The Perfumes and Cosmetics business group has embraced 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. Furthermore, the business group is taking part in specific initiatives with regard to the sourcing of palm oil (Roundtable on Sustainable Palm Oil, or RSPO) and mica (Responsible Mica Initiative, or RMI).

The Research and 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 cosmetics products while contributing to the preservation of these species and to local economic development. This partnership can take a variety of forms such as financial support, technical or scientific assistance, or skills sponsorship, sharing the expertise of 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 companies are also taking part in an initiative 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 2018	Target for 2020
Wines and Spirits			
Sustainable winegrowing certification (percentage of certified grapes by weight)	LVMH vineyards: French vineyards: 100%	LVMH vineyards: French vineyards: 100% Rest of the world: 44%	LVMH vineyards: French vineyards: 100% Rest of the world: 100%
	Grape suppliers: Champagne (7%)	Grape suppliers: Champagne (10%)	
Fashion and Leather Goods			
LWG-certified tanneries (percentage of leather supplied by certified tanneries by weight)	25%	48%	70%
Certified cotton (BCI, organic, etc.)	2%	15%	70%
Perfumes and Cosmetics			
Perfume ingredient supplier performance	64	85	90
Cosmetics ingredient supplier performance	56	75	80
Palm oil derivatives (percentage of RSPO-certified Mass Balance or Segregated palm oil derivatives by weight)	0%	79%	70%
Watches and Jewelry			
Diamonds: RJC COP certification	90%	99%	100%
Gold: RJC COP certification	94%	84%	100%
RJC CoC certification	-	77%	100%

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 its activities’ climate impact.

As part of its LIFE 2020 targets, the Group has set itself a new goal to speed up its progress: it now aims to cut energy-related CO₂ emissions by 25% between 2013 levels and 2020. Actions are being pursued on three fronts: improvements in monitoring and reporting, increasing the energy efficiency of operations,

particularly in 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 entire value chain quantified, 50% of emissions are generated by the production of raw materials and 30% by inbound and outbound transport. Next come emissions generated by production plants, logistics centers, offices and stores (20%), whether direct (Scope 1) or indirect (Scope 2). Downstream emissions generated by using products (washing of fashion products, rinsing of certain cosmetics products, etc.) or when products come to the end of their useful life will be refined at a later stage.

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 price per metric ton of CO₂ emitted, which was doubled

in 2018, from 15 to 30 euros. The amount thus obtained must be invested the following year in projects aimed at reducing emissions. The LVMH Carbon Fund reached its target in 2018, with 11.4 million euros in financing for 112 projects that could help avoid 2,800 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 1,096,760 MWh in 2018 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 2017 and 2018:

(in MWh)	2018	2017	2018 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Wines and Spirits	220,454	188,292	217,135	15 ^(a)
Fashion and Leather Goods	393,598	371,105	361,135	(2)
Perfumes and Cosmetics	94,044	90,160	92,726	3
Watches and Jewelry	40,935	35,924	36,515	2
Selective Retailing	325,723	296,537	279,257	(4)
Other activities	22,006	17,091	18,486	8
Total	1,096,760	999,109	1,005,254	1

(a) Change due to increase in business activity and the installation of new equipment at a Glenmorangie site.

(1) Value and change at constant scope.

Energy consumption by business group and by energy source was as follows in 2018:

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane Propane	Steam	Ice water	Renewable energies
Wines and Spirits	21,387	73,151	23,790	26,101	3,047	-	-	72,978
Fashion and Leather Goods	158,684	114,608	-	8,546	6,156	2,124	2,392	101,088
Perfumes and Cosmetics	7,769	31,263	-	1,874	-	1,236	405	51,497
Watches and Jewelry	14,062	6,853	-	867	149	-	-	19,004
Selective Retailing	182,182	31,157	-	1,159	4	5,182	9,932	96,107
Other activities	3,689	4,386	-	1,259	43	1,717	3,590	7,322
Total	387,773	261,418	23,790	39,806	9,399	10,259	16,319	347,996

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

Scope 1 emissions are those generated directly by sites, mainly associated with the combustion of fuel oil and natural gas. Scope 2 emissions are those generated indirectly from energy use, mainly the consumption of purchased electricity at the sites. Measures to reduce these emissions have been in place for a number of years at the production sites of the Maisons. The Maisons are also working to vigorously improve energy efficiency

at their points of sale, 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 2017 and 2018:

(in metric tons of CO ₂ equivalent)	CO ₂ emissions in 2018	Of which:		CO ₂ emissions in 2017	CO ₂ emissions in 2018 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
		Direct CO ₂ emissions (as %)	Indirect CO ₂ emissions (as %)			
Wines and Spirits	40,845	72	28	36,442	40,454	11 ^(a)
Fashion and Leather Goods	113,783	24	76	104,990	99,401	(5)
Perfumes and Cosmetics	12,807	54	46	11,892	12,025	4
Watches and Jewelry	7,027	24	76	5,633	4,718	(15) ^(b)
Selective Retailing	117,978	6	94	116,375	97,912	(14) ^(c)
Other activities	3,319	38	62	2,800	2,995	7
Total	295,759	25	75	278,132	257,505	(6)

(a) Change due to increase in business activity and the installation of new equipment at a Glenmorangie site.

(b) Change mainly related to the switch to renewable energy at certain sites.

(c) Change mainly related to the switch to renewable energy at certain sites as well as the rollout of energy-saving technologies.

4.3.3 Raw materials and transport (Scope 3)

The study carried out in 2016 into the environmental impact of producing the raw materials required to manufacture the Group's 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 with its efforts to quantify these emissions and also seeks to fine-tune 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 Maisons as well as grape suppliers) and glass for packaging (158,000 tCO₂e);
- inbound transport: movement of raw materials and product components to production sites. Only the main materials and components are taken into account;
- outbound transport: movement of finished products from production sites to distribution platforms.

(1) Value and change at constant scope.

In 2018, the distribution of 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	16,294	407	1,120	17,821
Fashion and Leather Goods	966	15,876	52	16,894
Perfumes and Cosmetics	1,205	37,239	457	38,901
Watches and Jewelry	3	1,997	1	2,001
Selective Retailing	-	-	-	-
Total	18,468	55,519	1,630	75,617

In 2018, the distribution of 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	23,020	587	42,949	18,344	203	4	209	85,316
Fashion and Leather Goods	18,478	40	173,238	134	1	-	154	192,045
Perfumes and Cosmetics	2,911	-	279,969	2,632	-	-	-	285,512
Watches and Jewelry	349	-	39,179	196	-	-	-	39,724
Selective Retailing	3,124	-	10,802	185	-	81	-	14,192
Total	47,882	627	546,137	21,491	204	85	363	616,789

Rimowa, Château Cheval Blanc, 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 expanding its use of renewable energy, and at a rapid pace. Between 2013 and 2018, the proportion of renewables in the

Group's energy mix rose from 1% to more than 27%. 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 has allowed for the supply of green electricity to LVMH's 450 sites in France, owned by 27 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. Furthermore, many sites have installed solar panels or geothermal systems.

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 (wider

rows, increasing the size of grapevine stocks, employing irrigation in certain countries, etc.) and testing new grape varieties. For vineyards in Argentina and California, the main issue is the availability of water (see §5.3 "Water consumption and preventing pollution"). Finally, according to current scientific knowledge, vineyards in New Zealand and western Australia are the least susceptible to climate change.

4.5 Tracking target achievement

Progress toward meeting the LIFE 2020 Climate change targets:

Indicators	Baseline	Performance in 2018	Target for 2020
CO ₂ emissions	220,480 tCO ₂ e	-16%	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%	27%	Raise the proportion of renewables in the Group's energy mix to at least 30%
Store energy efficiency (in kWh/m ²)	460 kWh/m ²	-16%	Improve store energy efficiency by 15% (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 393 manufacturing and administrative sites as well as its 4,000 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. They have also been assigned specific targets for their stores. Stores must achieve a score of at least 50 out of 100 for their environmental performance on the LVMH Store Guidelines scale, which was developed in 2016 on the basis of the most stringent international standards. It identifies the 10 most important factors contributing to a store's environmental performance, from the building's insulation and air conditioning to heating and lighting density. 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.

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 first Wines and Spirits company in the world to obtain ISO 14001 certification in 1998. At the end of 2018, 53% of all the Group's manufacturing, logistics and administrative sites were ISO 14001-certified (63% of manufacturing sites more specifically).

5.3 Water consumption and preventing pollution

5.3.1 Analysis of water consumption

Water consumption is analyzed based on the following requirements:

- process requirements: use of water for cleaning purposes (tanks, products, equipment, floors), air conditioning, employees, product manufacturing, etc. Such water consumption generates waste water;

- agricultural requirements: water consumption for vineyard irrigation outside France, as irrigation is not used for the Group's vineyards in France. As such, water is taken directly from its natural environment for irrigation purposes. Its consumption varies each year according to changes in weather conditions. However, it is worth noting that the measurement by the sites of water consumption for agricultural purposes is less precise than the measurement of process water consumption.

Water consumption changed as follows between 2017 and 2018:

(in m ³)	2018	2017	2018 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Process requirements	4,170,596	3,876,536	4,045,833	4
Agricultural requirements (vineyard irrigation)	5,568,770	4,721,037	5,568,759	18 ^(a)

(a) Change mainly related to increased irrigation requirements due to extended drought conditions in Argentina and California.

Water consumption for process requirements can be broken down as follows by business group:

(process requirements in m ³)	2018	2017	2018 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Wines and Spirits	1,193,364	1,151,814	1,183,962	3
Fashion and Leather Goods	1,996,697	1,714,661	1,872,325	9
Perfumes and Cosmetics	211,493	178,646	211,395	18 ^(a)
Watches and Jewelry	81,279	91,416	99,770	9
Selective Retailing	422,774	483,950	420,855	(13) ^(b)
Other activities	264,989	256,049	257,526	1
Total	4,170,596	3,876,536	4,045,833	4

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

(b) Change related to business activity and improvements in equipment.

An in-depth analysis of sensitivity to local constraints was carried out at each Group company using Pfister's 2009 water scarcity index and the 2012 Aquastat database. This analysis was based on measurements of each geographic area's sensitivity, obtained by comparing water consumption to available resources at the local level. Four 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 85% of the Group's agricultural water requirements;

- the Domaine Chandon California and Newton vineyards, which represent 7% of the Group's agricultural water requirements.

Vineyard irrigation is an authorized and supervised practice in California and Argentina due to the climate. It is essential for the preservation of vineyards. The Group has also taken the following measures to limit water consumption: harvesting rainwater; drafting agreements on measures and specifications with respect to water requirements; standardizing drip irrigation practices in California; using weather forecasts to optimize irrigation; and adopting the "regulated deficit irrigation" technique, which reduces water consumption and actually improves grape quality and grapevine size, yielding an enhanced concentration of aroma and color.

(1) Value and change at constant scope.

5.3.2 Preventing pollution

With regards to preventing water pollution, the discharges of substances causing eutrophication by Wines and Spirits, Fashion and Leather Goods, and Perfumes and Cosmetics operations are considered the only significant and relevant emissions into water. The Group's other business groups have a very limited impact on water quality. Eutrophication is the excessive buildup of algae and aquatic plants caused by excess nutrients in the

water (particularly phosphorus), which reduces water oxygenation and adversely impacts the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of the discharges in the Group's own plants or external plants with which the Group has agreements. The following operations are considered treatment: city and county wastewater collection and treatment, independent collection and treatment (aeration basin) and land application.

COD after treatment changed as follows between 2017 and 2018:

COD after treatment (metric tons / year)	2018	2017	2018 pro forma ⁽¹⁾	Change ⁽¹⁾ (as %)
Wines and Spirits	1,066	1,611	1,065	(34) ^(a)
Fashion and Leather Goods	64	39	64	65 ^(b)
Perfumes and Cosmetics	10	9	10	9
Total	1,140	1,659	1,139	(31)

(a) Change related to improvement of wastewater treatments. In 2017, the installation of an innovative wastewater treatment system enabled Glenmorangie to significantly reduce its COD after treatment. This system completed its first full year of service in 2018, which explains the significant decrease over the year.

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

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 2018, 91% of waste was recovered (91% in 2017). Recovered waste is waste for which the final use corresponds to one of the following channels, listed in descending order of interest in accordance with European and French laws:

- re-use, i.e. the waste is used for the same purpose for which the product was initially designed;

- recycling, i.e. direct reintroduction of waste into its original manufacturing cycle resulting in the total or partial replacement of an unused raw material, controlled composting or land treatment of organic waste to be used as fertilizer;

- incineration for energy production, i.e. recovery of energy in the form of electricity or heat by burning the waste.

The weight of waste generated changed as follows between 2017 and 2018:

(in metric tons)	Waste produced in 2018	Of which: hazardous waste produced in 2018 ^(a)	Waste produced in 2017	Waste produced in 2018 pro forma ⁽¹⁾	Change in waste produced ⁽¹⁾ (as %)
Wines and Spirits	65,423	646	48,410	65,089	34 ^(b)
Fashion and Leather Goods	16,603	3,150	12,505	14,628	17 ^(c)
Perfumes and Cosmetics	10,191	2,347	8,741	10,190	17 ^(d)
Watches and Jewelry	881	214	904	872	(4)
Selective Retailing	6,852	8	5,994	6,503	9
Other activities	2,234	106	1,995	2,104	5
Total	102,184	6,471	78,549	99,386	27

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

(b) Change related to the increase in pressing waste due to exceptional harvests.

(c) Change related to exceptional maintenance operations at the Heng Long tannery.

(d) Change related to business activity.

(1) Value and change at constant scope.

Waste was recovered as follows in 2018:

(as % of waste produced)	Re-used	Recovery of materials	Waste-to-energy recovery	Total recovery
Wines and Spirits	4	88	6	98
Fashion and Leather Goods	2	37	32	71
Perfumes and Cosmetics	1	70	24	95
Watches and Jewelry	12	34	33	79
Selective Retailing	4	44	32	80
Other activities	4	10	79	93
Total	3	73	15	91

The Perfumes and Cosmetics companies, as well as Sephora since 2010 and Louis Vuitton since 2011, have used the CEDRE recovery and recycling facility (*Centre Environnemental de Déconditionnement, Recyclage Écologique*) to handle all the waste generated by the manufacturing, packaging, distribution, and sale of cosmetic products. CEDRE accepts several types of articles: obsolete packaging, alcohol-based products, advertising materials, store testers, and empty packaging returned to stores by customers. In 2014, the service was expanded to accept textiles. In 2018, around 2,174 metric tons of waste were processed. The various materials (glass, cardboard, wood, metal, plastics, alcohol and cellophane) are resold to a network of specialized recyclers.

5.4.2 Actions to combat food waste

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

In 2018, its partnership with the Red Cross, which collects any unsold prepared food each day, was extended to include new categories and new products. The gourmet food emporium formed a new partnership in 2018 with Too Good to Go, the world's leading app for fighting food waste, allowing stores to offer 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 Site targets:

Indicators	Baseline	Performance in 2018	Target for 2020
Presence of environmental management systems (ISO 14001, EMAS, etc.) at manufacturing sites	60%	63%	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. HIGH-LEVEL 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 LVMH's 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 presented one after the other in this section, preceded by general information about the Group's approach to social responsibility, how workforce-related reporting is organized and key data about the workforce.

1.1 Organizational arrangements with regard to workforce-related responsibility

Actions taken by the Maisons in relation to workforce-related responsibility are the subject of a dedicated annual survey. This survey, which spans all Maisons, covers human rights, diversity and the prevention of discrimination, skills development, working conditions, listening to and dialoguing with employees, and engaging with local communities. The survey form includes references to the conventions and recommendations of the International Labor Organization.

The Group's approach to workforce-related responsibility is structured around four priorities identified on the basis of discussion and interaction between stakeholders and 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 this 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 2018, 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 all stakeholders involved in Group workforce-related reporting. This guide is intended to help familiarize staff with the goals of the Group's approach and to deepen their understanding of 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, 2018, 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. Other employee-related indicators were calculated for a scope of 740 organizational entities covering nearly 99% of the global workforce and encompass staff employed during the fiscal year, including those employed by joint ventures.

LVMH's employees in China are included in the number of staff working under permanent contracts (13,595 as of December 31, 2018). Although Chinese labor legislation 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, 2018 stood at 156,088 employees, an increase of 7% compared with 2017. Of this total, 139,715 employees were working under permanent contracts and 16,373 under fixed-term contracts. Part-time employees represented 18% of the total workforce, or 28,349 individuals. Staff outside France represented 80% of the worldwide workforce.

The Group's average total Full Time Equivalent (FTE) workforce in 2018 comprised 136,633 employees, up 8% compared with 2017.

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

Breakdown by business group

Total headcount as of December 31 ^(a)	2018	%	2017	%	2016	%
Wines and Spirits	7,380	5	7,157	5	6,938	5
Fashion and Leather Goods	48,101	31	41,212 ^(b)	28	32,887	24
Perfumes and Cosmetics	29,141	18	26,699	18	24,170	18
Watches and Jewelry	8,784	6	8,100	6	7,937	6
Selective Retailing	57,975	37	57,360	40	57,428	43
Other activities	4,707	3	4,719	3	5,116	4
Total	156,088	100	145,247	100	134,476	100

(a) Total permanent and fixed-term headcount.

(b) The increased headcount in the Fashion and Leather Goods division is explained by the integration of Christian Dior Couture.

Breakdown by geographic region

Total headcount as of December 31 ^(a)	2018	%	2017	%	2016	%
France	31,156	20	29,578	20	26,970	20
Europe (excluding France)	38,645	25	34,159	24	30,803	23
United States	32,724	21	32,717	23	32,265	24
Japan	6,905	4	6,397	4	5,991	4
Asia (excluding Japan)	34,802	22	31,102	21	27,835	21
Other markets	11,856	8	11,294	8	10,612	8
Total	156,088	100	145,247	100	134,476	100

(a) Total permanent and fixed-term headcount.

Breakdown by professional category

Total workforce as of December 31 ^(a)	2018	%	2017	%	2016	%
Executives and managers	29,288	19	26,631	18	23,279	17
Technicians and supervisors	14,500	9	14,009	10	12,823	10
Administrative and sales staff	91,624	59	86,742	60	81,632	61
Production workers	20,676	13	17,865	12	16,742	12
Total	156,088	100	145,247	100	134,476	100

(a) Total permanent and fixed-term headcount.

1.3.2 Average age and breakdown by age

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

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Age: Under 25	12.4	5.9	9.3	20.0	3.5	13.5	21.8
25-29	20.2	16.1	16.1	22.3	12.4	26.8	22.8
30-34	19.8	16.1	18.1	17.6	19.1	26.1	21.0
35-39	14.9	14.1	15.8	12.0	21.0	16.0	14.8
40-44	10.8	12.5	14.0	7.8	21.5	7.5	8.8
45-49	8.5	12.1	11.5	6.5	13.1	4.3	5.1
50-54	6.3	10.3	8.2	5.3	6.1	2.9	2.9
55-59	4.3	8.1	4.9	4.2	3.1	1.6	1.9
60 and up	2.7	4.9	2.2	4.3	0.2	1.2	1.0
	100	100	100	100	100	100	100
Average age	36	40	38	35	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 10 years in France and ranges from 4 to 8 years in other geographical regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a higher rate of

turnover. It is also the result of recent expansion by Group companies into high-growth markets, where employment is more fluid.

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Length of service: Less than 5 years	60.1	42.6	52.2	72.1	45.7	70.5	77.0
5-9 years	18.1	19.1	20.4	15.9	19.2	18.1	13.6
10-14 years	10.1	13.1	13.8	7.1	18.1	6.4	5.3
15-19 years	5.7	10.9	7.4	2.9	10.7	2.1	2.2
20-24 years	2.6	4.8	3.5	0.9	3.6	1.4	0.9
25-29 years	1.6	4.0	1.4	0.5	1.9	0.9	0.4
30 years and up	1.8	5.5	1.4	0.5	0.7	0.7	0.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average length of service	7	10	7	5	8	5	4

2. AN AMBITIOUS AND INCLUSIVE RECRUITMENT POLICY

Recruitment is a strategic pillar of LVMH's human resources policy and is critical to the Group's momentum. Given the huge diversity of opportunities it offers, LVMH is seen as a highly attractive employer. The Group 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 Unrivalled opportunities offering undeniable success

To join the LVMH group is to join a community of men and women who share the fundamental values of creativity, innovation, excellence and entrepreneurial spirit. As an internationally influential group that is constantly reinventing itself to meet new challenges, LVMH offers exciting career prospects: the wide range of Maisons and business lines that make up the Group offer employees a broad choice of career paths at every level of the organization.

Internal mobility is an integral part of the Group's culture, and its ecosystem includes many paths between different functions, sectors and geographies. In 2018, 67% of senior executive positions and 56% of all vacant management positions were filled through internal promotion. This internal mobility is a key factor in the Group's ability to attract and retain talent: it means talented people have the opportunity to develop new skills, gain a wide range of experience and build up professional networks.

Another driver of the Group's attractiveness is the fact that its compensation is well positioned relative to the market. Salary surveys that take into account the specific characteristics of business lines and sectors are carried out annually and at international level, to ensure that this strong positioning is maintained. Variable components of compensation, based on the financial performance of the employing company and achievement of individual targets, ensure that performance is fairly rewarded.

Average salary

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

Employees concerned (as %)	2018	2017	2016
Less than 1,500 euros	1.5	1.6	1.6
1,501 to 2,250 euros	16.2	19.5	22.4
2,251 to 3,000 euros	22.8	21.5	22.6
Over 3,000 euros	59.5	57.4	53.4
Total	100.0	100.0	100.0

Personnel costs

Worldwide personnel costs break down as follows:

(EUR millions)	2018	2017	2016
Gross payroll - Fixed-term or permanent contracts	5,787.2	5,746.6	4,886.3
Employers' social security contributions	1,490.9	1,412.6	1,275.7
Temporary staffing costs	306.0	287.6	246.4
Total personnel costs	7,584.2	7,446.9	6,408.4

Outsourcing and temporary staffing costs increased year over year, accounting for 7.0% of the total worldwide payroll (versus 6.6% in 2017), including employer's 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 281.7 million euros in 2018, paid in respect of 2017, an increase compared to the previous year.

(EUR millions)	2018	2017	2016
Profit sharing	131.4	118.2	100.4
Incentive	123.6	102.7	94.0
Employer's contribution to company savings plans	26.7	24.0	21.0
Total	281.7	244.9	215.4

Buoyed by its unrivalled offering, the attractiveness of the Group and its Maisons was once again confirmed in 2018. For the third year running, LVMH was named France's most attractive employer in the LinkedIn Top Companies ranking; the Group also joined the dedicated US ranking for the first time. The Group also continues to be just as popular with business school students in France, who ranked it top among preferred employers for the thirteenth consecutive year (source: Universum poll).

Attracting and retaining talent

Candidates are selected by an internal network of 800 recruiters, who are constantly working to maximize their effectiveness and market knowledge through the use of innovative recruitment tools. The Group works closely with LinkedIn and has rolled out a number of initiatives, such as developing prerecorded video interviews and digitizing résumés at recruitment fairs.

In 2018, 40,614 people were recruited onto permanent contracts, 4,946 of them in France. In addition, notably to cater for seasonal peaks in sales during the end-of-year holiday season, 8,128 people were recruited onto fixed-term contracts in France.

In 2018, a total of 32,087 employees working under permanent contracts left the Group (for any reason); of these, 48% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate.

Turnover by geographic region

(as %)	2018	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets	2017	2016
Total turnover ^(a)	22.9	13.4	17.0	34.3	11.0	26.5	33.4	22.7	20.5
of which: voluntary turnover ^(b)	17.5	6.0	12.7	29.7	9.9	20.8	25.7	16.4	15.2
involuntary turnover ^(c)	4.9	6.1	3.7	4.3	0.9	5.5	7.5	5.8	4.8

(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 and geographic region

(number)	Joiners			Leavers		
	2018	2017	2016	2018	2017	2016
Wines and Spirits	855	854	778	708	724	632
Fashion and Leather Goods	11,915	8,509	5,965	7,610	6,884	5,300
Perfumes and Cosmetics	8,113	6,895	6,314	6,343	5,458	5,239
Watches and Jewelry	1,697	1,356	1,256	1,124	1,187	1,110
Selective Retailing	17,176	14,782	18,113	15,458	14,566	11,705
Other activities	858	795	1,051	844	821	799
Total	40,614	33,191	33,477	32,087	29,640	24,785
France	4,946	4,411	4,000	3,818	3,516	2,953
Europe (excluding France)	8,205	6,403	5,767	5,608	4,996	4,071
United States	10,261	7,922	11,038	9,348	8,837	7,566
Japan	1,027	881	729	682	641	524
Asia (excluding Japan)	12,266	9,630	7,663	8,929	8,378	6,962
Other markets	3,909	3,944	4,280	3,702	3,272	2,709
Total	40,614	33,191	33,477	32,087	29,640	24,785

(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.

This work-linked training program was designed in partnership with 15 prestigious schools and universities selected for the quality of their teaching and wide recognition of the qualifications they offer. Participants follow a course that combines technical and theoretical teaching at partner institutions with practical experience at the Group's Maisons through paid work-and-training contracts. Through the program, participants receive foreign language training and have opportunities to meet craftspeople, experts and designers and visit workshops and stores.

Having been initially established in France, the IME expanded to Switzerland in 2016 and then to Italy in 2017. It currently offers 20 courses, ranging from the CAP certificate of professional aptitude to the Master 2 higher postgraduate degree. In 2018, it achieved a success rate of 98% and a placement rate of 83%, with two-thirds of graduates placed with LVMH Maisons or the Group's external partners. 500 young people have trained at the IME since it was founded.

Inside LVMH

To create a bridge between talented young people in the academic world and the professional world, in 2018 LVMH launched the Inside LVMH program, a course offering almost 5,000 students from 50 of the Group's European partner schools and universities opportunities for immersion in five fields in which the Group has expertise. Two hundred students divided into 50 teams were selected for their innovative ideas on "experiencing

luxury in the future". What makes the program unique is its reliance on the cross-fertilization of ideas between participants belonging to the millennial generation and Group senior executives. A total of over 350 students have been recruited through the program.

International academic partnerships

In 2018, LVMH continued to strengthen its historical links with recognized schools and universities such as ESSEC, HEC and Telecom ParisTech 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 study projects.

In addition to the three major initiatives detailed above, the Group's policy on attracting talented young people relies on 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, 2018, more than 1,400 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 safeguard against 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 domestic legislation.

Furthermore, since 2008 the Group has put in place arrangements for ongoing independent oversight of its recruitment practices by appointing an independent firm to carry out discrimination testing on its published job offers. 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 taken where applicable.

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, supported by a network of 40 disability correspondents at the various Maisons.

The Group has entered into a number of conventions with AGEFIPH, the leading French partner on the issue of employment for people with disabilities (the last such agreement was in 2014-2016). Some Maisons have also entered into or renewed their own conventions with AGEFIPH, including in particular Sephora (in 2017), Hennessy, Christian Dior Couture and Parfums Christian Dior.

Under the banner of this cooperation with AGEFIPH, in 2014 LVMH launched "EXCELLhanCE", which enables people with disabilities to simultaneously obtain a degree, significant experience at the Group's Maisons and companies and expertise specific to the world of luxury goods. This program is based on work-linked training programs, lasting 12 to 24 months, in three professional fields: sales, logistics and human resource management.

Candidates are selected using the "Handi-Talents" process, based on work-related simulation exercises, 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 professional training contracts, most of them retraining in a new profession, in the roles of sales advisor, inventory manager and human resources assistant. Around fifty people have benefited from the program since its launch.

Worldwide, people with disabilities make up 1% of the LVMH group's workforce. In France, the Group's employment of people with disabilities was 4.4% (sum of direct and indirect employment rates) as of end-2018, based on official standards for the definition of disabilities. People with disabilities are recruited at every level of the Group, in all Maisons and all countries.

By way of example, in Japan, Louis Vuitton works to promote the employment of people with disabilities through partnerships with five specialized recruitment agencies. With 2.2% of its workforce made up of people with disabilities, the Maison ranks among the most active and effective Japanese companies in this area.

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, adopting best practice on health and safety, and fostering employee dialogue.

3.1 Career guidance and support

LVMH offers its employees a range of training and support options throughout their careers, as well as initiatives aimed at reinforcing a shared culture of innovation, excellence and entrepreneurial thinking. Specific programs are in place for employees newly appointed to management positions and to help talented female employees develop into key roles.

Integrating new employees

LVMH believes that a good understanding of corporate culture drives strong performance. The Group is therefore careful to support new entrants, 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. In 2018, 39,276 employees under permanent or fixed-term contracts attended these types of seminars.

Giving employees a stake in career mobility and development

The LVMH group encourages its staff to take ownership of their 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.

Putting entrepreneurial spirit into practice

Innovation and entrepreneurial spirit are values foundational to the Group's culture. To encourage staff to live out these values, in 2017 LVMH designed the DARE initiative (Disrupt, Act, Risk – to be an Entrepreneur), a collaborative global innovation program inspired by working methods used by startups.

Training managers

The Group has in place dedicated management training programs. These programs are supported worldwide by organizational structures and dedicated design and delivery teams. Programs are structured around four clearly defined areas: induction, leadership and management, excellence and open innovation. Over 5,000 people have participated in these programs.

Helping women develop into key roles

Gender equality is an integral part of LVMH's corporate culture. In addition to traditional HR tools, the EllesVMH program, launched in 2007, aims to promote professional development for women through initiatives such as coaching and mentoring.

At the end of 2018, women accounted for 73% of permanent staff (38% in Wines and Spirits, 69% in Fashion and Leather Goods, 83% in Perfumes and Cosmetics, 59% in Watches and Jewelry, 83% in Selective Retailing, and 35% in Other activities). 65% of managers are women, and as of end-September 2018, 42% of key roles in the Group were held by women (compared with 23% in 2007) and 13 of the Group's companies were led by women.

LVMH has set itself a target of having women in 50% of the Group's key roles by 2020. To reach this goal, the Group runs an annual coaching program for its most promising female staff employees. In 2018, 33 women were selected to take part in such programs, bringing to 200 the number of high-potential female employees having benefited from this program since its launch in 2013.

On International Women's Day in March 2018, the Group ran an event combining two internal initiatives: the DARE program, aimed at developing employee projects using a methodology inspired by the startup business model, and the EllesVMH program. The idea was to give the Group's "intrapreneurs" (internal entrepreneurs) an opportunity to tease out innovative solutions to improve gender equality in top management roles. Out of almost 750 applicants, 60 intrapreneurs were able to take part in the event. At the end of the event, three projects were selected to be taken into the development phase, with the winning teams receiving support and mentoring to help turn their ideas into reality.

Regarding compensation, initiatives and tools are put in place at numerous entities to reduce any salary gaps between women and men within the same job category. LVMH tracks the career development of its talented women through its annual organizational review, using a set of targets and key indicators.

Proportion of female employees among joiners and in the Group's active workforce ^(a)

(% women)	Joiners			Group workforce		
	2018	2017	2016	2018	2017	2016
Breakdown by business group						
Wines and Spirits	45	43	46	38	37	37
Fashion and Leather Goods	66	65	66	69	68	70
Perfumes and Cosmetics	86	85	86	83	83	83
Watches and Jewelry	58	60	59	59	59	59
Selective Retailing	83	83	84	83	83	84
Other activities	33	34	32	35	35	33
Breakdown by professional category						
Executives and managers	65	65	64	65	65	64
Technicians and supervisors	67	71	70	68	68	68
Administrative and sales staff	80	81	83	81	81	82
Production workers	57	47	44	58	55	56
Breakdown by geographic region						
France	63	62	64	64	64	64
Europe (excluding France)	76	75	79	74	73	74
United States	80	78	82	79	79	80
Japan	69	71	77	74	75	76
Asia (excluding Japan)	76	77	75	77	76	76
Other markets	79	81	84	73	73	74
LVMH group	75	75	78	73	73	74

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

Training investment

Overall, in 2018, training expenses incurred by Group companies throughout the world represented a total of 131.0 million euros, or 2.3% 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:

	2018	2017	2016
Training investment (EUR millions)	131.0	121.5	125.6
Proportion of total payroll (as %)	2.3	2.1	2.6
Number of days of training per employee	2.0	2.0	2.2
Average cost of training per employee (EUR)	943	832	925
Employees trained during the year (as %)	58.9	56.6	61.4

Note: Indicators are calculated for each fiscal year on the basis of the total number of employees under permanent contracts present at the workplace as of December 31, 2018. Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during the 2016 and 2017 fiscal years, 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, 2016 and 2017.

The average training investment per full-time equivalent employee was approximately 943 euros. In 2018, the total number of training days was 284,089, equivalent to around 1,235 people

receiving full-time training for the entire year. In 2018, 58.9% of employees received training and the average number of days of training was 2 days per employee.

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

	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Training investment (<i>EUR millions</i>)	38.2	22.8	26.6	5.3	30.7	71.7
Proportion of total payroll (<i>as %</i>)	2.6	1.7	2.1	1.8	2.7	2.3
Employees trained during the year (<i>as %</i>)	51.9	55.9	61.9	51.7	65.5	63.2
Of which: Executives and managers	58.7	71.7	57.4	58.0	64.3	58.7
Technicians and supervisors	63.4	65.7	44.9	53.2	66.4	58.3
Administrative and sales staff	49.2	58.6	65.4	49.9	66.5	65.1
Production workers	36.8	32.8	53.1	13.6	35.9	46.7

Note: Indicators are calculated for each fiscal year 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 employee dialogue between management and labor

The Group is constantly working to offer all staff a high-quality working environment, looking after their health and safety, adapting workspaces – particularly for elderly employees and those with disabilities – and fostering constructive employee dialogue.

Ensuring health and safety for all staff

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

Given the wide range of situations encountered within the different business groups, each of the Maisons is responsible for its 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 2018, the Group invested over 32.1 million euros in health and safety. This includes expenses for occupational medical services and protective equipment as well as programs for improving personal safety and health: compliance, the posting of warnings, replacement of protective devices, fire prevention training and noise reduction. More generally, the total amount spent on and invested in improving working conditions came to more than 64.8 million euros, or 1.1% of the Group's gross payroll worldwide.

Initiatives for awareness-raising and training in workplace safety and risk prevention are expanding. In 2018, 47,840 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 result in structured action plans to meet the needs identified.

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

This means putting in place arrangements to improve workspace ergonomics and reduce physical strain, particularly for those roles 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 medical monitoring and retirement support arrangements.

For employees with a declared disability, the Maisons offer solutions on a case-by-case basis to help people keep their jobs, for example by making adjustments to their workspaces or helping them transition to a different role. In March 2011, to promote the reclassification of employees, 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.

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

	Number of accidents	Frequency rate ^{(a)(b)}	Severity rate ^{(b)(c)}
Breakdown by business group			
Wines and Spirits	108	8.54	0.24
Fashion and Leather Goods	317	4.04	0.11
Perfumes and Cosmetics	203	4.33	0.13
Watches and Jewelry	37	2.37	0.02
Selective Retailing	655	6.89	0.20
Other activities	96	14.94	0.75
Breakdown by geographic region			
France	738	16.44	0.52
Europe (excluding France)	241	3.95	0.06
United States	189	3.81	0.22
Japan	16	1.36	0.00
Asia (excluding Japan)	151	2.27	0.04
Other markets	81	3.83	0.08
LVMH group 2018	1,416	5.55	0.16
2017	1,232	5.16	0.16
2016	1,257	5.58	0.18

(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 employees present within the Group as of December 31 of the fiscal year and a ratio of hours worked per full-time equivalent 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 4.9%. This represents a year-on-year decrease (5.0%).

Absence rate ^(a) by region and by reason

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Illness	2.4	4.1	3.5	1.4	0.4	1.5	1.7
Work/commuting accidents	0.1	0.4	0.1	0.1	0.0	0.0	0.1
Maternity leave	1.5	1.3	2.9	0.6	1.2	1.2	1.2
Paid absences (family events)	0.3	0.3	0.4	0.2	0.2	0.4	0.4
Unpaid absences	0.4	0.9	0.3	0.4	0.2	0.4	0.2
Overall absence rate	4.9	7.0	7.2	2.8	2.0	3.5	3.5

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

Fostering employee dialogue

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 30 members whose terms of office were renewed in 2018, covers personnel based in France and holds one plenary meeting each year. Delegates meet with the Presidents of all the Group's business areas to receive and exchange information on strategic direction, economic and financial issues, employment trends within the Group and future prospects.

At European level, the European Companies' Committee was formed, 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 2018, the SE Works Council held a plenary session on April 25.

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.

Attracting and retaining talent

In France, Group companies have one or more of the following, depending on their workforce: an employee representative body (“Comité Social et Economique”), a works council, a combined staff representative body (“Délégation Unique du Personnel”), employee representatives, and health and safety committees. The Group’s Maisons are progressively incorporating a “Comité Social et Economique”, pursuant to the Orders of September 22, 2017. This is an employee representative body, which must be in place by December 31, 2019 at the latest, combining employee representatives, the works council and the health and safety committee, or replaces the “Délégation Unique du Personnel” where such a body was in place.

In 2018, employee representatives attended 1,809 meetings:

Type of meeting	Number
Works council	626
Employee representatives	559
Health and Safety Committee	374
Other	250
Total	1,809

As a result of these meetings, 107 company-wide agreements were signed.

Worldwide, 13% of employees benefit from variable or adjusted working hours and 50% work as a team or alternate their 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 schedules	13	29	16	1	18	4	4
Part-time	18	13	19	38	4	5	22
Teamwork or alternating hours	50	13	35	79	78	69	58

(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 employees	Production workers
Variable/adjusted schedules	29	18	52	56	3
Part-time	13	2	6	19	25
Teamwork or alternating hours	13	0	10	5	38
Employees benefiting from time off in lieu	10	2	17	16	8

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

The cost of total overtime hours was 106 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	2.0	1.6	4.2	1.8	0.8

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 2018, Group companies allocated a budget totaling over 24.7 million euros (1.7% of total payroll) to social and cultural activities in France via contributions to works councils.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS: THE GROUP

Corporate philanthropy

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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 Maisons have been established for many years in specific regions of France and play a major role in creating jobs in their respective regions: Parfums Christian Dior in Saint-Jean-de-Braye (near Orléans), Guerlain in Chartres, Veuve Clicquot and Moët & Chandon in the Champagne region, Hennessy in the Cognac region and Louis Vuitton in the Drôme region. They have developed long-standing relationships with local government, covering cultural and educational aspects

as well as employment. Sephora, which has stores throughout France (two-thirds of its workforce is employed outside the Paris region), regularly carries out a range of measures encouraging the development of job opportunities at the local level.

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 jobseekers

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 non-profits and NGOs to promote social inclusion and employment for people who have been marginalized on the job market.

In France, the Group has forged a lasting partnership with "Nos Quartiers ont des Talents", an organization of which it is a Board member. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by an executive or manager working at the Group. In 2018, 78 experienced

managers participated as mentors, 50 of whom were still participating at the end of 2018. Since 2007, 569 young people have found jobs after being mentored by a Group employee. LVMH also took part in the "Talents Hub" event, run by the association on October 18, 2018, which gave over 3,300 young people an opportunity to receive advice and guidance on finding work.

To speed up access to employment, LVMH has put in place "Jobstyle" sessions. These job coaching sessions are led by 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. In 2018, ten sessions were held with over 300 participants backed by LVMH's partners (including Force Femmes and Nos Quartiers ont des Talents).

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. The Group is a co-founder of ARPEJEH, a non-profit organization that brings together some sixty French companies to offer advice and guidance to junior and senior high school students with disabilities. Employees lend their support to this initiative and 37 young people benefited from LVMH's involvement in 2018.

In Italy, the LVMH group's Maisons joined forces in partnering with non-profits AIPD (Associazione Italiana Persone Down) and AGPD (Associazione Genitori e Persone con Sindrome di Down). This partnership involves coordinating the Group's 13 Maisons established or active in Italy to support social inclusion and employment for people with Down syndrome. It includes two distinct components: a donation to the non-profits enabling

them to launch vocational internships and training for mentors and young people with disabilities, and an employability awareness campaign for affected people, named "Assumiamoli" ("Let's employ them") for all Group employees in Italy. It is combined with a call for volunteers issued to the same population of employees to host and support candidates. To optimize this campaign, the "TueNoi" ("You and us") Intranet site was set up. Almost 200 employees have registered to date.

LVMH also encourages its Maisons to develop their relationships with the sheltered and supported employment sector. This sector provides people with severe permanent or temporary disabilities with opportunities to work in a specially adapted environment. Services entrusted to sheltered-sector and disability-friendly employers equated to 8.3 million euros in 2018, up 17% relative to 2017. This purchasing volume represents 415 full-time equivalent jobs. To raise its profile in this area, the Group is a founding and official partner of the annual Disability, Employment and Responsible Purchasing trade fair in France, which is open to the general public. The third Disability, Employment and Responsible Purchasing trade fair confirmed the event's success, drawing 3,500 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 access to world-class higher education, LVMH supports the priority education program run by the Institut d'Études Politiques (Institute for political studies, or Sciences Po Paris), by offering grants to students and giving young Sciences Po graduates the chance to be mentored by Group managers. In 2018, LVMH renewed its commitment – under which it will provide financial support and mentoring by Group managers for around ten students – for three 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 cohesion. Young people benefit from a wide range of initiatives, including "business discovery" internships for nearly 100 middle school students in 2018, 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 16, attended by nearly 500 people. The Group also backs the "Cultures et Création" fashion show that showcases

the region's creative talent. It provides early training for young people through masterclasses and holds meetings with designers and craftspeople. At the fashion show, the Group awards a "Jeune Talent" (Young Talent) trophy to one young but underprivileged fashion design enthusiast, helping winners gain wider recognition within the profession. The 2018 winner, Anne-Solène Rives, got to exhibit her designs at Greenshowroom, a trade fair dedicated to environmentally responsible fashion

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. Major new initiatives are thus coming into being.

The Group has continued to support many institutions – in France and worldwide – recognized for their initiatives in support of children, senior citizens and people with disabilities, and for their work to prevent 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.

In January 2016, Louis Vuitton launched an international partnership with the United Nations International Children's Emergency Fund (UNICEF). By the end of 2018, more than 6 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. A payroll-deduction micro-donation to UNICEF was set up in France, in 2018, giving all employees an opportunity to get involved every month. This year, five employees also visited refugee camps in Bangladesh to see how the funds were being used. In 2017, Make a Promise Day was held in stores to raise awareness among customers and involve them in this initiative. Several products have been developed to promote this program since it was launched: *Silver Lockit*, *Silver Lockit Color* and *Fluo*, and *Silver Lockit by Sophie Turner*. All profits from sales of these products are paid in full to UNICEF.

In 2018, Sephora expanded its Sephora Stands initiative developed in the Americas to include Europe, the Middle East and Asia. Sephora launched this initiative to support programs that have a social and environmental impact; it is now focused on three main areas:

that was held in Berlin from July 3 to 5, and then joined Loewe through a work-linked training program, while the previous year's winner trained at Kenzo. 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.

- Sephora has built relationships with over 500 local NGOs, selected for their efforts toward promoting fair treatment and inclusion. Sephora's commitment to these organizations includes employee volunteer work, but the company also encourages customer generosity by matching donations connected to product launches, the profits of which are paid out to these numerous non-profit organizations. In 2018, more than one million euros were raised by Sephora to fund partnerships with non-profits, through initiatives such as micro-donations in France, which helped raise 400,000 euros for Toutes à l'école and Women Safe; the Gift & Match Program in the United States, which raised 500,000 euros; and Operation Smile in China. Employees contributed over 3,000 hours of volunteer work toward charitable initiatives.
- Even in the beauty industry, women entrepreneurs are under-represented. In 2016, Sephora launched "Sephora Accelerate", designed to support women and their startups in all areas of the beauty industry and in different countries around the world. Every year on International Women's Day, Sephora pursues initiatives to help women advance in their professional careers. In 2018, 10 finalists from six countries participated in a mentoring program with Sephora's top experts and a week of coaching in San Francisco, where they met potential investors. The program's objective is to support 50 projects by 2020.
- 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 2018, over 700 classes were given in the United States to those affected by cancer, people having difficulty finding work and members of the transgender community. Classes also kicked off in six countries across Europe (France, Russia, Spain, Italy, Greece and Portugal). Overall, since its launch, and thanks to new materials available online, the program has already reached over 40,000 people.

In 2009, Bvlgari decided to get involved with Save the Children. It has since donated more than 80 million dollars, benefiting 1.2 million children. More than 700,000 customers have bought the Maison's "Save the Children" jewelry. More than 100 projects have been launched in 33 countries around the world. The partnership is supported by 275 celebrities. Bvlgari also involves its employees, with more than 270 having visited Save the Children projects on the ground.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maisons Dinner. This event – which has been 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 5, 2018, 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 non-profit 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 800,000 euros since 2011 to improve patient care and fund research. LVMH also provides financial support to causes that are close to its heart:

- Kelina, which works to provide care for mothers and children in Benin. The funds raised have gone toward building a maternity hospital in northwestern Benin, in a region with limited medical facilities; a total of more than 100,000 euros has been donated since 2015.
- K d'Urgences, which provides human, social and financial support for single-parent families in France. A total of 80,000 euros has been donated since 2014. On Wednesday, June 6, 2018, the Jardin d'Acclimatation welcomed 5,500 single parents and children with the support of LVMH staff, in partnership with other institutions and businesses. The day provided an opportunity for them to directly access all the employment, legal and social services often needed by single-parent families.

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

In 2018, LVMH developed and pursued a wide range of initiatives, aimed at benefiting the widest possible audience and focused on several key areas: expanding cultural access and knowledge, restoring and enriching our historical heritage, and supporting contemporary creative arts.

3.1.1 Commitments to culture and expanding access to it

Since 1991, support for more than 50 national and international exhibitions has allowed millions of visitors to relive and learn about the most pivotal moments of the history of art by discovering monumental artists that changed how we see the world: Matisse, Picasso, Van Gogh, Klein, Poussin, Cézanne and Giacometti – but also contemporary artists such as Richard Serra, Annette Messager, Anish Kapoor, Olafur Eliasson and Christian Boltanski.

In 2018, LVMH provided support for the opening of the Giacometti Institute in the spring, and in the fall the *Cubism* exhibition at the Centre Pompidou, an expansive panorama of one of the founding movements in the history of modern art (1907-1917). At the end of the year, the Group also supported the *Georges Henri Rivière* exhibition at the Mucem in Marseille.

Also during the year, LVMH renewed its support for the French charity Secours Populaire's *recto/verso* campaign, which returned

for its second edition: 100 French and international artists each offered a work to be auctioned on behalf of the charity. These 100 works were exhibited at the Fondation Louis Vuitton from June 15 to 24, 2018, with the auction held on the last day of the event. The total amount raised on this occasion – 305,000 euros – will be used to fund Secours Populaire's initiatives to promote access to art and culture for those experiencing poverty or social exclusion. Nearly 1,000 disadvantaged people also benefited from special admission arrangements at the Fondation Louis Vuitton for the duration of the campaign.

3.1.2 Restoring and enriching historical heritage

LVMH's partnership with the Palace of Versailles is a prime example of its commitment to protect and enrich cultural and artistic heritage, from its support for the restoration of the African, Crimean and Italian rooms and the *Les Tables Royales en Europe* exhibition in 1992-93 through to the acquisition in 2011 of the Riesener desk made for Marie-Antoinette, followed in 2013 by three Sèvres porcelain vases that once belonged to Louis XV's daughter, Madame Victoire. In 2018, LVMH supported the restoration and reopening of the Queen's Hamlet, thanks to Dior's philanthropy, followed by the acquisition of yet another national treasure: the silver ewer given to Louis XIV by the embassy of Siam to in 1685.

Also in 2018, thanks to LVMH's support – amounting to nearly 8 million euros – the “Become a Patron!” fundraising campaign organized by the Louvre achieved its goal of acquiring and returning to France the Book of Hours of King François I, a masterpiece of French Renaissance jewelry, metalwork and illumination, and the only surviving work from the reign of one of the greatest figures in French history. The acquisition of this national treasure marks more than 20 years of friendship and trust between the Louvre and LVMH since its donation to acquire David's *Portrait of Juliette de Villeneuve* in 1998.

3.1.3 The Fondation Louis Vuitton and contemporary creative arts

The creation of the Fondation Louis Vuitton (see Note 1 below) in 2006, marked a new stage in the corporate philanthropy of the LVMH group and its Maisons. It was the culmination of more than 25 years of initiatives to support the arts, culture, heritage and design, as well as the artists themselves. Driven by a desire to serve the public interest, the Fondation Louis Vuitton is dually committed to promoting modern and contemporary art, as well as making this art more accessible to all. The Fondation Louis Vuitton also enriches Paris' cultural heritage with an iconic monument of 21st century architecture, built on public land under a 55-year occupancy agreement with the City of Paris.

The first highlight of 2018 was the 1.2 million visitors to the Fondation. From October 2017 to March 2018, the *Being Modern: MoMA* in Paris exhibition hosted, for the first time in France, an exceptional selection of 200 works brought to Paris from New York to recount the history of the Museum of Modern Art and its vocation as a collector. In the spring, the *In Tune with the World* exhibition featured a selection of modern and contemporary works by around thirty artists including Alberto

Giacometti, Henri Matisse, Gerhard Richter, Pierre Huyghe, Yves Klein and Takashi Murakami. Lastly, with the simultaneous opening in October 2018 of two separate landmark exhibitions, *Egon Schiele* and *Jean-Michel Basquiat*, the Fondation Louis Vuitton presents two artists linked by their fascinating intensity and brief, meteoric lives, through a selection of some 250 paintings and drawings from their extraordinary bodies of work.

LVMH continued to support creative activities by contemporary artists in 2018. LVMH has been a loyal patron of the Nuit Blanche night-time arts festival for more than 11 years, and once again provided support alongside the City of Paris this year to the French and international arts scene, giving center stage to contemporary artists at an event open to all in the heart of Paris.

3.1.4 LVMH Prize for Young Fashion Designers

The LVMH group always strives to support emerging talent, and in 2018, for the fifth year in a row, it awarded the LVMH Prize for Young Fashion Designers, which each year honors the work of a talented stylist, selected by a jury made up of the creative directors of the Group's Maisons.

With 1,300 candidates from more than 90 different countries, the LVMH Prize saw record participation levels in 2018. The nine finalists presented their designs at a ceremony held at the Fondation Louis Vuitton on June 6. At the close of this exceptional day, Tokyo-based Japanese designer Masayuki Ino was awarded the Grand Prize, presented by actress Emma Stone and multidisciplinary young artist Jaden Smith, together with a €300,000 grant and a year of mentoring with a dedicated team. The panel of judges also awarded a special prize to Rok Hwang for Rokh. He will receive €150,000 as well as a year of mentoring by LVMH.

3.2 Opportunities for young people

In the field of music, LVMH's support has enabled more than 40,000 students at Paris conservatories to attend the city's finest concerts, for over 20 years, through its “1000 Places pour les Jeunes” initiative. Young virtuosos can also attend master classes with Seiji Ozawa thanks to the Group's support for the Seiji Ozawa International Academy Switzerland, while the loan of two violins and a cello from LVMH's Stradivarius collection has allowed musicians such as Maxim Vengerov, Laurent Korcia,

Kirill Troussov and Tatjana Vassilieva to express the full range of their talent on the international stage.

In 2018, LVMH renewed its support for Orchestre à l'École, a charity which gives the chance to some 200 children all over France to learn a musical instrument as part of a special educational program, and took part in the Opéra Comique's cultural outreach initiative by offering 500 free tickets to young people for performances during the 2018-19 season.

(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 non-profit organization that pursues a diverse range of initiatives aimed at promoting artistic and cultural activities in France and abroad, as well as expanding access to works of art; these initiatives include exhibitions, educational activities for schools and universities, seminars and conferences.

The members of the Fondation are the Group's main French companies. The Fondation is overseen by a Board of Directors, one-third of whose members are non-Group individuals chosen for their expertise in its fields of activity, and the other two-thirds of which are company officers and employees of 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

Management of financial, operational and internal control risks

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1. STRATEGIC, OPERATIONAL AND FINANCIAL RISKS

1.1 Strategic and operational risks

1.1.1 Group image and reputation

Around the world, the LVMH group is known for its brands, unrivaled expertise and production methods unique to its products. The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks, and the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives; inappropriate behavior by brand ambassadors, the Group's employees, distributors or suppliers; or detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands, trade names and goodwill recorded in the Group's balance sheet as of December 31, 2018 amounted to 30 billion euros.

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

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

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

1.1.2 Counterfeit and parallel retail networks

The Group's brands, expertise and production methods can be counterfeited or copied. Its products – leather goods, perfumes and cosmetics in particular – may be distributed through parallel retail networks, including online sales networks, without LVMH's consent. As part of a joint effort aimed at developing new solutions to get consumers more engaged in their digital experience, while also preserving brand value and promoting creativity, LVMH and several major Internet companies (pure players) have announced that they are working together to protect the Group's intellectual property rights and combat the online advertising and sale of counterfeit products.

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

Action plans have been specifically drawn up to address the counterfeiting of products, in addition to the systematic protection of brands and main product names discussed above. This involves close cooperation with governmental authorities, customs officials and lawyers specializing in these matters in the countries concerned, as well as with market participants in the digital world, whom LVMH also ensures are made aware of the adverse consequences of counterfeiting. The Group also plays a key role in all of the trade bodies representing the major names in the luxury goods industry, in order to promote cooperation and a consistent global message, all of which are essential in successfully combating the problem. In addition, LVMH takes various measures to fight the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels.

Beyond the borders of the European Union, LVMH is not subject to any legal constraints that might impede the full exercise of its selective retail distribution policy, or limit its ability to bring proceedings against any third parties distributing Group products without proper approval. In the European Union, Competition Law guarantees strictly equal treatment of all economic operators, particularly in terms of distribution, potentially posing an obstacle to companies refusing to distribute their products outside a network of authorized distributors. However, Commission Regulation (EC) No. 2790/1999 (known as the 1999 Block Exemption Regulation), by authorizing selective retail distribution systems, established an exemption to this fundamental principle, under which LVMH operates, thus providing greater protection for Group customers. This exemption

was confirmed in April 2010, with the renewal of the 1999 Block Exemption Regulation and the extension of its application to online sales. This legal protection gives the LVMH group more resources in the fight against counterfeit goods and the parallel distribution of its products, a battle waged as much in the digital as in the physical world.

In 2018, anti-counterfeiting measures generated internal and external costs for the Group of around 40 million euros.

1.1.3 Contractual constraints

In the context of its business activities, the Group enters into multi-year agreements with its partners and some of its suppliers (especially lease, concession, distribution and procurement agreements). Should any of these agreements be terminated before its expiration date, compensation is usually provided for under the agreement in question, which would represent an expense without any immediate offsetting income item. As of December 31, 2018, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 14.8 billion euros. Detailed descriptions of these commitments may be found in Notes 30.1 and 30.2 to the consolidated financial statements.

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

In addition, the Group has made commitments to its partners in some of its business activities to acquire their stakes in the activities in question should they express an interest in such a sale, according to a contractual pricing formula. As of December 31, 2018, this commitment is valued at 9.3 billion euros and is recognized in the Group's balance sheet under Other non-current liabilities (see Note 20 to the consolidated financial statements).

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

1.1.4 Anticipating expectations of Group customers

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

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

1.1.5 International exposure of the Group

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

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

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

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

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

1.1.6 Seasonality

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

1.1.7 Strategic competencies

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

Skills management is a significant aspect of risk management and internal control. LVMH devotes special care to matching employee profiles and responsibilities, formalizing annual performance reviews, developing skills through continuing training, and promoting internal mobility. More information can be found in the Reference Document, in the *"Management Report of the Board of Directors – Attracting and retaining talent"* (§3.1. "Career guidance and support").

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

1.1.8 Information systems

The Group is exposed to cyber risks relating to its information systems, 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. In order to protect against these risks, the Group has set up a shared Cyber Defense unit to monitor and detect suspicious security events and provide support to every Maison by responding to verified incidents. As the information system architecture is decentralized, the

spillover of risks between Maisons remains limited. Supported by its network of IT security managers, the Group continues to implement a full set of technical and organizational measures to protect sensitive data and systems, as well as business continuity and incident recovery plans, at each Maison.

1.1.9 Industrial, environmental and meteorological risks

A detailed presentation of the Group's environmental risk factors and the measures taken to ensure compliance by its business activities with legal and regulatory provisions is provided in the "Environment and sustainability" section.

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

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.

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

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

This approach is combined with an industrial and environmental risk-monitoring program (see also §5. "LIFE 2020 – 'Sites' Target" in the "Environment and sustainability" section of the Management Report).

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

Lastly, financial risks relating to the effects of climate change as well as measures adopted to mitigate those risks are described in the "Environment and sustainability" section.

1.2 Financial risks

1.2.1 Tax policy

LVMH's tax policy is in line with the principles described in the Group's Code of Conduct. Accordingly, compliance with the laws and regulations in force in the countries where it operates and adherence to best practices are fundamental principles for the Group, and LVMH is committed to abiding by the letter and the spirit of the applicable texts.

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.

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.

1.2.2 Credit risk

Due to the nature of its activities, a significant portion of the Group's sales is not exposed to customer credit risk. Sales are made directly to customers through the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Watches and Jewelry stores. Together, these sales accounted for approximately 69% of total revenue in 2018.

Furthermore, for the remaining revenue, the Group's businesses are not dependent on a limited number of customers whose default would have a significant impact on Group activity levels or earnings. The extent of insurance against customer credit risk is satisfactory, with around 84% of credit coverage requests granted by insurers as of December 31, 2018.

1.2.3 Counterparty risk

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

1.2.4 Foreign exchange risk

A substantial portion of the Group's sales is denominated in currencies other than the euro, particularly the US dollar (or currencies tied to the US dollar such as the Hong Kong dollar) and the Japanese yen, while most of its manufacturing expenses are euro-denominated.

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

The Group actively manages its exposure to foreign exchange risk in order to reduce its sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options. An analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed, as well as a description of the extent of forecast cash flow hedging for 2019 relating to the main invoicing currencies are provided in Note 22.5 to the consolidated financial statements.

Owning substantial assets denominated in currencies other than the euro (primarily the US dollar and Swiss franc) is also a source of foreign exchange risk with respect to the Group's net assets. This currency risk may be hedged either partially or in full using borrowings or financial futures denominated in the same currency as the underlying asset. An analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved is presented in Note 22.5 to the consolidated financial statements.

1.2.5 Interest rate risk

The Group's exposure to interest rate risk may be assessed based on the amount of its consolidated net financial debt, which totaled 5.8 billion euros as of December 31, 2018. After hedging, 68% of gross financial debt outstanding was subject to a fixed rate of interest and 32% was subject to a floating rate. An analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates are presented in Notes 18.4 and 18.6 to the consolidated financial statements.

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

Through its use of forwards and options to hedge foreign exchange risk as described in §1.2.4, the Group is also exposed to the spreads in interest rates between the euro and the hedged currencies.

1.2.6 Equity market risk

The Group's exposure to equity market risk relates in part to its treasury shares, which are held primarily in coverage of stock option plans and bonus share plans. LVMH treasury shares are considered as equity instruments under IFRS, and as such any changes in value have no impact on the consolidated income statement. Moreover, listed securities may be held by certain of the funds in which the Group has invested, or directly in non-current or current available for sale financial assets.

The Group may use derivatives in order to reduce its exposure to risk. Derivatives may serve as a hedge against fluctuations in share prices. For instance, they may be used to cover cash-settled compensation plans or financial instruments index-linked to the change in the LVMH share price. Derivatives may also be used to create a synthetic long position.

1.2.7 Commodity market risk

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

1.2.8 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., 5.0 billion euros, which is covered by the 5.4 billion euro balance of cash and cash equivalents, or in relation to the

outstanding amount of its commercial paper program, i.e., 3.2 billion euros. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.9 billion euros.

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

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

The breakdown of financial liabilities by contractual maturity is presented in Note 22.7 to the consolidated financial statements.

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

The Group applies an exchange rate and interest rate management strategy designed primarily to reduce any negative impacts of foreign currency or interest rate fluctuations on its business and investments. This management is centralized for the most part, whether at the level of the parent company or the subsidiary responsible for the Group's cash pooling arrangement. The Group has implemented a stringent policy, as well as rigorous management guidelines to measure, manage and monitor these market risks. These activities are organized based on a segregation of duties between risk measurement, hedging (treasury and front office), administration (back office), and financial control. The backbone of this organization is an integrated information system which allows hedging transactions to be monitored quickly.

The Group's hedging strategy is presented to the Audit Committee.

Hedging decisions are made according to a clearly established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

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 0.15% of consolidated revenue.

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

The main insurance programs coordinated by the Group are designed to cover losses due to property damage, business interruption, terrorism, political violence, cyber crime, construction, transportation, credit, third-party liability, and product recalls.

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, specific coverage in the amount of 20 billion yen was taken out for this risk in 2018. 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 limits are in line with the risk exposures of the Maisons.

2.2 Transportation insurance

The Group's operating entities are covered by an international cargo and transportation insurance contract. The coverage limit of this program is 60 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 and product recall insurance program for all its subsidiaries throughout the world. This program is designed to provide the most comprehensive coverage for the Group's risks, given the insurance capacity and coverage available internationally. Coverage levels are in line with those of companies with comparable business operations. As regards product recalls, the cover purchased is considerably more than the average available on the worldwide market.

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

Specific insurance policies have been implemented for countries where work-related accidents are not covered by state insurance or social security regimes, such as the United States. Coverage levels are in line with the various legal requirements imposed by the different states. Subject to certain conditions and limitations, the Group covers its senior executives and employees either directly or via an insurance policy for any individually or jointly incurred personal liability to third parties in the event of professional misconduct committed in the course of their duties.

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 consist of the media business unit, luxury yacht building and marketing, hotel and real estate activities, and holding companies. These business groups consist of entities of various sizes that own prestigious brands, established on every continent. The autonomy of the brands, decentralization, and the responsibilities of senior executives are among the fundamental principles underlying the Group's organization.

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

- the holding companies – including the parent company, LVMH SE – are responsible for their own risk management and internal control systems. LVMH SE also acts as leader and coordinator on behalf of all LVMH group companies; it provides them with a single reference framework and methodology as well as an application platform that centralizes all risk and internal control data;
- the President of each Maison 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 explained 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 principles comply with the standards in force, reviews the corporate and consolidated financial statements, and monitors effective implementation of the Group's internal control and risk management.

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

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

The Ethics & 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 managers and employees in terms of ethics, social and environmental responsibility, ensuring observance of these rules, and reviewing the Group's strategy in these areas and the contents of related reports.

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

First line of defense

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

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

The Management Committees of 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, 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, 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 is in charge of matters relating to stock market law and company law. It promotes observance within the Group of laws and regulations applicable to its activities.

The role of the **Corporate Affairs Department** is to protect and promote the business model of the Group and its 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 legislation, 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 processes of authorities in Europe, the Americas and Asia, directly and/or in collaboration with representative associations. Key fields for the Group's 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 categories of LIFE 2020 goals. The department's structure and actions, and how these are reflected within the Maisons, can be found in the "Environment and sustainability" section of the *Management Report of the Board of Directors: The Group*.

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 Group Audit and Internal Control Director, coordinates the implementation of internal control and risk management systems. It monitors and anticipates regulatory changes in order to adapt mechanisms. It coordinates a network of internal controllers responsible, within the 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. In 2017, the Group's Internal Control Department launched the LVMH Internal Control Academy, the aim of which is to coordinate and develop the entire network of controllers, internal auditors and Internal Control Officers. 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 Maisons.

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 the benefit of 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 and 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. Follow-ups on recommendations resulting from past audits are backed up by systematic on-site inspections at those subsidiaries with the most significant issues.

Internal Audit reports on its conclusions to management of the entity concerned and to Executive Management of the Group by way of an audit report explaining its assessment, presenting its recommendations, and setting out managers' commitments to apply the latter 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 Group Finance: Accounting and Consolidation, Management Control, Information Systems, Corporate Finance and Treasury, Tax, and Financial Communication.

Accounting and 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 Reference Document. To this end, the Accounting Standards and Practices team defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any related training programs that may be deemed necessary. The Consolidation Department also coordinates the Group's Statutory Auditors.

Management Control is responsible for coordinating the budget process, 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. Due to its responsibilities and the structure of the reports it produces, Management Control plays a key role in internal control and financial risk management.

These two 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 across the Group, by business group and by entity. It defines strategic orientations in terms of cybersecurity, devises and publishes internal policies and shared plans of

action, and helps brands to implement detection and incident response systems, as well as to devise backup plans.

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

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

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

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

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

Each of these departments is responsible for ensuring the quality of internal control in its own area of activity via the **finance departments of business groups, companies and subsidiaries**,

which are in turn responsible for similar functions within their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (Controller, Head of Accounting, Consolidation Manager, Treasurer, etc.). The finance departments of the main companies of the Group and the departments of the parent

company, LVMH, described above, periodically organize joint finance committees. Run and coordinated by the central departments, these committees deal particularly with applicable standards and procedures, financial performance and any corrective action needed, together with internal control relating to accounting and management data.

3.2 Internal standards and procedures

Via its **Ethics & Compliance Intranet**, 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 include primarily the LVMH group Code of Conduct, the LVMH group's internal guiding principles, the Supplier Code of Conduct and various charters (Board of Directors' Charter, Charter on Models' Working Conditions and Well-Being, Competition Law Compliance Charter, Environmental Charter, IT Systems Security Charter, Privacy Charter, etc.).

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

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

- the LVMH internal control framework, which covers the general control environment as well as 14 key business processes shared by all our activities: Sales, Retail Sales, Purchases, Licenses, Travel, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems and Accounting Period-End Procedures, Environment, Insurance;

- the minimum basis for internal control, "IC Base", made up of 67 key controls taken from LVMH guidelines, supporting annual self-assessment; IC Base was extended this year to include compliance with the provisions of the Sapin 2 law and the duty of vigilance law enacted in France, as well as laws on data protection and privacy, together with new LVMH standards relating to cybersecurity;
- business line guidelines developed to reflect the specific characteristics of our activities (Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, Duty-Free Concessions).

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

Lastly, the **Group Legal Department** prepares tools for 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, embargos 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 all solutions implemented are harmonized and that business continuity plans are in place. Aspects of internal control (segregation of duties, access rights, etc.) are integrated when implementing new information systems and then regularly reviewed.

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

been developed and tested at the level of the French holding companies.

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

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

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

3.4 Accounting control procedures (internal and external)

3.4.1 Accounting and management policies

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

3.4.2 Consolidation process

The account consolidation process is covered by regular detailed instructions; a specially adapted data submission system facilitates consistent, comprehensive and reliable data processing within the appropriate timeframes. The Chairman and CFO of each company undertake to ensure the quality and completeness of financial information sent to the Group – including off-balance sheet items – in a signed letter of representation which gives added weight to the quality of their financial information.

Sub-consolidations are carried out at 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 complete budget, and annual forecasts. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget and prior year data, and to foster ongoing communication between 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 European directives, the Group introduced its Enterprise Risk and Internal Control Assessment (ERICA) approach, a comprehensive process for improving and integrating systems for managing major risks and internal control related to its ordinary activities.

Since 2015, this approach has been rolled out across all of the Group's brands. It comprises in particular annual mapping of the major risks for each brand and self-assessment of 67 key controls taken from the internal control guidelines 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 revised each year. The Maisons have full autonomy to extend the process across the scope that they deem appropriate. As the first three-year cycle was completed on June 30, 2018, it has been restarted for the 2018-19 campaign, thus again covering all Group entities with the exception of those generating less than 10 million euros in revenue.

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 Finance Department and the Group Audit and Internal Control Department. They are also made available to the Statutory Auditors;
- the annual letter of representation on financial reporting, which includes a paragraph devoted to internal control.

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. Finally, depending on the types of risk to which a particular brand or entity is exposed and the amount of residual risk, the entity may decide, in collaboration with the Group, to use the insurance market to transfer part or all of the residual risk and/or assume this risk.

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 and Internal Control Director: as well as supervising actions and decisions in response to each reported case, the Director endeavors to draw lessons from incidents so

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 are given the responsibility, with the support of internal control personnel, 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.

as to relay them, once anonymized, to the chief financial officers of all the Maisons.

The Audit and Internal Control Department has therefore introduced a program to raise awareness of the risk of fraud through periodic communiqués identifying scenarios of actual and attempted fraud within the Group. 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 disseminated widely within the Group to ensure ongoing awareness among those staff most exposed to this risk.

Lastly, a specific fraud module has been added that forms part of the 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 December 13, 2018, LVMH Moët Hennessy - Louis Vuitton SE and Belmond Ltd entered into a definitive agreement for the LVMH group to acquire Belmond. Belmond owns and operates an exceptional portfolio of very high-end hotels and travel experiences in the world's most desirable, prestigious locations. Belmond Ltd is listed on the New York Stock Exchange. The price

per Class A share will be 25 US dollars, representing an equity value of 2.6 billion US dollars. The transaction should be finalized in the first half of 2019, subject to approval by Belmond's shareholders⁽¹⁾ and obtaining authorization from certain competition 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, 2018 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 27.2 billion euros, 500 million euros higher than in 2017. This change corresponds to LVMH subscribing to its subsidiary LVMH Finance's capital increase in the amount of 500 million; LVMH's ownership interest in LVMH Finance remained unchanged following this transaction, at 99.99%.

2.1.2 Financial structure

During the fiscal year, LVMH repaid the 500 million euro bond issued in 2011 and the 1,250 million euro bond issued in 2017.

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, 2018, the share capital comprised 505,029,495 fully paid-up shares totaling 151.5 million euros.

During the fiscal year, 762,851 shares were issued as a result of the exercise of share subscription options and 2,775,952 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, 2018:

- trade accounts payable were not yet due;
- trade accounts receivable due at the fiscal year-end date, based on the legal deadline for payment, amounted to 0.3 million euros, corresponding to 0.1% of services provided and income for the 2018 fiscal year.

(1) At the Shareholders' Meeting of Belmond Ltd. held on February 14, 2019, the shareholders approved the planned acquisition of Belmond by LVMH.

2.2 Parent company results and outlook

The Company reported net financial income of 3,344.8 million euros for the fiscal year, compared with 2,656.7 million euros in 2017.

Management income from subsidiaries and other investments totaled 3,417.5 million euros in 2018, compared with 2,570.5 million euros in 2017. This change was mainly the result of an increase in financial income from subsidiaries and other investments (3,550.5 million euros in 2018, compared with 2,645.5 million euros in 2017).

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

Net financial income in 2018 also included the cost of net financial debt and related interest rate derivatives totaling 30.4 million euros, as well as losses on foreign exchange transactions and derivatives totaling 33.4 million euros.

Net operating profit reflects operating expenses not recharged to subsidiaries and other investments, which equated to a net expense of 191.5 million euros in 2018, compared with 182.9 million euros in 2017.

Taking into account the 230.8 million euro positive impact of corporate income tax, including the effect of tax consolidation, net profit came to 3,384.1 million euros, up from 2,853.2 million euros in fiscal year 2017.

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

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

(EUR)	
Net profit for the fiscal year ended December 31, 2018	3,384,117,537.50
Available portion of the legal reserve ^(a)	60,393.03
Retained earnings	10,764,686,301.84
Amount available for distribution	14,148,864,232.37
Proposed appropriation:	
Total dividend to be paid out for the fiscal year ended December 31, 2018	3,030,176,970.00
- of which: Dividend payable under the Bylaws of 5% or EUR 0.015 per share	7,575,442.43
- of which: Additional dividend of EUR 5.985 per share	3,022,601,527.57
Retained earnings	11,118,687,262.37
	14,148,864,232.37

(a) Portion of the legal reserve over 10% of share capital as of December 31, 2018. As of December 31, 2018, the Company held 2,135,404 of its own shares, corresponding to an amount not available for distribution of 421.3 million euros, equivalent to the acquisition cost of the shares.

Should this appropriation be approved, the total dividend for the fiscal year ended December 31, 2018 would be 6.00 euros per share. As an interim dividend of 2.00 euros per share was paid on December 6, 2018, the final dividend per share would be 4.00 euros. The ex-dividend date will be April 25, 2019 and the final dividend will be paid as of April 29, 2019.

Based on the tax legislation applicable to securities income as it stands at 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
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
2015	Interim	December 3, 2015	1.35
	Final	April 21, 2016	2.20
	Total		3.55

4. SHAREHOLDERS – STOCK OPTION AND BONUS SHARE PLANS

4.1 Main shareholders

Information on the Company's main shareholders as of December 31, 2018 is provided in the “*Other information*” section under §3.1 “Share ownership of the Company” on page 286 of this Reference 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, 2018 is provided in the “*Other information*” section under §3.1 “Share ownership of the Company” on page 286 of this Reference Document.

4.3 Employee share ownership

Information on the employee share ownership as of December 31, 2018 is provided in the “*Other information*” section under §3.1 “Share ownership of the Company” on page 286 of this Reference 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.

One share subscription option plan with outstanding options remaining, set up by LVMH on May 14, 2009, was in force as of December 31, 2018. 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 has a term of ten years. Provided the conditions set by the plan are met, options may be exercised after the end of a period of four years from the plan's commencement date. One option entitles the holder to purchase 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 – must also 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 decide to exercise their options, they must retain possession, in registered form and until the conclusion of their respective terms of office, of a number

of shares representing a sliding percentage of between 50% and 30% (based on the remaining term of the plan) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date. This obligation shall expire when the value of shares held exceeds twice the amount of their most recently disclosed fixed and variable compensation.

4.4.1 Share purchase option plans

No share purchase option plans were in effect as of December 31, 2018.

4.4.2 Share subscription option plans

Date of Shareholders' Meeting	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	05/15/2008	05/14/2009	Total
Total number of options granted at plan inception ^(a)	1,698,320	1,301,770	3,000,090
of which: Company officers ^{(b)(c)}	766,000	541,000	1,307,000
of which: Top ten employee recipients ^(d)	346,138	327,013	673,151
Number of recipients	545	653	
Earliest option exercise date	05/15/2012	05/14/2013	
Expiry date	05/14/2018	05/13/2019	
Subscription price (EUR) ^{(e)(f)}	65.265	50.861	
Number of options exercised in 2018 ^(e)	706,777	56,074	762,851
Number of options expired in 2018 ^(e)	6,113	640	6,753
Total number of options exercised as of December 31, 2018 ^(e)	1,687,818	906,810	2,594,628
Total number of options expired as of December 31, 2018 ^(e)	99,193	52,305	151,498
Options outstanding as of fiscal year-end ^(e)	-	411,088	411,088

(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, 2018 is provided in §2.2.6.2 of the *Board of Directors' report on corporate governance*.

(d) Options granted to top ten active employees other than company officers 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: 65.445 euros for the May 15, 2008 plan and 50.879 euros for the May 14, 2009 plan.

As of December 31, 2018, the potential dilutive effect of allocating these options equated to 0.08% of the share capital. However, since LVMH retires a number of shares equivalent to the number of shares issued in connection with the exercise of options, there is no dilutive effect for shareholders when the subscription options are exercised.

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

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

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

No new option plans were set up in 2018.

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

Company granting the options	Plan date	Number of options	Subscription price (EUR)
LVMH Moët Hennessy - Louis Vuitton	05/15/2008	37,953	65.265
"	05/14/2009	4,611	50.861

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

4.5 Allocation of bonus shares and bonus performance shares

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

- For the plans set up in 2014 and 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 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 October 23, 2014; April 16, 2015; October 22, 2015; April 13, 2017; and October 25, 2018 provide solely for the allocation of bonus shares subject to a condition related to the performance of the LVMH group.

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

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

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

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

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 plans set up on October 23, 2014 and April 16, 2015, bonus shares subject to a condition related to the Group's

performance only vest if LVMH's consolidated financial statements for fiscal year 2015 show a positive change compared to fiscal year 2014 in relation to one or more of the 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 October 23, 2014 plan were fully vested as of October 23, 2017 for recipients who were French residents for tax purposes and as of October 23, 2018 for recipients who were not French residents for tax purposes. Shares allocated under the April 16, 2015 plan to recipients who were French residents for tax purposes were fully vested as of April 16, 2018.

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 to recipients who were French residents for tax purposes were fully vested as of October 22, 2018.

For the plan set up on April 13, 2017, bonus shares subject to a condition related to the Group's performance only vest if LVMH's consolidated financial statements for the fiscal year in which the plan was set up (fiscal year Y) show a positive change in one or more of the 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 satisfied in 2018.

Bonus shares awarded under this plan – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 2024 provided that (i) quantitative targets

regarding its revenue and profit from recurring operations in respect of fiscal year 2023, and (ii) qualitative targets have been met, with vesting advanced to June 30, 2023 if said targets are met in respect of fiscal year 2022.

For the plan adopted on January 25, 2018, bonus shares subject to specific performance conditions related to 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 and subject to a condition relating to the performance of the LVMH group, shares only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the Indicators relative to the fiscal year in which the plan was set up (fiscal year Y).

Bonus shares awarded under this plan – for which vesting is subject to a subsidiary's fulfillment of performance conditions – will vest on June 30, 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 plan set up on October 25, 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).

- 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	04/18/2013	04/18/2013	04/16/2015	04/16/2015	04/14/2016	04/14/2016
Date of Board of Directors' meeting	07/24/2014	10/23/2014	04/16/2015	10/22/2015	10/20/2016	10/20/2016
	Bonus shares	Performance shares	Performance shares	Performance shares	Bonus shares	Performance shares
Total number of shares provisionally allocated at plan inception^(a)	61,000	307,548	73,262	315,532	50,010	310,509
<i>of which: Company officers^{(b)(c)}</i>	-	19,235	41,808	46,990	-	43,462
<i>of which: Top ten employee recipients^(d)</i>	61,000	36,280	31,454	61,858	50,010	57,734
Number of recipients	2	772	14	740	2	740
Vesting date	07/24/2017 ^(e)	10/23/2017 ^(e)	04/16/2018 ^(e)	10/22/2018 ^(e)	10/20/2019	10/20/2019
Date as of which the shares may be sold	07/24/2019 ^(e)	10/23/2019 ^(e)	04/16/2020 ^(e)	10/22/2020 ^(e)	10/20/2019	10/20/2019
Unit value as of the initial grant date (EUR) ^(a)	126.61 ^(e)	114.62 ^(e)	157.41 ^(e)	144.11 ^(e)	155.10	155.10
Performance condition	-	Satisfied	Satisfied	Satisfied	-	Satisfied
Number of shares vested in 2018 ^(k)	61,098	141,175	55,940	154,668	-	-
Number of allocations expired in 2018 ^(k)	-	10,173	-	13,337	-	14,097
Total number of share allocations vested as of 12/31/2018 ^(k)	67,764	288,773	55,940	154,738	-	65
Total number of share allocations expired as of 12/31/2018 ^(k)	-	52,905	-	28,972	-	19,987
Remaining allocations as of fiscal year-end^(k)	-	-	17,322	131,822	50,010	290,457

(a) For pre-2015 plans, before adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

(b) Performance shares allocated to company officers serving as of the provisional allocation date.

(c) A breakdown of the shares granted to company officers serving as of December 31, 2018 is provided in §2.2.7 of the *Board of Directors' report on corporate governance*.

(d) Bonus shares and performance shares allocated to employees - other than LVMH company officers - serving as of the provisional allocation date.

(e) Shares vest and become available on July 24, 2018; October 23, 2018; 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 125.21 euros, 113.14 euros, 156.62 euros and 142.91 euros, respectively.

(f) 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	04/14/2016	04/12/2018	
04/13/2017	07/26/2017	10/25/2017	10/25/2017	01/25/2018	01/25/2018	04/12/2018	10/25/2018	
Performance shares	Performance shares	Bonus shares	Performance shares	Bonus shares	Performance shares	Performance shares	Performance shares	Total
46,860	43,400	18,502	346,490	72,804	47,884	332,116	9,477	2,035,394
-	-	-	43,549	-	-	37,759	-	232,803
46,860	43,400	18,502	120,378	72,804	47,884	134,814	7,492	790,470
1	1	2	851	4	1	859	33	
04/13/2018	06/30/2020 ^(f)	10/25/2020	10/25/2020 ^(g)	01/25/2021	06/30/2024 ^(h)	04/12/2021 ⁽ⁱ⁾	10/25/2021	
04/13/2020	06/30/2020 ^(f)	10/25/2020	10/25/2020 ^(g)	01/25/2021	06/30/2024 ^(h)	04/12/2021 ⁽ⁱ⁾	10/26/2021	
195.66	205.06 ^(f)	227.01	227.01 ^(g)	224.80	207.12 ^(h)	261.84 ⁽ⁱ⁾	240.32	
Satisfied	Not applicable in 2018	-	Satisfied in 2018 ^(j)	-	Not applicable in 2018	Not applicable in 2018	Not applicable in 2018	
46,860	-	-	-	-	-	-	-	459,741
-	-	-	8,306	-	-	-	-	45,913
46,860	-	-	-	-	-	-	-	614,140
-	-	-	8,306	-	-	-	-	110,170
-	43,400	18,502	338,184	72,804	47,884	332,116	9,477	1,351,978

(g) 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.

(h) 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.

(i) 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.

(j) Condition related to the performance of LVMH SE.

(k) For pre-2015 plans, after adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

4.5.2 Bonus shares and 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 awarding the shares	Plan date	Number of performance shares
LVMH Moët Hennessy - Louis Vuitton	10/23/2014 ^(b)	16,097
"	04/16/2015	12,939
"	10/22/2015	20,661

(a) Active employees as of the vesting date.

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

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

5. SUMMARY OF TRANSACTIONS IN LVMH SECURITIES DURING THE 2018 FISCAL YEAR BY SENIOR EXECUTIVES AND CLOSELY RELATED PERSONS

A summary of transactions in LVMH securities made by senior executive officers and closely related persons during the 2018 fiscal year is provided in §3 of the *Board of Directors' report on corporate governance*.

6. SHARE REPURCHASE PROGRAMS

6.1 Information on share repurchase programs

The purpose of this subsection is to inform the shareholders of purchases of treasury shares made by the Company between January 1, 2018 and December 31, 2018 as part of the share repurchase programs authorized at the Combined Shareholders' Meetings held on April 13, 2017 and April 12, 2018.

Under the liquidity contract entered into by the Company with Oddo & Cie Entreprise d'Investissement and Oddo Corporate Finance on September 23, 2005, the Company acquired 932,130 LVMH shares at an average price per share of 269.15 euros and sold 927,130 LVMH shares at an average price per share of 269.05 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, 2018 to December 31, 2018:

<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, 2017	92,000	2,236,137	-	-	1,952,960	4,281,097
Purchases	314,873	355,000	-	-	-	669,873
Average price (EUR)	243.40	237.45	-	-	-	240.25
Sales	(328,873)	-	-	-	-	(328,873)
Average price (EUR)	246.57	-	-	-	-	246.57
Bonus share awards	-	-	-	-	-	-
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	(62,297)	-	-	(1,952,960)	(2,015,257)
Balance as of April 12, 2018	78,000	2,528,840	-	-	-	2,606,840
Purchases	617,257	460,000	-	-	270,000	1,347,257
Average price (EUR)	282.29	292.15	-	-	275.77	284.35
Sales	(598,257)	-	-	-	-	(598,257)
Average price (EUR)	281.41	-	-	-	-	281.41
Bonus share awards	-	(459,741)	-	-	-	(459,741)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	(760,695)	-	-	-	(760,695)
Balance as of December 31, 2018	97,000	1,768,404	-	-	270,000	2,135,404

Between January 1 and December 31, 2018, the Company retired 2,775,952 shares that had been purchased for cancellation or to cover share subscription option plans.

6.2 Description of the main characteristics of the share repurchase program presented for approval at the Combined Shareholders' Meeting of April 18, 2019

- 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, 2018: 50,502,734; however, taking into account the 2,135,404 shares held in treasury, only 48,367,330 treasury shares are available to be acquired.
- Maximum price per share: 400 euros.
- Objectives:

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

 - provide market liquidity or share liquidity services (purchases/sales) under a liquidity contract set up by the Company in compliance with the AMF-approved AMAFI ethics charter;
 - cover stock option plans, awards of bonus shares or of any other shares, or share-based payment plans for employees or company officers of the Company or of any related undertaking under the conditions provided by the French Commercial Code, in particular its Articles L.225-180 and L.225-197-2;
 - cover debt securities that may be exchanged for Company shares, and more generally securities giving access to the Company's shares, notably by way of conversion, tendering of a coupon, reimbursement or exchange;
 - be retired subject to the approval of the seventeenth resolution;
 - be held and later presented for consideration as an exchange or payment in connection with external growth operations, up to a maximum of 5% of the share capital;
 - more generally, carry out any permitted transactions or any transaction that would be authorized in future under regulations in force at that time, or that would involve an already accepted market practice or one that would come to be accepted by the AMF.
- Program duration: 18 months as of the Ordinary Shareholders' Meeting of April 18, 2019.

6.3 Summary table disclosing transactions undertaken by the issuer in its own shares from January 1 to December 31, 2018

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, 2018.

December 31, 2018

Percentage of own share capital held directly or indirectly	0.42%
Number of shares retired in the last 24 months	3,567,929
Number of shares held in the portfolio	2,135,404
Book value of the portfolio	421,182,830
Market value of the portfolio	551,361,313

	Cumulative gross transactions		Open positions as of December 31, 2018			
	Purchases	Sales/ Transfers	Open "buy" positions		Open "sell" positions	
			Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	2,017,130	4,162,823	-	-	-	-
of which:						
- Liquidity contract	932,130	927,130	-	-	-	-
- Purchases to cover plans	815,000	-	-	-	-	-
- Bonus share awards	-	459,741	-	-	-	-
- Purchases of shares to be retired	270,000	-	-	-	-	-
- Shares retired	-	2,775,952	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average trading price (EUR)	269.70	269.05 ^(a)	-	-	-	-
Amount (EUR)	544,027,210	249,447,762 ^(a)	-	-	-	-

(a) Excluding bonus share allocations 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 29, 2019, and will be submitted for shareholder approval at the Shareholders' Meeting of April 18, 2019.

1. CORPORATE GOVERNANCE

1.1 Board of Directors

The Board of Directors is the strategic body of the Company which is primarily responsible for enhancing the Company's value and protecting its corporate interests.

The Board of Directors endeavors to promote long-term value creation, notably by giving consideration to 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 and Compensation Committee, and the Ethics and Sustainable Development Committee. Each has internal rules setting forth its composition, role and responsibilities.

The Charter of the Board of Directors and the internal rules governing the committees are communicated to all candidates for appointment as Director and to all permanent representatives of a legal entity before assuming their duties. These documents are presented in full 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: Independent Directors</p> <p>§8.5.6: Not to have been a Director of the Company for more than 12 years.</p>	<p>The Board set aside this criterion considering that length of service is not likely to cloud the critical faculties or color the judgment of the relevant Directors, given both their personality and their current personal and professional circumstances. Moreover, their in-depth knowledge of the Group is a major asset during key strategic decision-making.</p>
<p>Article 7: Representation of employee shareholders and employees</p> <p>§7.1: Members representing the employees on the Company's Board of Directors.</p>	<p>Since the Company meets the conditions laid down in the French Commercial Code making it eligible for the exemption applicable to holding companies, it is not subject to the requirement to appoint Directors representing employees.</p>
<p>Article 24: Compensation of senior executive officers</p> <p>§24.3.3: Provision specific to stock options and performance shares: Resolution authorizing the award plan submitted to a vote at the meeting of shareholders must state an award sub-ceiling for senior executive officers.</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 and Compensation Committee – which consists entirely of Independent Directors and is tasked with making proposals on the granting of options or bonus performance shares to senior executives – ensures an adequate degree of control over allocation policy.</p>

1.3 Membership and operating procedures of the Board of Directors

1.3.1 Membership

The Board of Directors has 15 members who are appointed for three-year terms, as stipulated in the Bylaws.

Personal information				Experience	
Name	Nationality	Age as of 12/31/2018	Number of shares held in a personal capacity	Number of directorships at non-Group listed companies	Office held
Bernard ARNAULT	French	69	639,073	1	Chairman and Chief Executive Officer
Antoine ARNAULT	French	41	316,650	-	Director
Delphine ARNAULT	French	43	477,572	3	Director
Nicolas BAZIRE	French	61	118,539	4	Director
Antonio BELLONI	Italian	64	428,094	-	Director
					Group Managing Director
Sophie CHASSAT	French	40	500	1	Director
Bernadette CHIRAC	French	85	500	-	Director
Charles de CROISSET	French	75	1,000	-	Director
Diego DELLA VALLE	Italian	65	500	3	Director
Clara GAYMARD	French	58	500	3	Director
Marie-Josée KRAVIS	American	69	500	1	Director
Charles POWELL	British	77	550	3	Director
Marie-Laure SAUTY de CHALON	French	56	500	2	Director
Yves-Thibault de SILGUY	French	70	500	3	Director
Hubert VÉDRINE	French	71	500	-	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 criteria applied by the Company.

Position within the Board				Attendance at Board committee meetings		
	Date of first appointment	Independence ^(a)	End of term	Board Committees		
				Performance Audit Committee	Nominations and Compensation Committee	Ethics and Sustainable Development Committee
	09/26/1988	No	2019			
	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	-	2019			
	10/25/2018	Yes	2019			
	04/15/2010	Yes	2019			
	05/15/2008	Yes	2021	Member	Chairman	
	05/15/2002	Yes ^(b)	2020			
	04/14/2016	Yes	2019			
	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)	2019			Member

1.3.2 Changes in membership of the Board of Directors and its Committees

Changes during 2018

The following table summarizes the changes in membership of the Board of Directors during fiscal year 2018.

	Departures	Appointments	Renewed on April 12, 2018
Board of Directors	Natacha VALLA (Resigned on May 7, 2018)	Sophie CHASSAT (Co-opted on October 25, 2018)	Antoine ARNAULT Nicolas BAZIRE Charles de CROISSET Lord POWELL of BAYSWATER Yves-Thibault de SILGUY
Performance Audit Committee			Yves-Thibault de SILGUY (Chairman) Antoine ARNAULT Charles de CROISSET
Nominations and Compensation Committee			Charles de CROISSET (Chairman) Yves-Thibault de SILGUY
Ethics and Sustainable Development Committee			Yves-Thibault de SILGUY (Chairman)

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 29, 2019, the Board of Directors (i) decided to submit a resolution at the Shareholders' Meeting of April 18, 2019, to ratify the co-opting of Sophie Chassat, (ii) considered the Directorships of Bernard Arnault, Hubert Védrine, Sophie Chassat, Bernadette Chirac and Clara Gaymard, all of which expire at the close of the Shareholders' Meeting of April 18, 2019, and (iii) decided to submit a resolution at said Shareholders' Meeting renewing their terms of office as Directors, apart from that of Bernadette Chirac, who has informed the Chairman of the Board of Directors of her decision not to ask for her Directorship to be renewed, and (iv) decided to submit a resolution at the Shareholders' Meeting of April 18, 2019, to appoint Iris Knobloch as Director for a period of three years that will end at the close of the Shareholders' Meeting convened in 2022 to approve the financial statements for the fiscal year ended December 31, 2021. The Board also decided to ask the shareholders, at that same Meeting, to appoint Yann Arthus-Bertrand as an Advisory Board member.

Since the Company meets the conditions laid down in the French Commercial Code making it eligible for the exemption applicable to holding companies, it is not subject to the requirement to appoint Directors representing employees. (See §1.2 above).

Subject to decisions made at the Shareholders' Meeting of April 18, 2019, 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, Bernard Arnault, Antoine Arnault, Nicolas Bazire, Antonio Belloni, Charles de Croisset, Diego Della Valle, Yves-Thibault de Silguy, Hubert Védrine and Lord Powell of Bayswater.

The Directors' personal details are presented in §1.4 below.

Since each gender is represented by at least 40% of Board members, the composition of the Board will continue to comply with the provisions of the French Commercial Code relating to gender equality on boards of directors.

Bernard Arnault (Chairman and Chief Executive Officer) and Antonio Belloni (Group Managing Director) do not hold more than two directorships at non-Group listed companies, including foreign companies.

1.3.3 Independence

During its meeting of January 29, 2019, 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 8.5 to 8.7 of the AFEP/MEDEF Code, and set out below:

Criterion 1: Not to be and not to have been during the course of the previous five years an employee or executive officer of the Company, or an employee, senior executive officer or a Director of a company that it consolidates, or of its parent company or a company consolidated by this parent.

Criterion 2: Not to be a senior executive officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Company (currently in office or having held such office during the last five years) is a Director.

Criterion 3: Not to be a customer, supplier, commercial banker, 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, Bernadette Chirac, Clara Gaymard, Marie-Josée Kravis, Marie-Laure Sauty de Chalon and Iris Knobloch, whose appointment will be proposed at the Shareholders' Meeting of April 18, 2019, as well as Yves-Thibault de Silguy, meet all these criteria;
- (ii) Charles de Croisset, who also acts as International Advisor to Goldman Sachs, should be considered independent, since the business relationship between these two groups does not make LVMH dependent on Goldman Sachs in any way;

- (iii) Diego Della Valle and Hubert Védrine, who have served on the Board of Directors for over 12 years, should be considered independent. In the matter of these two individuals, the Board has set aside the criterion set out in the AFEP/MEDEF Code with respect to their length of service as Board members, considering that this is not likely to cloud their critical faculties or color their judgment, given both their experience and status and their current personal and professional circumstances. Moreover, their in-depth knowledge of the Group is a major asset during key strategic decision-making.

Subject to decisions made at the Shareholders' Meeting of April 18, 2019, nine out of the fifteen Directors who make up the Board of Directors are thus considered to be independent and to hold no interests in the Company. They represent 60% of the Board's membership.

With respect to the independence criteria set out in the AFEP/MEDEF Code, 47% of the members of the Board of Directors are Independent Directors, thus exceeding the Code's recommendation for controlled companies that one-third of Board members be independent.

Table summarizing Directors' independent status following the Board of Directors' review of January 29, 2019 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
Bernadette CHIRAC	✓	✓	✓	✓	✓	✓	✓	✓	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 2018 fiscal year, the Board of Directors met five times as convened by its Chairman. Directors' attendance rate at these meetings averaged 89%.

The Board approved the annual and interim consolidated and parent company financial statements, reviewed quarterly activity and expressed its opinions on subjects including the Group's strategic direction and decisions, its budget, compensation payable to company officers, the establishment of plans to grant bonus shares and bonus performance shares, the implementation of a medium-term incentive plan for a senior executive of a subsidiary and the implementation of the share repurchase program. The Board of Directors approved the planned acquisition of the Belmond group.

It authorized the Company to guarantee the commitments and liabilities of one of its subsidiaries in connection with a commercial lease.

It renewed the authorizations granted to (i) the Chairman and Chief Executive Officer to give guarantees to third parties and (ii) the Chairman and Chief Executive Officer and the Group Managing Director to issue bonds. It also reduced the share capital by retiring treasury shares.

It also examined the regulated agreements that remained in effect during the fiscal year and authorized the amendment of a related-party agreement. 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. It noted the resignation of one Director and co-opted a new Director to replace her.

Lastly, the Board was informed of the measures the Group has adopted as regards gender equality and equal pay.

Before the meeting of October 25, 2018, the Board of Directors held a meeting without the senior executive officers or the other members holding executive positions within the Group.

The Directors exchanged views on the composition, organization and *modus operandi* of the Board of Directors and the three Committees that exist within it, which they deemed appropriate.

At its meeting of January 29, 2019, the Board of Directors reviewed its composition, organization and *modus operandi*. The Board concluded that its composition is balanced with regard to the proportion of External Directors, given the ownership of the Company's share capital, and with regard to the diversity and complementarity of its members' expertise and experience.

The Board noted that:

- the Directors are satisfied with the frequency of Board meetings and the quality of information provided on such topics as strategic direction, current business activity, financial statements, the budget and the three-year plan;
- Directors' attendance was slightly higher than in 2017;
- 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 Directors have no particular comments to make on the rules for allocating directors' fees or the minimum number of shares that each Director must hold; this also applies to the composition of the three Committees and the quality of their work.

The Board of Directors also made changes to the Charter of the Board of Directors and the Internal Rules of the Performance Audit Committee and the Nominations and Compensation Committee, in particular as regards the duties assigned to them in respect of the AFEP/MEDEF code as revised in June 2018.

In addition, the Board of Directors reviewed the Group's policy to protect against the impact of future economic and financial developments.

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 2018, 42% of key roles 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 Terms of office expiring at the Shareholders' Meeting

Bernard ARNAULT, Chairman and Chief Executive Officer

Date of birth: March 5, 1949.

Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

Bernard Arnault began his career as an engineer with 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⁾	Chairman and Chief Executive Officer
	Château Cheval Blanc SC	Chairman of the Board of Directors
	Christian Dior Couture SA	Director
	Louis Vuitton, Fondation d'Entreprise	Chairman of the Board of Directors
International	LVMH Moët Hennessy - Louis Vuitton Inc. (United States)	Director
	LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan)	Director
	LVMH Services Limited (United Kingdom)	Director

Groupe Arnault

France	Christian Dior SE ⁽¹⁾	Chairman of the Board of Directors
	Financière Jean Goujon SAS	Member of the Supervisory Committee
	Groupe Arnault SEDCS	Chairman of the Executive Board

Other

France	Carrefour SA ⁽¹⁾	Director
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Positions and offices that have ended since January 1, 2014

France	Christian Dior SE ⁽¹⁾	Chief Executive Officer
	Groupe Arnault SAS	Chairman
International	LVMH International SA (Belgium)	Director

(1) Listed company.

Sophie CHASSAT

Date of birth: October 24, 1978.

Business address: Intikka – 26 rue de Grenelle – 75007 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 is currently President of Intikka, a consulting firm specializing in brand philosophy.

Current positions and offices**LVMH group**

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director
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Other

France	Intikka SAS	Chairman
	Le Coq Sportif SA ⁽¹⁾	Director

Positions and offices that have ended since January 1, 2014

None

Bernadette CHIRAC

Date of birth: May 18, 1933.

Mailing address: 4 rue de Tournon – 75006 Paris (France).

Married to Jacques Chirac, President of France from 1995 to 2007, Bernadette Chirac was elected to the local council of the town of Sarran in 1971 and was named as deputy mayor in 1977. She was elected as Departmental councilor of Corrèze in 1979 and was reelected continuously until 2015. In 1990, she founded

the association Le Pont Neuf, and served as its President until it was dissolved. In 1994, she was named Chairman of Fondation Hôpitaux de Paris – Hôpitaux de France and took an active role in its “*Pièces Jaunes*” and “*Plus de Vie*” operations which, thanks to her support and involvement, have become widely recognized charity events in France. Since 2007, she has also served as Chairman of Fondation Claude Pompidou.

Current positions and offices**LVMH group**

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director
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Other

France	Departmental Council of Corrèze	Substitute departmental councilor
	Fondation Claude Pompidou	Chairman
	Fondation Hôpitaux de Paris – Hôpitaux de France	Chairman

Positions and offices that have ended since January 1, 2014

France	Departmental Council of Corrèze	Departmental councilor
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(1) Listed company.

Clara GAYMARD

Date of birth: January 27, 1960.

Business address: Raise – 138 bis, rue de Grenelle – 75007 Paris (France).

Clara Gaymard has held a number of administrative positions in the French government, in particular the External Economic

Relations Directorate (DREE) within the French Ministry for the Economy and Finance (1986-2003), before directing the Invest in France Agency (2003-2006), and then joining General Electric (GE), where she served as Chairman and CEO of GE France until 2016. 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
	Sages	Director
	Veolia Environnement SA ⁽¹⁾	Director

Positions and offices that have ended since January 1, 2014

France	WEFCOS (Women's Forum for the Economy and Society) SAS	Chairman
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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 and Sustainable Development Committee
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Other

France	Hubert Védrine (HV) Conseil SARL	Managing Partner
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Positions and offices that have ended since January 1, 2014

None

(1) Listed company.

1.4.1.2 Appointment of a Director proposed at the Shareholders' Meeting

Iris KNOBLOCH

Date of birth: February 13, 1963. Nationality: German.

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. Ms. Knobloch has been President of Warner Bros. Entertainment France since 2006.

Current positions and offices

France	Warner Bros. Entertainment France SAS AccorHotels SA ⁽¹⁾ American Hospital of Paris	President Vice-Chairman of the Board of Directors Governor
International	Axel Springer SE (Germany) ⁽¹⁾ Lazard Ltd (Bermuda) ⁽¹⁾	Member of the Board of Directors Member of the Board of Directors

Positions and offices that have ended since January 1, 2014

None

1.4.1.3 Currently serving Directors

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.

In 2002, he sold his stake in the company and joined the family group, where he successively held the positions of Marketing Manager and Director of Regional Operations at Louis Vuitton.

In 2007, he became Director of Communications at Louis Vuitton, with responsibility for advertising, publishing, digital content development, and purchasing media space. He has been Managing Director of Berluti since 2011, the year in which he also initiated the *Journées Particulières* open-day event. He has also been Chairman of the Board of Directors of Loro Piana since the end of 2013. In addition to his current duties, since June 2018 Antoine Arnault has overseen the Group's communications and image, as well as major events.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾ Berluti SA Les Echos SAS LV Group SA Association du Musée Louis Vuitton	Director and Member of the Performance Audit Committee Chairman of the Executive Board Member of the Supervisory Board Chairman and Chief Executive Officer Permanent Representative of LV Group, Director
International	Berluti LLC (United States) Berluti Hong Kong Company Limited (Hong Kong) Berluti (Shanghai) Company Limited (China) Fendi Srl (Italy) Loro Piana SpA (Italy) Manifattura Berluti Srl (Italy)	Managing Director Director Director Director Chairman of the Board of Directors Director

(1) Listed company.

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, 2014

France	AA Conseil SAS	Chairman
	FG SAS	Chairman
	Lagardère SCA ⁽¹⁾	Member of the Supervisory Board
	Madrigall SA	Director
International	Berluti Orient FZ-LLC (United Arab Emirates)	Director
	Fendi Adele Srl (Italy)	Director

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 and Sustainable Development Committee
	Céline 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

France	Havas SA ⁽¹⁾	Director
International	21st Century Fox Corporation (United States) ⁽¹⁾	Director
	Ferrari SpA (Italy) ⁽¹⁾	Director

Positions and offices that have ended since January 1, 2014

France	Les Echos SAS	Member of the Supervisory Board
	Métropole Télévision "M6" SA ⁽¹⁾	Member of the Supervisory Board
International	Actar International SA (Luxembourg)	Permanent representative of Ufipar, Director

(1) Listed company.

Nicolas BAZIRE, Senior Vice-President for Development and Acquisitions

Date of birth: July 13, 1957.

Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).

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 and Compensation Committee
	Louis Vuitton, Fondation d'Entreprise	Director

Groupe Arnault

France	Agache Développement SA	Director
	Christian Dior SE ⁽¹⁾	Director, Member of the Performance Audit Committee and Member of the Nominations and Compensation Committee
	Europatweb SA	Director
	Financière Agache SA	Managing Director and Permanent Representative of Groupe Arnault, Director
	Groupe Arnault SEDCS	Chief Executive Officer
	Semyrhamis SA	Managing Director and Permanent Representative of Groupe Arnault, Director

Other

France	Atos SE ⁽¹⁾	Director and Chairman of the Nomination and Compensation Committee
	Carrefour SA ⁽¹⁾	Director, Member of the Audit Committee, the Compensation Committee and the Strategy Committee
	Suez SA ⁽¹⁾	Director, Member of the Audit and Accounts Committee, the Nominations and Governance Committee and the Strategy Committee
International	Société des Bains de Mer de Monaco SA ⁽¹⁾ (Principality of Monaco)	Permanent representative of Ufipar, Director and Rapporteur to the Finance and Audit Directors' Commission

Positions and offices that have ended since January 1, 2014

France	GA Placements SA Montaigne Finance SAS	Permanent Representative of Montaigne Finance, Director Member of the Supervisory Committee
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(1) Listed company.

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.

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 Finance, Director
	Le Bon Marché, maison Aristide Boucicaut SA	Permanent Representative of LVMH, Director
	Moët Hennessy Management SARL	Managing Director
	Louis Vuitton, Fondation d'Entreprise	Director
	Benefit Cosmetics LLC (United States)	Managing Director
International	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
	Nude Brands Limited (United Kingdom)	Director
	Pasticceria Confetteria Cova Srl (Italy)	Director
	RVL Holding BV (Netherlands)	Member of the Supervisory Board
	Thomas Pink Holdings Limited (United Kingdom)	Director
	Ufip (Ireland)	Director
	Vicuna Holding SpA (Italy)	Chairman of the Board of Directors

Other

International	Barilla G. e R. Fratelli SpA (Italy)	Director
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(1) Listed company.

Positions and offices that have ended since January 1, 2014

France	Fred Paris SA	Permanent representative of LV Group, Director
	LVMH Fragrance Brands SA	Permanent representative of LV Group, 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
	Ufilug SA (Luxembourg)	Director

Charles de CROISSET

Date of birth: September 28, 1943.

Business address: Goldman Sachs International – Peterborough Court, 133 Fleet Street – EC4A 2BB 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 Executive Director of HSBC Holdings Plc in 2000. In March 2004, he joined Goldman Sachs Europe as its Vice-Chairman and was named as International Advisor to Goldman Sachs International in 2006.

Current positions and offices**LVMH group**

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director, Chairman of the Nominations and Compensation Committee and Member of the Performance Audit Committee
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Other

International	Goldman Sachs International (United Kingdom)	International Advisor
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Positions and offices that have ended since January 1, 2014

France	Euler Hermès SA ⁽¹⁾	Member of the Supervisory Board
	Fondation du Patrimoine	Chairman
	Renault SA ⁽¹⁾	Director
	Renault SAS	Director

Diego DELLA VALLE

Date of birth: December 30, 1953.

Business address: Tod's SpA – Corso Venezia, 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.

(1) Listed company.

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	ACF Fiorentina SpA (Italy)	Honorary Chairman
	Compagnia Immobiliare Azionaria (Italy) ⁽¹⁾	Director
	RCS Mediagroup SpA (Italy) ⁽¹⁾	Director

Positions and offices that have ended since January 1, 2014

International	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 – NY 10065, New York (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, and since 2005 has been President of the Museum of Modern Art (MoMA) of New York.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director and Member of the Nominations and Compensation Committee
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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

Positions and offices that have ended since January 1, 2014

International	Qatar Museum Authority (Qatar)	Director
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(1) Listed company.

Lord POWELL of BAYSWATER

Date of birth: July 6, 1941.

Business address: LVMH – Clarendon House – 12 Clifford Street
– W1S 2LL 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⁾	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, 2014

International	Caterpillar Inc. (United States) ⁽¹⁾	Director
	Mandarin Oriental International Holdings (Bermuda)	Director
	Northern Trust Global Services (United Kingdom)	Director
	Schindler Holding (Switzerland) ⁽¹⁾	Director
	Textron Corporation (United States) ⁽¹⁾	Director

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 and 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	Director
	Factor K SAS	Chairman
	JCDecaux SA ⁽¹⁾	Member of the Supervisory Board

(1) Listed company.

Positions and offices that have ended since January 1, 2014

France	Aegis Media France	Chairman
	Aufeminin SA ⁽¹⁾	Chairman and Chief Executive Officer
	Aufeminin.com Productions SARL	Managing Director
	Carat France	Chairman
	Etoilecasting.com SAS	Chairman
	Les rencontres aufeminin.com SAS	Chairman
	Marmiton SAS	Chairman
	My Little Paris SAS	Member of the Supervisory Board
	Navya ⁽¹⁾	Director
	Fondation Nestlé France, Fondation d'Entreprise	Director
	Fondation PlaNet Finance	Director
	Mediamétrie	Director
	SmartAdServer SAS	Chairman
	Aegis Media Southern Europe	Chairman
International	GoFeminin.de GmbH (Germany)	Joint Managing Director
	SoFeminine.co.uk Ltd (United Kingdom)	Director

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 Senior Director, and, as of November 2018, Vice-Chairman of the Board of Directors. Since May 2010, he has been Chairman of YTSeuropaconsultants.

Current positions and offices

LVMH group

France	LVMH Moët Hennessy - Louis Vuitton SE ⁽¹⁾	Director, Chairman of the Performance Audit Committee, Member of the Nominations and Compensation Committee and Chairman of the Ethics and Sustainable Development Committee
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Vinci group

France	Société des Autoroutes du Sud de la France SA Vinci SA ⁽¹⁾	Director Vice-Chairman of the Board of Directors
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Other

France	Sofisport SA YTSeuropaconsultants SARL	Chairman of the Supervisory Board Managing Director
International	Solvay (Belgium) ⁽¹⁾ VTB Bank (Russia) ⁽¹⁾	Director Member of the Supervisory Board and Chairman of the Audit Committee

Positions and offices that have ended since January 1, 2014

France	VTB Bank (France) SA Ysilop Consulting SARL	Member of the Supervisory Board Managing Director
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(1) Listed company.

1.4.2 Statutory Auditors

Principal Statutory Auditors

	Start date of first term	Current term	
		Date appointed	End of term
Ernst & Young Audit 1/2 place des Saisons - 92400 Courbevoie - Paris la Défense 1 (France) Represented by Jeanne Boillet and Patrick Vincent-Genod	April 14, 2016 ^(a)	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year
Mazars Tour Exaltis - 61 rue Henri Regnault - 92400 Courbevoie (France) Represented by Simon Beillevaire and Loïc Wallaert	April 14, 2016	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year

(a) The Ernst & Young network has been a Statutory Auditor of LVMH since 1988.

Alternate Statutory Auditors

	Start date of first term	Current term	
		Date appointed	End of term
Auditex 1/2 place des Saisons - 92400 Courbevoie - Paris la Défense 1 (France)	April 15, 2010	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year
Philippe Castagnac Tour Exaltis - 61 rue Henri Regnault - 92400 Courbevoie (France)	April 14, 2016	April 14, 2016	Annual Meeting convened to approve the financial statements for the 2021 fiscal year

1.5 Executive Management

Bernard Arnault has been Chairman and Chief Executive Officer of the Company since 1989. The Board of Directors has not limited the powers vested in the Chief Executive Officer.

The Board of Directors came to the conclusion that the combined role of Chairman and Chief Executive Officer was suited to the Company's specific shareholding structure, and furthermore enabled more rapid decision-making. Consequently, it decided not to dissociate the roles of Chairman and Chief Executive Officer. In September 2001, in response to the proposal of the Chairman and Chief Executive Officer, the Board appointed Antonio Belloni as Group Managing Director. The Group Managing Director has the same powers as the Chief Executive Officer.

At its meeting of April 14, 2016, the Board of Directors reappointed Bernard Arnault as Chairman and Chief Executive Officer and, at the proposal of the latter, reappointed Antonio Belloni as Group Managing Director.

At its meeting following the Shareholders' Meeting of April 18, 2019, the Board of Directors will be asked to approve the reappointment of the Chairman and Chief Executive Officer and, at the latter's proposal, of the Group Managing Director, as well as the way in which Executive Management is organized within the Group.

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.

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 2018).

The balance is maintained by the membership of the Board of Directors and of its various committees. According to the criteria laid down in the AFEP/MEDEF Code, 47% of the Directors on the Board are Independent Directors. In addition, the Nominations

and Compensation Committee consists entirely of Independent Directors, and at least two-thirds of the members of both the Performance Audit Committee and the Ethics and Sustainable Development Committee are Independent Directors.

1.6 Performance Audit Committee

The principal missions of the Performance Audit Committee are to:

- monitor the process of preparing financial and non-financial information, in particular the individual and consolidated financial statements and, where applicable, make recommendations to ensure their integrity;
- monitor the work of the Statutory Auditors, taking into account, where applicable, the observations and findings of the *Haut Conseil du Commissariat aux Comptes* (the supervisory body for the French audit industry) on checks carried out by it pursuant to Articles L.821-9 *et seq.* of the French Commercial Code;
- ensure the existence, pertinence, application and effectiveness of internal control, risk management including risks of a social and environmental nature, and internal audit procedures, monitor the ongoing effectiveness of those procedures, and make recommendations to senior management on the priorities and general direction of the work of the Internal Audit function, 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 safeguarding measures adopted by them;
- review key agreements entered into by Group companies and agreements entered into by any Group company with a third-party company in which a Director of the LVMH parent

company is also a senior executive or principal shareholder. Significant operations within the scope of the provisions of Article L.225-38 of the French Commercial Code require an opinion issued by an independent expert appointed upon the proposal of the Performance Audit Committee;

- assess any conflicts of interest that may affect a Director and recommend appropriate measures to prevent or correct them.

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.

Two-thirds of the Committee's members are Independent Directors, as recommended by the AFEP/MEDEF Code.

The Performance Audit Committee met four times in fiscal year 2018, with all of its members in attendance. All of these meetings were held without any members of the Company's Executive Management in attendance. The meetings to examine the financial statements were held no later than two days before the examination of the financial statements by the Board of Directors.

These meetings were also attended by the Statutory Auditors, Chief Financial Officer, Deputy Chief Financial Officer, 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, the Group's tax situation, 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 2017 parent company and consolidated financial statements, the Statutory Auditors gave a presentation covering, in particular, internal control and the main audit issues identified, the context for the closing of the financial statements in the light of the acquisition of Christian Dior Couture and extensive changes to taxation in France and the United States, as well as the scope of their work. The Statutory Auditors also raised the new European regulation on audit reform, particularly in relation to the new report.

1.7 Nominations and Compensation Committee

After undertaking its own review, the Committee is responsible for issuing opinions on applications and renewals for the positions of Director and Advisor, making certain that the Company's Board of Directors includes prominent independent persons outside the Company. In particular, it discusses the independence of Board members with respect to applicable criteria. In addition, it shall make proposals on the appointment or re-appointment of the Chairman of the Performance Audit Committee.

In connection with the preparation of the Board's 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 period 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 senior management positions at the Group's main subsidiaries. It is the consultative body responsible for defining the measures to be taken in the event that such an office falls prematurely vacant.

After review, the Committee shall make recommendations on the distribution of directors' fees paid by the Company and prepares a summary table of directors' fees effectively paid to each Director.

It shall make proposals to the Board on fixed, variable and 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. If applicable, it shall also issue an opinion on any consulting agreements entered into, whether directly or indirectly, with those 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

It was given the Statutory Auditors' independence declaration as well as the amount of the fees paid to the Statutory Auditors' network by companies controlled by the Company or the entity that controls it, in respect of services not directly related to the Statutory Auditors' engagement, and was informed of the services provided in respect of work directly related to the Statutory Auditors' engagement.

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 during fiscal year 2018, and its members' attendance rate at these meetings averaged 89%. 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) issued a favorable opinion on the granting of a medium-term incentive plan for senior executives of certain subsidiaries and (v) examined the table setting out directors' fees paid to Directors and Advisory Board members in fiscal year 2017.

In addition, the Committee issued an opinion on the status of all members with regard, in particular, to the independence criteria set forth within the AFEP/MEDEF Code. It reviewed the directorships of members of the Board of Directors due to expire at the close of the Shareholders' Meeting of April 12, 2018 and issued an opinion on the renewal of Directors' terms of office. It accepted the proposal of Sophie Chassat as a Director and issued an opinion in favor of her joining the Board of Directors following the resignation of Natacha Valla. 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 meeting of January 29, 2019, the Committee in particular reviewed the Company's executive compensation policy and recommended that 60% of the variable portion of annual compensation paid to the Chairman and Chief Executive Officer now be based on achieving quantifiable targets and 40% on achieving qualitative targets. It also reviewed the fixed compensation paid to executive company officers and found that there were no grounds for any changes. It examined the criteria established for determining the amount of their variable compensation and made recommendations on variable compensation to be paid in respect of 2018, which it proposed keeping at the same level as in 2017. It also formulated a recommendation relating to fixed compensation for 2019 and variable compensation for 2018 paid to Directors receiving compensation from the Company or its subsidiaries.

It also reviewed all the terms of office of Directors expiring in 2019 and issued a favorable opinion on (i) the reappointment as Directors of Bernard Arnault, Hubert Védrine and Sophie Chassat, subject to her co-optation as a Director being ratified at the Shareholders' Meeting of April 18, 2019, and Clara Gaymard, (ii) the appointment of Iris Knobloch as a new Director, with Bernadette Chirac having not sought reappointment, and (iii) the appointment of Yann Arthus-Bertrand as an Advisory Board member.

Lastly, the Committee 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.

The Committee also issued a favorable opinion on the combined role of Chairman and Chief Executive Officer, reiterating that this means of operation for Executive Management was suited to the Company's specific shareholding structure, and furthermore enabled more rapid decision-making.

1.8 Ethics and Sustainable Development Committee

At its meeting of April 14, 2016, the Board of Directors decided to establish an Ethics and Sustainable Development Committee, whose main duties are to:

- ensure compliance with the rules and values defined by the LVMH Code of Conduct as well as the other codes and charters resulting from this Code;
- contribute to the definition of rules of conduct or principles for action on which the Group's executives and employees must base their behavior in line with ethical standards as well as the Group's approach to corporate social responsibility;
- review the ethical, environmental, workforce-related and social responsibility issues faced by the Group;
- review the environmental, workforce-related and social information contained in the "*Management Report of the Board of Directors*" and submit its opinion on this information to the Board;

- monitor the functioning of 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 during the year, with all of its members in attendance. At that meeting, the Ethics and 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.

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 competences. Under the Bylaws, they are appointed for three-year terms.

They are invited to meetings of the Board of Directors and are consulted for decision-making purposes, but do not have a vote. They may be consulted by the Chairman of the Board of Directors on the Group's strategic direction and, more generally,

on any issues relating to the Company's organization and development. The Committee Chairmen may also solicit their opinion on matters falling within their respective areas of expertise. Their absence does not affect the validity of the Board of Directors' proceedings.

The Company currently has one Advisory Board member, Paolo Bulgari, whose extensive knowledge of the Group and the global luxury goods market represents a valuable asset during the Board's discussions.

Advisory Board member

Name	Nationality	Date of first appointment	Renewal of the term of office
Paolo BULGARI	Italian	03/31/2011	2020

1.10.2 Advisory Board members' terms of office

1.10.2.1 Advisory Board member's directorships

Paolo BULGARI

Date of birth: October 8, 1937.

Business address: Bvlgari – Lungotevere Marzio, 11 - 00187 Rome (Italy).

Number of LVMH shares held in a personal capacity: 500 shares.

The nephew of Sotirio Bulgari, founder of the House of Bvlgari, Paolo Bulgari began his career as a specialist in precious stones within the family business in 1960. He has been Chairman of Bvlgari since 1984. Recognized as one of the leading experts in precious stones, he embodies the spirit of the Company and the inspiration of its creative team.

Current positions and offices

LVMH group

France LVMH Moët Hennessy - Louis Vuitton SE⁽¹⁾
International Bulgari SpA (Italy)

Advisory Board member
Chairman of the Board of Directors

Other

International El Greco Srl (Italy)
El Greco Due Srl (Italy)
Podernuovo Srl (Italy)
Sarment Wine (Singapore)

Chairman of the Board of Directors and Director delegate
Chairman of the Board of Directors and Director delegate
Chairman of the Board of Directors
Honorary Chairman

(1) Listed company.

1.10.2.2 Appointment of an Advisory Board member proposed at the Shareholders' Meeting

Yann ARTHUS-BERTRAND

Date of birth: March 13, 1946. Nationality: French.

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

France	GoodPlanet Foundation	Chairman
	Association France Parkinson	Member of the Board of Directors
	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

1.11 Participation in Shareholders' Meetings

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular conditions for the allocation of dual voting rights to the holders of registered shares,

are laid down in the chapter "*Other information*" (paragraph 1.3 Additional information) of this Reference 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)^(a)

Type	Authorization date	Expiry/ Duration	Amount authorized	Use as of December 31, 2018
Share repurchase program Maximum purchase price: 400 euros	SM April 12, 2018 (13th resolution)	October 11, 2019 (18 months)	10% of the share capital ^(b)	Movements during the fiscal year ^(c) Purchases: 1,347,257 shares Disposals: 598,257 shares 2,135,404 shares held at 12/31/2018
Reduction of capital through the retirement of shares purchased under the share repurchase program	SM April 12, 2018 (14th resolution)	October 11, 2019 (18 months)	10% of the share capital per 24-month period ^(b)	Shares retired during the fiscal year: 2,775,952 shares

(a) A resolution renewing these authorizations under identical terms will be presented at the Shareholders' Meeting of April 18, 2019. 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, 2018.

(c) Movements between April 12, 2018 and December 31, 2018 mentioned in §6 of the *Management Report of the Board of Directors* - Parent company: LVMH Moët Hennessy - Louis Vuitton.

Authorizations to increase the share capital (L.225-129, L.225-129-2 and L.228-92 of the French Commercial Code)^(a)

Type	Authorization date	Maturity/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2018
Through the capitalization of profit, reserves, additional paid-in capital or other items (L.225-129-2 and L.225-130)	SM April 13, 2017 (18th resolution)	June 12, 2019 (26 months)	50 million euros ^(b)	Not applicable	None
With preferential subscription rights: Ordinary shares and securities giving access to the share capital	SM April 13, 2017 (20th resolution)	June 12, 2019 (26 months)	50 million euros ^{(b)(c)}	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 13, 2017 (21st resolution)	June 12, 2019 (26 months)	50 million euros ^{(b)(c)}	At least equal to the minimum price required by regulations ^(d)	None
• by means of private placement (L.225-135 <i>et seq.</i>)	SM April 13, 2017 (22nd resolution)	June 12, 2019 (26 months)	50 million euros ^{(b)(c)} 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 ^(d)	None
Increase in the number of shares to be issued in the event that the is oversubscribed in connection with capital increases, with or without preferential subscription rights, carried out pursuant to the 20th, 21st and 22nd resolutions of the Shareholders' Meeting on April 13, 2017	SM April 13, 2017 (24th resolution)	June 12, 2019 (26 months)	Up to 15% of the initial issue ^(b)	Same price as the initial issue	None
In connection with a public exchange offer (L.225-148)	SM April 13, 2017 (25th resolution)	June 12, 2019 (26 months)	50 million euros ^(b)	Free	None
In connection with in-kind contributions (L.225-147)	SM April 13, 2017 (26th resolution)	June 12, 2019 (26 months)	10% of the share capital at the date of the issue ^{(b)(e)}	Free	None

(a) A resolution renewing these authorizations under identical terms will be presented at the Shareholders' Meeting of April 18, 2019. See §1.13 below.

(b) Maximum nominal amount (i.e. 166,666,666 shares based on a nominal value of 0.30 euros per share). This is an overall cap set by the Shareholders' Meeting of April 13, 2017 for any issues decided upon pursuant to the 18th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th, 27th or 28th resolutions.

(c) Up to the overall maximum of 50 million euros referred to in (b), this amount may be increased to a maximum of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of April 13, 2017, 24th resolution).

(d) Up to a maximum of 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is equal to at least 90% of the weighted average share price over the three trading days preceding the date on which it is determined (Shareholders' Meeting of April 13, 2017, 23rd resolution).

(e) As a guide, this equates to 50,502,734 shares on the basis of the share capital under the Bylaws as of December 31, 2018.

Employee share ownership

Type	Authorization date	Expiry / Duration	Amount authorized	Issue price determination method	Use as of December 31, 2018
Share subscription or purchase options (L.225-177 <i>et seq.</i>) ^(a)	SM April 13, 2017 (27th resolution)	June 12, 2019 (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: 5,069,802 shares
Bonus share awards (L.225-197-1 <i>et seq.</i>)	SM April 12, 2018 (15th resolution)	June 11, 2020 (26 months)	1% of the share capital ^(b)	Not applicable	<ul style="list-style-type: none"> • Granted: 9,477 shares • Available to be granted: 5,060,325 shares
Capital increase reserved for employees who are members of a company savings plan (L.225-129-6) ^(a)	SM April 13, 2017 (28th resolution)	June 12, 2019 (26 months)	1% of the share capital ^{(b)(c)}	Average share price over the 20 trading days preceding the grant date, subject to a maximum discount of 20%	None

(a) A resolution renewing these authorizations under identical terms will be presented at the Shareholders' Meeting of April 18, 2019. See §1.13 below.

(b) Up to the overall maximum of 50 million euros set by the Shareholders' Meeting of April 13, 2017, against which this amount is offset.

(c) As a guide, this equates to 5,069,802 shares on the basis of the share capital under the Bylaws as of April 13, 2017 and as of April 12, 2018.

(d) For purchase options, the price may not be less than the average purchase price of the shares.

1.13 Authorizations proposed at the Shareholders' Meeting of April 18, 2019

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: 400 euros	SM April 18, 2019 (16th resolution)	October 17, 2020 (18 months)	10% of the share capital ^(a)
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 ^(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, 2018.

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
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
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
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)
• by means of private placement (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)
Increase in the number of shares to be issued in the event that the 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 on 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
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
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 date of the issue ^{(a)(d)}	Free

(a) Maximum nominal amount (i.e. 166,666,666 shares based on a nominal value of 0.30 euros per share). This is an overall cap set by the Shareholders' Meeting of April 18, 2019 (28th resolution) for any issues decided upon pursuant to the 18th, 19th, 20th, 21st, 22nd, 23rd, 24th, 25th, 26th and 27th resolutions.

(b) The amount of the capital increase decided by the Board of Directors may be increased up 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) and up to the overall cap of 50 million euros stated in (a) above.

(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 the subscription price is set (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, 2018.

Employee share ownership

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method
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 ^{(a)(b)}	Average share price over the 20 trading days preceding the grant date ^(c) , with no discount
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 ^{(a)(b)}	Average share price over the 20 trading days preceding the grant date, subject to a maximum discount of 20%

(a) Up to the overall maximum of 50 million euros proposed at the Shareholders' Meeting of April 18, 2019 (28th resolution) against which this amount would be offset.

(b) As a guide, this equates to 5,050,274 shares on the basis of the share capital under the Bylaws as of December 31, 2018.

(c) For purchase options, the price may not be less than the average purchase price of the shares.

1.14 Information on the related-party agreements described in Article L.225-37-4 2° of the French Commercial Code

No related-party agreements covered by Article L.225-37-4 2° of the French Commercial Code were entered into in fiscal year 2018.

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 47.16% of the share capital and 63.27% of the voting rights exercisable at Shareholders' Meetings as of December 31, 2018;
- share issues and repurchases under various resolutions:
 - the shareholders have delegated to the Board of Directors the power to:
 - acquire Company shares within the limit of 10% of the share capital,
 - increase the share capital, with or without preferential subscription rights and via public offering or private placement,

up to a total nominal amount not exceeding 50 million euros, i.e. 33% of the Company's current share capital,

- increase the share capital in connection with a public exchange offer or in-kind contributions.

These delegations of authority are suspended during takeover bids or exchange offers:

- the shareholders have also delegated to the Board of Directors the power to:
 - allocate share subscription options or bonus shares to be issued within the limit of 1% of the share capital,
 - increase the share capital through an issue for employees within the limit of 1% of the share capital.

These delegations of authority are not suspended during takeover bids or exchange offers.

2. COMPENSATION OF SENIOR EXECUTIVE OFFICERS

The Board of Directors determines executive compensation policy after consulting the Nominations and Compensation Committee, whose responsibilities include (i) making proposals on fixed, variable and exceptional compensation as well as benefits in kind payable to the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director; (ii) giving an opinion on the granting of options or

bonus performance share awards to the Chief Executive Officer and the Group Managing Director and on the requirement of retaining possession of a portion of any such shares; (iii) formulating a position on supplementary pension plans put in place by the Company for its senior executives; and (iv) making proposals on any retirement bonuses that might be paid to a senior executive when he/she steps down.

Compensation and benefits awarded to senior executive officers mainly reflect the degree of responsibility attached to their roles, their individual performance and the Group's results,

2.1 Compensation policy

2.1.1 Compensation and benefits in kind

Compensation payable to senior executive officers is determined with reference to the principles laid down in the AFEP/MEDEF Code.

This compensation is broken down as follows:

Fixed compensation

Compensation payable to the Chairman and Chief Executive Officer and the Group Managing Director includes a fixed component, which it has been decided to keep stable.

Variable 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 from 2019 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. The qualitative criteria – related to corporate social responsibility and sustainable development in particular – have been laid down precisely, but are not made public for confidentiality reasons. The method used for assessing performance has been reviewed by the Nominations and Compensation Committee. Given the choice made to keep fixed compensation amounts steady, the variable portion is capped at 250% of the fixed portion for the Chairman and Chief Executive Officer and at 150% of the fixed portion for the Group Managing Director.

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.

Award of share options and bonus shares

The Chairman and Chief Executive Officer and the Group Managing Director are eligible for bonus share plans and stock option plans put in place by the Company for the Group's

and the achievement of targets. They also take into account compensation paid by companies of a similar size, industry sector and international presence.

employees and executives. Any bonus shares awarded to them must be subject to performance conditions laid down by the Board of Directors at the proposal of the Nominations and Compensation Committee. The Board of Directors has adopted the recommendation put forward by the Nominations and Compensation Committee and capped the financial value of shares awarded to the Chairman and Chief Executive Officer and the Group Managing Director at 60% and 40% of their total annual compensation respectively.

Concerning the option plans put in place between 2008 and 2009 and all bonus performance share plans put in place since 2010, the Chairman and Chief Executive Officer and the Group Managing Director must, if they exercise their options or if their shares vest, retain possession, in registered form and until the conclusion of their respective terms of office, of a specified number of shares, under the terms laid down in those plans (see §4.4 and §4.5 of the *Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy - Louis Vuitton).

The Company has not put in place any share subscription option or purchase plans since 2010.

In the resolutions put to the vote at the Shareholders' Meeting, the Board of Directors decided not to include a specific cap on the allocation of options or bonus performance shares to senior executive officers, considering that the Nominations and Compensation Committee – which consists entirely of Independent Directors and is tasked with making proposals on the granting of options or bonus performance shares to senior executives – ensures an adequate degree of control over allocation policy.

Furthermore, the Charter of the Board of Directors forbids senior executive officers from using hedging transactions on their share purchase or subscription options or their performance shares until the end of the holding period set by the Board.

Directors' fees

The Shareholders' Meeting shall set the total amount of directors' fees to be paid to the members of the Board of Directors. This total, annual amount has been set at 1,260,000 euros since the Shareholders' Meeting of April 5, 2012. It is divided among the Directors and the members of the Advisory Board, in accordance with the rule defined by the Board of Directors, based on the proposal submitted by the Nominations and Compensation Committee, namely:

- (i) two units for each Director or member of the Advisory Board;
- (ii) one additional unit for serving as a Committee member;

- (iii) two additional units for serving as both a Committee member and a Committee Chairman;
- (iv) two additional units for serving as either Chairman or Vice-Chairman of the Company's Board of Directors;

with the understanding that the amount corresponding to one unit is obtained by dividing the overall amount allocated to be paid as directors' fees by the total number of units to be distributed.

A portion of the directors' fees to be paid to its members is contingent upon their attendance at meetings of the Board of Directors and, where applicable, at those of the Committees to which they belong. A reduction in the amount to be paid is applied to two-thirds of the units described under (i) above, proportional to the number of Board meetings the Director in question does not attend.

In addition, for Committee members, a reduction in the amount to be paid is applied to the additional fees mentioned under (ii) and (iii) above, proportional to the number of Committee meetings the Director in question does not attend.

The Nominations and Compensation Committee is kept informed of the amount of directors' fees paid to senior executive officers by the Group's subsidiaries in which they perform the role of company officers.

Exceptional compensation

Exceptional compensation may be awarded by the Board of Directors to certain Directors, with respect to any specific mission with which they have been entrusted. The amount shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

Benefits in kind

Like the other members of the Group's Executive Committee, the Chairman and Chief Executive Officer and the Group Managing Director each have a company car. The value of this benefit is measured in accordance with the applicable tax provisions.

2.1.2 Other undertakings and regulated agreements

Severance benefits

Pursuant to the provisions of Article L.225-42-1 of the French Commercial Code, at its meeting on February 4, 2010, the Board of Directors approved the non-compete clause included in Antonio Belloni's employment contract – suspended during the duration of his mandate as Group Managing Director; this commitment not to compete for a twelve-month period provides for the payment of a monthly compensation equal to his monthly remuneration on the termination date of his functions, which would be supplemented by one-twelfth of

the last bonus received. Article 21 of the AFEP/MEDEF Code, recommending that an employee's employment contract be terminated when that employee is appointed a senior executive officer, does not apply to the Group Managing Director, a role in which Antonio Belloni has served since September 26, 2001.

Notwithstanding this clause, neither the Chairman and Chief Executive Officer nor the Group Managing Director benefit from provisions granting them specific compensation upon leaving the Company or exemption from rules governing the exercise of options or the vesting of bonus performance shares.

Supplementary pensions

The members of the Group's Executive Committee who are employees or senior executive officers of French subsidiaries, and who have been members of the Committee for at least six years, are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group. This is not required however, if they leave the Group at the latter's request after the age of 55 and resume no other professional activity until their external pension plans are liquidated.

This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,390,620 euros as of December 31, 2018). The annual supplementary retirement benefit is equal to the difference between 60% of the reference remuneration amount (capped where appropriate) and all pension payments made in France (under the general social security plan and the ARRCO and AGIRC supplementary plans) and abroad. As of December 31, 2018, the total amount of pensions and the supplementary pension may not exceed 834,372 euros per year.

As a result of the aforementioned system, on the basis of compensation paid to the Chairman and Chief Executive Officer and the Group Managing Director in 2018, the supplementary pension payable to them would not exceed 45% of the amount of their last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The supplementary pension only vests when retirement benefits are claimed.

Given the characteristics of the plan put in place by the Company and their personal circumstances, the supplementary pensions for which Bernard Arnault and Antonio Belloni may qualify no longer give rise to the annual vesting of additional benefits or, consequently, to a correlative increase in the Company's financial commitment.

Recipients' potential benefits are funded by contributions paid to an insurer, which are deductible from the corporate tax base and subject to the contribution tax provided for under Article L.137-11, I, 2°, a) of the French Social Security Code, the rate of which is set at 24%.

2.2 Compensation paid or awarded in respect of fiscal year 2018

2.2.1 Summary of compensation, options and performance shares granted to senior executive officers^(a)

Bernard Arnault – Chairman and Chief Executive Officer

(EUR)	2018	2017
Fixed and variable compensation due in respect of the fiscal year	3,319,382	3,339,947
Valuation of options granted during the fiscal year	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year ^(b)	4,482,439	4,482,312

Antonio Belloni – Group Managing Director

(EUR)	2018	2017
Fixed and variable compensation due in respect of the fiscal year	5,471,048	5,556,802
Valuation of options granted during the fiscal year	-	-
Valuation of bonus performance shares provisionally allocated during the fiscal year ^(b)	2,021,405	2,021,297

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, in addition to compensation and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L.225-37-3 of the French Commercial Code, excluding directors' fees.

(b) A breakdown of equity securities or securities giving access to equity allocated to senior executive officers during the fiscal year is set out in §2.2.5 below and the performance conditions that must be met for shares to vest are set out in §4.5 in the *Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy - Louis Vuitton.

2.2.2 Summary of compensation paid to each senior executive officer^(a)

Bernard Arnault – Chairman and Chief Executive Officer

Compensation (EUR)	Amounts due for the fiscal year		Amounts paid during the fiscal year	
	2018	2017	2018	2017
Fixed compensation	1,119,382	1,139,947	1,119,382	1,139,947
Variable compensation	2,200,000 ^(b)	2,200,000	2,200,000 ^(c)	2,200,000 ^(c)
Exceptional compensation	-	-	-	-
Directors' fees ^(d)	114,443	116,413	116,413	102,659
Benefits in kind ^(e)	41,359	37,807	41,359	37,807
Total	3,475,184	3,494,167	3,477,154	3,480,413

Antonio Belloni – Group Managing Director

Compensation (EUR)	Amounts due for the fiscal year		Amounts paid during the fiscal year	
	2018	2017	2018	2017
Fixed compensation ^(f)	3,155,798	3,241,552	3,155,798	3,241,552
Variable compensation	2,315,250 ^(b)	2,315,250	2,315,250 ^(c)	2,315,250 ^(c)
Exceptional compensation	-	-	-	-
Directors' fees ^(d)	87,245	87,245	87,245	87,245
Benefits in kind ^(e)	6,437	10,188	6,437	10,188
Total	5,564,730	5,654,235	5,564,730	5,654,235

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, in addition to compensation and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L.225-37-3 of the French Commercial Code.

(b) Subject to the approval of the Shareholders' Meeting of April 18, 2019.

(c) Amounts paid in respect of the prior fiscal year.

(d) The rules for attributing directors' fees at the Company are presented in §2.1.1 above.

(e) Benefit in kind: Company car.

(f) Including housing allowance.

2.2.3 Summary of directors' fees, compensation, benefits in kind and commitments given to other company officers^(a)

Members of the Board of Directors (EUR unless otherwise stated)	Directors' fees paid in		Fixed compensation paid during the fiscal year		Variable compensation paid during the fiscal year		Exceptional compensation paid during the fiscal year	
	2018	2017	2018	2017	2018	2017	2018	2017
Antoine Arnault ^{(b)(c)}	77,500	77,500	765,000	750,000	350,000	300,000	-	-
Delphine Arnault ^{(b)(c)}	89,411	61,987	875,799	869,522	680,000	1,780,000 ^(d)	-	-
Nicolas Bazire ^{(b)(c)(e)}	59,290	55,000	1,235,000	1,235,000	2,700,000	2,700,000	-	-
Sophie Chassat ^(f)	2,500	-	-	-	-	-	-	-
Bernadette Chirac	15,000	15,000	-	-	-	-	-	-
Charles de Croisset	112,500	112,500	-	-	-	-	-	15,000 ⁽ⁱ⁾
Diego Della Valle	45,000	35,000	-	-	-	-	-	-
Clara Gaymard	45,000	45,000	-	-	-	-	-	-
Marie-Josée Kravis	52,500	56,875	-	-	-	-	-	-
Lord Powell of Bayswater	37,500	40,000	205,000 ^(g)	205,000 ^(g)	-	-	-	-
Marie-Laure Sauty de Chalon	67,500	67,500	-	-	-	-	-	-
Yves-Thibault de Silguy	157,500	157,500	-	-	-	-	-	15,000 ⁽ⁱ⁾
Natacha Valla ^(h)	20,000	45,000	-	-	-	-	-	15,000 ⁽ⁱ⁾
Hubert Védrine	60,000	56,875	-	-	-	-	-	-

(a) Directors' fees and gross compensation and/or fees and benefits in kind paid or borne by the Company and companies controlled, in addition to compensation and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, in accordance with Article L.225-37-3 of the French Commercial Code.

(b) A breakdown of equity securities or securities giving access to equity allocated to company officers during the fiscal year is set out in §2.2.5 below.

(c) Benefits in kind: Company car.

(d) Of which 1,200,000 euros in 2017 under a medium-term incentive plan.

(e) Other benefit: Supplementary pension.

(f) Director since October 25, 2018.

(g) In pounds sterling.

(h) Director until May 7, 2018.

(i) Member of the ad hoc committee formed in connection with the Company's acquisition of the Christian Dior Couture segment.

In addition, gross attendance fees paid by the Company to Advisory Board members in 2018 were as follows:

(EUR)	
Paolo Bulgari	22,500
Albert Frère	13,750

In respect of fiscal year 2018, LVMH paid a total gross amount of 966,250 euros in directors' fees to the members of its Board of Directors and Advisory Board members.

2.2.4 Options granted to and exercised by company officers during the fiscal year

Options granted to senior executive of the Company

See also §4.4 in the "Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the *Management Report of the Board of Directors* for the allocation and holding arrangements.

No new option plans were put in place in 2018.

Options exercised by executive officers of the Company^(a)

Recipients	Company granting the options	Date of the plan	Number of options	Exercise price (EUR)
Bernard Arnault	LVMH	05/15/2008	444,344	65.265
	Christian Dior	05/15/2008	217,633	67.31
Antonio Belloni	LVMH	05/15/2008	146,898	65.265
	"	05/14/2009	30,000	50.861

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

Options exercised by other executive officers of the Company^(a)

Recipients	Company granting the options	Date of the plan	Number of options	Exercise price (EUR)
Antoine Arnault	LVMH	05/15/2008	10,554	65.265
Delphine Arnault	LVMH	05/15/2008	10,554	65.265
	Christian Dior	05/15/2008	19,742	67.31
Nicolas Bazire	LVMH	05/14/2009	7,692	50.861

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

2.2.5 Performance shares allocated to company officers during the fiscal year

See also §4.5 in the “Parent company: LVMH Moët Hennessy - Louis Vuitton” section of the *Management Report of the Board of Directors* for the allocation and holding arrangements.

Shares allocated on a provisional basis during the fiscal year to company officers of the Company

Recipients	Company granting the shares	Date of Shareholders' Meeting	Date of the plan	Number of performance shares	% of the share capital	Valuation of shares (EUR)
Bernard Arnault	LVMH	04/14/2016	04/12/2018	17,119	0.0034	4,482,439
Antonio Belloni	LVMH	04/14/2016	04/12/2018	7,720	0.0015	2,021,405

Shares allocated on a provisional basis during the fiscal year to other company officers of the Company

Recipients	Company granting the shares	Date of the plan	Number of performance shares
Antoine Arnault	LVMH	04/12/2018	1,148
Delphine Arnault	LVMH	04/12/2018	4,052
Nicolas Bazire	LVMH	04/12/2018	7,720

Shares vested during the fiscal year to company officers of the Company

Recipients	Company granting the shares	Date of the plan	Number of performance shares
Bernard Arnault	LVMH	04/16/2015	10,012
	"	10/22/2015	14,626
	Christian Dior	12/01/2015	14,656
Antonio Belloni	LVMH	04/16/2015	9,644
	"	10/22/2015	14,089

Shares vested during the fiscal year to other company officers of the Company

Recipients	Company granting the shares	Date of the plan	Number of performance shares
Antoine Arnault	LVMH	04/16/2015	1,432
	"	10/22/2015	2,093
Delphine Arnault	LVMH	04/16/2015	1,432
	"	10/22/2015	2,093
	Christian Dior	12/01/2015	4,675
Nicolas Bazire	LVMH	04/16/2015	9,644
	"	10/22/2015	14,089

Bonus performance shares allocated to senior executive officers under the April 12, 2018 plan represent 10.41% of total allocations under this plan concerning bonus shares subject to conditions related to the performance of the LVMH group.

2.2.6 Prior allocations of options

2.2.6.1 Share purchase option plans

No share purchase option plans were in effect in 2018.

2.2.6.2 Share subscription option plans

One share subscription option plan with outstanding options remaining, set up on May 14, 2009, was in force as of December 31, 2018. 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 conclusion of their respective terms of office, of a number of shares representing a sliding percentage of between 50% and 30% (based on the remaining term of the plan) of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date. This obligation shall expire when the value of shares held exceeds twice the amount of their most recently disclosed fixed and variable compensation.

Date of Shareholders' Meeting	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	05/15/2008	05/14/2009	Total
Total number of options granted at plan inception^(a)	1,698,320	1,301,770	3,000,090
<i>of which Company officers^(b)</i>	<i>766,000</i>	<i>541,000</i>	<i>1,307,000</i>
Bernard Arnault ^(c)	400,000	200,000	600,000
Antoine Arnault ^(c)	9,500	9,500	19,000
Delphine Arnault ^(c)	9,500	9,500	19,000
Nicolas Bazire ^(c)	142,500	100,000	242,500
Antonio Belloni ^(c)	142,500	100,000	242,500
<i>of which Top ten employee recipients^(d)</i>	<i>346,138</i>	<i>327,013</i>	<i>673,151</i>
Number of recipients	545	653	
Earliest option exercise date	05/15/2012	05/14/2013	
Expiry date	05/14/2018	05/13/2019	
Subscription price (EUR) ^(e)	65.265	50.861	

(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) Company officers serving as of December 31, 2018.

(d) Options granted to top ten active employees other than company officers 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.

2.2.7 Prior allocations of performance shares

The terms and conditions of allocation and performance conditions related to the vesting of shares are presented in §4.5 of the *Management Report of the Board of Directors* – Parent company: LVMH Moët Hennessy - Louis Vuitton.

For plans set up since 2010, if their shares vest, the Chairman and Chief Executive Officer and the Group Managing Director must retain possession, in registered form until the conclusion of

their respective terms in office, of a number of shares corresponding to one-half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the opening share price on the vesting date for plans set up before 2013, and on the basis of the closing share price on the day before the vesting date for plans set up since 2013.

Date of Shareholders' Meeting	04/18/2013	04/16/2015	04/16/2015	04/14/2016	04/14/2016	04/14/2016	
Date of Board of Directors' meeting	10/23/2014	04/16/2015	10/22/2015	10/20/2016 ^(a)	10/25/2017 ^(a)	04/12/2018	
	Performance shares	Performance shares	Performance shares	Performance shares	Performance shares	Performance shares	Total
Total number of bonus performance shares provisionally allocated at plan inception^(b)	307,548	73,262	315,532	310,509	346,490	332,116	1,685,457
<i>of which Company officers^(c)</i>	<i>19,235</i>	<i>41,808</i>	<i>46,990</i>	<i>43,462</i>	<i>43,549</i>	<i>37,759</i>	<i>232,803</i>
Bernard Arnault ^(d)	4,606	10,012	14,626	13,528	19,745	17,119	79,636
Antoine Arnault ^(d)	659	1,432	2,093	1,936	1,323	1,148	8,591
Delphine Arnault ^(d)	659	1,432	2,093	1,936	4,673	4,052	14,845
Nicolas Bazire ^(d)	4,437	9,644	14,089	13,031	8,904	7,720	57,825
Antonio Belloni ^(d)	4,437	9,644	14,089	13,031	8,904	7,720	57,825
<i>of which Top ten employee recipients^(e)</i>	<i>36,280</i>	<i>31,454</i>	<i>61,858</i>	<i>57,734</i>	<i>120,378</i>	<i>134,814</i>	<i>442,518</i>
Number of recipients	772	14	740	740	851	859	
Vesting date	10/23/2017 ^(f)	04/16/2018 ^(f)	10/22/2018 ^(f)	10/20/2019	10/25/2020 ^(g)	04/12/2021 ^(h)	
Date as of which the shares may be sold	10/23/2019 ^(f)	04/16/2020 ^(f)	10/22/2020 ^(f)	10/20/2019	10/25/2020 ^(g)	04/12/2021 ^(h)	
Performance condition	Satisfied	Satisfied	Satisfied	Satisfied	Satisfied in 2018⁽ⁱ⁾	Not applicable in 2018	

(a) The total number of bonus shares and performance shares in the plans launched on October 20, 2016 and October 25, 2017, stands at 360,519 shares and 364,992 shares respectively (see §4.5.1 in the "Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the *Management Report of the Board of Directors*). No bonus shares were awarded to company officers.

(b) For the pre-2015 plan, before adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

(c) Total number of performance shares allocated to company officers serving as of the provisional allocation date.

(d) Company officers serving as of December 31, 2018.

(e) Performance shares allocated to top ten employees - other than LVMH company officers - serving as of the provisional allocation date.

(f) Shares vest and become available on October 23, 2018, April 16, 2019 and October 22, 2019 for recipients who are not French residents for tax purposes.

(g) 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).

(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.

(i) Condition related to the performance of LVMH SE.

2.2.8 Employment contracts, specific pensions, severance benefits and non-compete clauses for senior executive officers

Senior executive officers	Work contract		Supplementary pension		Indemnities or benefits due or likely to become due on the cessation or change of functions		Indemnities relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Bernard Arnault Chairman and Chief Executive Officer		X	X			X		X
Antonio Belloni Group Managing Director	X ^(a)		X			X	X ^(a)	

(a) Employment contract suspended for the duration of the term of Group Managing Director; covenant not to compete for a twelve-month period included in the employment contract providing for the monthly payment during its application of a compensation equal to the monthly compensation on the termination date of his functions, supplemented by one-twelfth of the last bonus received.

The Company has set up a defined-benefit pension plan, in accordance with the provisions of Article L.137-11 of the French Social Security Code, for senior executives, the characteristics of which are described in §2.1.2.

Increases in provisions for these supplementary retirement benefits in 2018 are included in the amount shown for post-employment benefits under Note 32.4 to the consolidated financial statements.

2.3 Presentation of the draft resolutions concerning the compensation of senior executive officers

2.3.1 Compensation paid or awarded in respect of 2018

Pursuant to Article L.225-100 of the French Commercial Code, the Shareholders' Meeting of April 18, 2019, will be asked to approve the components of the total compensation paid or

awarded to Bernard Arnault and Antonio Belloni in respect of the fiscal year ended December 31, 2018 (twelfth and thirteenth resolutions).

Summary of compensation paid to each senior executive officer^(a)Bernard Arnault^(a)

Gross compensation	Amounts awarded/ paid in respect of fiscal year 2018	Description
Fixed compensation	1,119,382 euros	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 euros	Compensation paid to the Chairman and Chief Executive Officer also includes a variable annual component based on the achievement of quantifiable and qualitative targets in equal measure. The quantifiable criteria are financial in nature and relate to growth in the Group's revenue, operating profit and cash flow relative to budget, with each of these three components accounting for one-third of the total determination. The qualitative criteria - related to corporate social responsibility and sustainable development in particular - have been precisely established but are not made public for reasons of confidentiality. The method used for assessing performance has been reviewed by the Nominations and Compensation Committee. 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	17,119 shares	
Directors' fees	114,443 euros	
Benefits in kind	41,359 euros	Company car.
Severance pay	-	
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 the latter's 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. 1,390,620 euros as of December 31, 2018). The annual supplementary retirement benefit is equal to the difference between 60% of the reference remuneration amount (capped where appropriate) and all pension payments made in France (under the general social security plan and the ARRCO and AGIRC supplementary plans) and abroad. As of December 31, 2018, the total amount of pensions and the supplementary pension may not exceed 834,372 euros per year. As a result of the aforementioned system, on the basis of compensation paid to Bernard Arnault in 2018, 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, in addition to compensation and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L.225-102-1 of the French Commercial Code.

Antonio Belloni^(a)

Gross compensation	Amounts awarded/ paid in respect of fiscal year 2018	Description
Fixed compensation	3,155,798 euros	Compensation payable to the Group Managing Director includes a fixed component, which it has been decided to keep stable.
Variable compensation	2,315,250 euros	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. The qualitative criteria - related to corporate social responsibility and sustainable development in particular - have been precisely established but are not made public for reasons of confidentiality. The method used for assessing performance has been reviewed by the Nominations and Compensation Committee. The variable component is less than half the limit laid down in 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.
Multi-year variable compensation	-	
Exceptional compensation	-	
Bonus performance shares	7,720 shares	
Directors' fees	87,245 euros	
Benefits in kind	6,437 euros	Company car.
Severance pay	-	
Non-compete payment	-	Employment contract suspended for the duration of the term of Group Managing Director; covenant not to compete for a twelve-month period included in the employment contract providing for the monthly payment during its application of a compensation equal to the monthly compensation on the termination date of his functions, supplemented by one-twelfth of the last bonus received.
Supplementary pension plan	-	<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 the latter's 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. 1,390,620 euros as of December 31, 2018). The annual supplementary retirement benefit is equal to the difference between 60% of the reference remuneration amount (capped where appropriate) and all pension payments made in France (under the general social security plan and the ARRCO and AGIRC supplementary plans) and abroad. As of December 31, 2018, the total amount of pensions and the supplementary pension may not exceed 834,372 euros per year. As a result of the aforementioned system, on the basis of compensation paid to Antonio Belloni in 2018, 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, in addition to compensation and benefits in kind paid or borne by Financière Jean Goujon and Christian Dior, subject to the provisions of Article L.225-102-1 of the French Commercial Code.

Summary of transactions in Lvmh securities during the fiscal year by senior executives and closely related persons

2.3.2 Compensation policy

In accordance with Article L.225-37-2 of the French Commercial Code, it will be proposed at the Shareholders' Meeting of April 18, 2019, that the shareholders approve the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits in kind payable to the Chairman and Chief Executive Officer and the Group Managing Director for performing their duties during the 2019 fiscal year and constituting the compensation policy applicable to them (fourteenth and fifteenth resolutions).

These principles and criteria approved by the Board of Directors at its meeting on January 29, 2019, on the recommendation of the Nominations and Compensation Committee of January 29, 2019, are set out in §2.1.1 above of the *Board of Directors' report on corporate governance* provided for by the aforementioned article. Payment to the Chairman and Chief Executive Officer and Group Managing Director of the annual variable portion of their compensation is subject to prior approval of the amount at the Ordinary Shareholders' Meeting under the conditions provided by Article L.225-100 of the French Commercial Code.

3. SUMMARY OF TRANSACTIONS IN LVMH SECURITIES DURING THE FISCAL YEAR BY SENIOR EXECUTIVES AND CLOSELY RELATED PERSONS ^(a)

Directors concerned	Type of transaction	Number of shares/ securities	Average price (EUR)
Bernard Arnault	Exercise of options ^(b)	444,344	65.2650
	Allocation of shares	24,638	-
	Pledging of shares	444,344	-
Company(ies) related to Bernard Arnault	Release of pledge ^(c)	1,230,000	256.0341
	Pledge ^(d)	1,750,000	265.4000
	Monetization ^(e)	1,130,370	265.4000
	Acquisition of shares	141,100	265.7130
	Lending of shares	500	-
Antoine Arnault	Exercise of options ^(b)	10,554	65.2650
	Allocation of shares	3,525	-
Delphine Arnault	Exercise of options ^(b)	10,554	65.2650
	Allocation of shares	3,525	-
Nicolas Bazire	Exercise of options ^(b)	7,692	50.8610
	Allocation of shares	23,733	-
	Pledging of shares	7,692	-
	Sale of shares	14,285	268.4642
Antonio Belloni	Exercise of options ^(b)	176,898	62.8222
	Allocation of shares	23,733	-
	Sale of shares	6,500	291.9600

(a) Related persons defined in Article R.621-43-1 of the French Monetary and Financial Code.

(b) Exercise of share subscription options.

(c) Release of pledge of securities account.

(d) Pledge of securities account.

(e) Funding through monetization.

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

<i>(EUR millions, except for earnings per share)</i>	Notes	2018	2017 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾
Revenue	23-24	46,826	42,636	37,600
Cost of sales		(15,625)	(14,783)	(13,039)
Gross margin		31,201	27,853	24,561
Marketing and selling expenses		(17,755)	(16,395)	(14,607)
General and administrative expenses		(3,466)	(3,162)	(2,931)
Income/(loss) from joint ventures and associates	7	23	(3)	3
Profit from recurring operations	23-24	10,003	8,293	7,026
Other operating income and expenses	25	(126)	(180)	(122)
Operating profit		9,877	8,113	6,904
Cost of net financial debt		(117)	(137)	(133)
Other financial income and expenses		(271)	78	(185)
Net financial income/(expense)	26	(388)	(59)	(318)
Income taxes	27	(2,499)	(2,214)	(2,133)
Net profit before minority interests		6,990	5,840	4,453
Minority interests	17	(636)	(475)	(387)
Net profit, Group share		6,354	5,365	4,066
Basic Group share of net earnings per share (EUR)	28	12.64	10.68	8.08
Number of shares on which the calculation is based		502,825,461	502,412,694	502,911,125
Diluted Group share of net earnings per share (EUR)	28	12.61	10.64	8.06
Number of shares on which the calculation is based		503,918,140	504,010,291	504,640,459

(1) The financial statements as of December 31, 2017 and December 31, 2016 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS 9 Financial Instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the final allocation of the purchase price of Christian Dior Couture. See Note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	Notes	2018	2017 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾
Net profit before minority interests		6,990	5,840	4,453
Translation adjustments		274	(958)	78
Amounts transferred to income statement		(1)	18	-
Tax impact		15	(49)	(9)
	15.4, 17	288	(989)	69
Change in value of hedges of future foreign currency cash flows		3	372	47
Amounts transferred to income statement		(279)	(104)	(26)
Tax impact		79	(77)	(1)
		(197)	191	20
Change in value of the cost of hedging instruments		(271)	(91)	(273)
Amounts transferred to income statement		148	210	180
Tax impact		31	(35)	24
		(92)	84	(69)
Gains and losses recognized in equity, transferable to income statement		(1)	(714)	20
Change in value of vineyard land	6	8	(35)	30
Amounts transferred to consolidated reserves		-	-	-
Tax impact		(2)	82	108
		6	47	138
Employee benefit commitments: change in value resulting from actuarial gains and losses		28	57	(88)
Tax impact		(5)	(24)	17
		23	33	(71)
Gains and losses recognized in equity, not transferable to income statement		29	80	67
Comprehensive income		7,018	5,206	4,540
Minority interests		(681)	(341)	(433)
Comprehensive income, Group share		6,337	4,865	4,107

(1) The financial statements as of December 31, 2017 and December 31, 2016 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS 9 Financial Instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the final allocation of the purchase price of Christian Dior Couture. See Note 2.

CONSOLIDATED BALANCE SHEET

ASSETS (EUR millions)	Notes	2018	2017 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾
Brands and other intangible assets	3	17,254	16,957	13,335
Goodwill	4	13,727	13,837	10,401
Property, plant and equipment	6	15,112	13,862	12,139
Investments in joint ventures and associates	7	638	639	770
Non-current available for sale financial assets	8	1,100	789	744
Other non-current assets	9	986	869	777
Deferred tax	27	1,932	1,741	2,053
Non-current assets		50,749	48,694	40,219
Inventories and work in progress	10	12,485	10,888	10,546
Trade accounts receivable	11	3,222	2,736	2,685
Income taxes		366	780	280
Other current assets	12	2,868	2,919	2,342
Cash and cash equivalents	14	4,610	3,738	3,544
Current assets		23,551	21,061	19,397
Total assets		74,300	69,755	59,616

LIABILITIES AND EQUITY (EUR millions)	Notes	2018	2017 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾
Share capital	15.1	152	152	152
Share premium account	15.1	2,298	2,614	2,601
Treasury shares and LVMH share-settled derivatives	15.2	(421)	(530)	(520)
Cumulative translation adjustment	15.4	573	354	1,165
Revaluation reserves		875	1,111	799
Other reserves		22,462	19,903	18,125
Net profit, Group share		6,354	5,365	4,066
Equity, Group share		32,293	28,969	26,388
Minority interests	17	1,664	1,408	1,510
Equity		33,957	30,377	27,898
Long-term borrowings	18	6,005	7,046	3,932
Non-current provisions	19	2,430	2,484	2,342
Deferred tax	27	5,036	4,989	4,137
Other non-current liabilities	20	10,039	9,870	8,497
Non-current liabilities		23,510	24,389	18,908
Short-term borrowings	18	5,027	4,530	3,447
Trade accounts payable	21.1	5,314	4,539	4,184
Income taxes		538	763	428
Current provisions	19	369	404	352
Other current liabilities	21.2	5,585	4,753	4,399
Current liabilities		16,833	14,989	12,810
Total liabilities and equity		74,300	69,755	59,616

(1) The financial statements as of December 31, 2017 and December 31, 2016 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS 9 Financial Instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the final allocation of the purchase price of Christian Dior Couture. See Note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)		Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Cumulative translation adjustment	Revaluation reserves			Net profit and other reserves	Total equity			
							Available for sale financial assets	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land		Employee benefit commitments	Group share	Minority interests	Total
Notes			15.1		15.2	15.4						17		
As of December 31, 2015	507,139,110		152	2,579	(241)	1,137	103	(10)	965	(107)	19,762	24,340	1,460	25,800
Impact of changes in accounting standards ⁽¹⁾	-		-	-	-	-	(103)	(61)	-	-	160	(4)	-	(4)
As of January 1, 2016, after restatement	507,139,110		152	2,579	(241)	1,137	-	(71)	965	(107)	19,922	24,336	1,460	25,796
Gains and losses recognized in equity						28	-	(44)	113	(56)	-	41	46	87
Net profit											4,066	4,066	387	4,453
Comprehensive income			-	-	-	28	-	(44)	113	(56)	4,066	4,107	433	4,540
Stock option plan-related expenses											39	39	2	41
(Acquisition)/disposal of treasury shares and LVMH share-settled derivatives					(321)						(21)	(342)	-	(342)
Exercise of LVMH share subscription options	907,929			64								64	-	64
Retirement of LVMH shares	(920,951)			(42)	42							-	-	-
Capital increase in subsidiaries												-	41	41
Interim and final dividends paid											(1,811)	(1,811)	(272)	(2,083)
Changes in control of consolidated entities											(5)	(5)	22	17
Acquisition and disposal of minority interests' shares											(58)	(58)	(34)	(92)
Purchase commitments for minority interests' shares											58	58	(142)	(84)
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 and LVMH share-settled derivatives					(50)						(11)	(61)	-	(61)
Exercise of LVMH share subscription options	708,485			53								53	-	53
Retirement of LVMH shares	(791,977)			(40)	40							-	-	-
Capital increase in subsidiaries												-	44	44
Interim and final dividends paid											(2,110)	(2,110)	(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 and LVMH share-settled derivatives					(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

(1) The financial statements as of December 31, 2017 and December 31, 2016 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS 9 Financial Instruments. See Note 1.2.

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2018	2017 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		9,877	8,113	6,904
Income/(loss) and dividends from joint ventures and associates	7	5	25	18
Net increase in depreciation, amortization and provisions		2,302	2,376	2,143
Other computed expenses		(141)	(43)	(177)
Other adjustments		(78)	(66)	(155)
Cash from operations before changes in working capital		11,965	10,405	8,733
Cost of net financial debt: interest paid		(113)	(129)	(122)
Tax paid		(2,275)	(2,790)	(1,923)
Net cash from operating activities before changes in working capital		9,577	7,486	6,688
Change in working capital	14.2	(1,087)	(514)	(512)
Net cash from operating activities		8,490	6,972	6,176
Operating investments	14.3	(3,038)	(2,276)	(2,265)
Net cash from operating activities and operating investments (free cash flow)		5,452	4,696	3,911
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets ^(a)	8	(445)	(125)	(28)
Proceeds from sale of non-current available for sale financial assets	8	45	87	91
Dividends received	8	18	13	55
Tax paid related to non-current available for sale financial assets and consolidated investments		(2)	-	(461)
Impact of purchase and sale of consolidated investments	2.4	(17)	(6,306)	310
Net cash from (used in) financial investments		(401)	(6,331)	(33)
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH SE	15.1	49	53	64
Capital increases of subsidiaries subscribed by minority interests	17	41	44	41
Acquisition and disposals of treasury shares and LVMH share-settled derivatives	15.2	(295)	(67)	(352)
Interim and final dividends paid by LVMH SE	15.3	(2,715)	(2,110)	(1,859)
Tax paid related to interim and final dividends paid		(36)	388	(145)
Interim and final dividends paid to minority interests in consolidated subsidiaries	17	(339)	(260)	(267)
Purchase and proceeds from sale of minority interests	2.4	(236)	(153)	(95)
Net cash from (used in) transactions relating to equity		(3,531)	(2,105)	(2,613)
Change in cash before financing activities		1,520	(3,740)	1,265
IV. FINANCING ACTIVITIES				
Proceeds from borrowings	18.1	1,529	5,931	913
Repayment of borrowings	18.1	(2,174)	(1,760)	(2,181)
Purchase and proceeds from sale of current available for sale financial assets ^(a)	13	(147)	92	(104)
Net cash from (used in) financing activities	14.2	(792)	4,263	(1,372)
V. EFFECT OF EXCHANGE RATE CHANGES				
		67	(242)	54
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		795	281	(53)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14.1	3,618	3,337	3,390
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14.1	4,413	3,618	3,337
TOTAL TAX PAID		(2,314)	(2,402)	(2,529)

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

(1) The financial statements as of December 31, 2017 and December 31, 2016 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS 9 Financial Instruments. See Note 1.2.

(2) The financial statements as of December 31, 2017 have been restated to reflect the final allocation of the purchase price of Christian Dior Couture. See Note 2.1.

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The notes to the financial statements as of December 31, 2017 and December 31, 2016 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS 9 Financial Instruments. See Note 1.2.

The notes to the financial statements as of December 31, 2017 have been restated to reflect the final allocation of the purchase price of Christian Dior Couture. See Note 2.

1. ACCOUNTING POLICIES

1.1 General framework and environment

The consolidated financial statements for the fiscal year ended December 31, 2018 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2018. These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for fiscal year 2018 were approved by the Board of Directors on January 29, 2019.

1.2 Changes in the accounting framework applicable to LVMH

Standards, amendments and interpretations for which application became mandatory in 2018

IFRS 15 on revenue recognition was applied prospectively as of January 1, 2018. Its application did not have any significant impact on the Group's financial statements, due to the nature of the Group's business activities. Pursuant to IFRS 15, the provision for product returns, which was previously deducted from trade receivables (see Note 1.25), is now presented within "Other current liabilities" (see Note 21.2).

IFRS 9 on financial instruments was applied retrospectively with effect from January 1, 2016. The Group's financial statements for the comparative periods, including the Notes to these financial statements, were restated. The impact of the application of IFRS 9 within the Group is mainly related to the change in the

method used to recognize the cost of hedging (option premiums and forward points associated with forward contracts) and in the revaluation at market value of available for sale financial assets.

The cost of hedging is now recognized as follows:

- for foreign exchange hedges that are commercial in nature, the changes in the value of forward points associated with forward contracts and in the time value component of options are included in gains and losses recognized directly in equity. 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 financial in nature or tied to the Group's investment portfolio, 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 cash flow impact of expenses and income arising from forward points is presented under "Cost of net financial debt: interest paid". The difference between the amounts recognized in "Net financial income/(expense)" and the change in the market value of forward points is included in gains and losses recognized in equity. The market value of hedges that are financial in nature or tied to the Group's investment portfolio are now presented under "Net financial debt" (see Note 18).

The Group has opted to present the change in market value of available for sale financial assets under "Net financial income/(expense)" (within "Other financial income and expenses") for all shares held in the portfolio during the reported periods.

The following tables present the impact of the retrospective application of IFRS 9 on the Group's financial statements as of January 1, 2016; December 31, 2016; and December 31, 2017.

Impact on the balance sheet

(EUR millions)	As of Jan. 1, 2016	As of Dec. 31, 2016	As of Dec. 31, 2017
Deferred tax	(4)	(5)	(2)
Total assets	(4)	(5)	(2)
Revaluation reserves, of which:	(165)	(249)	(362)
Available for sale financial assets	(104)	(125)	(311)
Ineffective portion of hedges	(61)	(124)	(51)
Other reserves	161	244	357
Equity, Group share	(4)	(5)	(5)
Minority interests	-	-	-
Equity	(4)	(5)	(5)
Deferred tax	-	-	3
Total liabilities and equity	(4)	(5)	(2)

Impact on the income statement

<i>(EUR millions)</i>	As of Dec. 31, 2016	As of Dec. 31, 2017
Borrowing costs	(66)	(58)
Income from cash, cash equivalents and current available for sale financial assets	-	-
Fair value adjustment of borrowings and interest rate hedges	16	(16)
Cost of net financial debt	(50)	(74)
Dividends received from non-current available for sale financial assets	-	-
Ineffective portion of foreign exchange derivatives	143	(44)
Net gain/(loss) related to available for sale financial assets and other financial instruments	22	241
Other items, net	-	-
Other financial income and expenses	165	197
Net financial income/(expense)	115	123
Income taxes	(24)	(22)
Net profit before minority interests	91	101
Minority interests	(6)	10
Net profit, Group share	85	111

Impact on the consolidated statement of comprehensive gains and losses

<i>(EUR millions)</i>	As of Dec. 31, 2016	As of Dec. 31, 2017
Net profit before minority interests	91	101
Change in value of available for sale financial assets	(18)	(274)
Amounts transferred to income statement	(4)	33
Tax impact	(1)	57
	(23)	(184)
Change in value of the ineffective portion of hedging instruments	(273)	(92)
Amounts transferred to income statement	180	210
Tax impact	24	(35)
	(69)	83
Gains and losses recognized in equity, transferable to income statement	(92)	(101)
Comprehensive income	(1)	-
Minority interests	2	(4)
Comprehensive income, Group share	1	(4)

Impact on the consolidated cash flow statement

<i>(EUR millions)</i>	As of Dec. 31, 2016	As of Dec. 31, 2017
Cost of net financial debt: interest paid	(63)	(58)
Net cash from operating activities and operating investments (free cash flow)	(63)	(58)
Net cash from/(used in) financing activities	(36)	187
Effect of exchange rate changes	99	(129)

Other changes in the accounting framework and standards for which application will become mandatory later than January 1, 2019

At the end of 2016, the Group launched its project for the implementation of IFRS 16 relating to leases, which applies to accounting periods beginning on or after January 1, 2019. When entering into a lease involving fixed payments, this standard requires that a liability be recognized in the balance sheet, measured at the discounted present value of future lease payments and offset against a right-of-use asset amortized over the lease term.

IFRS 16 will be applied as of January 1, 2019, using 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 within accrued expenses; all the impacts of the transition will be deducted from equity. The standard provides for various simplification measures during the transition phase; in particular, the Group has opted to apply the measures allowing it to exclude leases with a residual term of less than twelve months, exclude leases of low-value assets, continue applying the same treatment to leases that qualify as finance leases under IAS 17, and not capitalize costs directly related to signing leases.

The amount of the liability depends quite heavily on the assumptions used for the lease term and discount rate. The lease term 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 discount rate is determined in the same way as the total of the risk-free rate for the lease currency, with respect to the lease term, and the Group’s credit risk for this same reference currency and term.

The Group has implemented a dedicated IT solution to gather lease data and run the calculations required by the standard. The Group is in the process of completing its inventory of leases and gathering the information required to calculate the liability at the transition date. The impact on the balance sheet of the initial application of IFRS 16 will be between 11 and 13 billion euros, compared with 12.6 billion euros in lease commitments as of December 31, 2018 (see Note 30). Most leases are related to the Group’s retail premises. Such leases are actively managed and directly linked to the conduct of Group companies’ business and their distribution strategy.

If the modified retrospective transition method is applied, the standard prohibits the restatement of comparative fiscal years. Nevertheless, the Group plans to prepare restated data for 2018 for its financial communication requirements. Moreover, given the importance of leases to the Group’s activities, and in order to present consistent performance indicators, independently of the fixed or variable nature of lease payments, specific indicators will be used for internal performance monitoring requirements and financial communication purposes; in particular, capitalized fixed lease payments will be deducted in their entirety from cash flow in order to calculate the aggregate entitled “Operating free cash flow”. In correlation, the liability for capitalized leases will be excluded from the definition of net financial debt.

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

The impact of the application of IFRIC 23 – Uncertainty over Income Tax Treatments – with effect from January 1, 2019 is being assessed.

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

1.3 First-time adoption of IFRS

The first accounts prepared by the Group in accordance with IFRS were the financial statements for the year ended December 31, 2005, with a transition date of January 1, 2004. IFRS 1 allowed for exceptions to the retrospective application of IFRS at the transition date. The procedures implemented by the Group with respect to these exceptions 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 purchase commitments for minority interests' shares (see Notes 1.12 and 20), and the determination of the amount of provisions for contingencies and losses (see Note 19) or for impairment of inventories (see Notes 1.16 and 10) and, if applicable, deferred tax assets (see Note 27). 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 7), on a separate line, which forms part of profit from recurring operations.

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

The consolidation on an individual or collective basis of companies that are not consolidated (see “Companies not included in the scope of consolidation”) would not have a significant impact on the Group's main aggregates.

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

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

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

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

1.8 Foreign currency transactions and hedging of exchange rate risks

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

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

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

Foreign exchange gains and losses arising from the translation or elimination of 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, and Note 1.2 on the impact of the initial retrospective application as of January 1, 2016 of IFRS 9 Financial Instruments.

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 1.16.	Note 10
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.21.	Note 22
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.20.	Note 18
Liabilities in respect of purchase commitments for minority interests’ shares priced according to fair value	Generally based on the market multiples of comparable companies. See Note 1.12.	Note 20
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Unquoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.15.	Note 8, Note 13
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.18.	Note 14

No other 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 1.14.

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

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

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

1.11 Changes in ownership interests in consolidated entities

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

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

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

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

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

1.12 Purchase commitments for minority interests' shares

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

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

- the value of the commitment at the balance sheet date appears in "Other non-current liabilities", or in "Other current liabilities" if the minority shareholder has provided notice of exercising its put option before the fiscal year-end;
- the corresponding minority interests are cancelled;
- for commitments granted prior to January 1, 2010, the difference between the amount of the commitments and cancelled minority interests is maintained as an asset on the balance sheet under goodwill, as 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.

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

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives; the following useful lives are applied:

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

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

1.14 Impairment testing of fixed assets

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

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

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

The forecast data required for the cash flow method is based on annual budgets and multi-year business plans prepared by 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.

1.15 Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their nature.

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

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

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

Positive or negative changes in value are recognized under "Net financial income/(expense)" (within "Other financial income and expenses") for all shares held in the portfolio during the reported periods. See Note 1.2 on the impact of the initial retrospective application as of January 1, 2016 of IFRS 9 Financial Instruments.

1.16 Inventories and work in progress

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

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

1.17 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.

1.18 Cash and cash equivalents

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

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

1.19 Provisions

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

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

1.20 Borrowings

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

In the case of hedging against fluctuations in the value of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedging instruments are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/(expense), 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.

See also Note 1.2 on the impact of the initial retrospective application as of January 1, 2016 of IFRS 9 Financial Instruments.

1.21 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 1.20 in the case of interest rate hedges.

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

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

1.22 Treasury shares and LVMH share-settled derivatives

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

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

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

When 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.

1.24 Current and deferred tax

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

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

1.25 Revenue recognition

Definition of revenue

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

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

Wholesale sales 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.

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 Notes 1.2 and 21.2), 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.

1.26 Advertising and promotion expenses

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

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

1.27 Stock option and similar plans

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

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

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

For any 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.

1.28 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 1.27), would be employed to repurchase LVMH shares at a price corresponding to their average trading price over the fiscal year.

2. CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

2.1 Fiscal year 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 under “Goodwill arising on purchase commitments for minority interests’ shares”.

2.2 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)	Provisional purchase price allocation	Change	Final purchase price allocation
Brand and other intangible assets	361	3,243	3,604
Property, plant and equipment	952	661	1,613
Other non-current assets	59	-	59
Non-current provisions	(32)	(10)	(42)
Current assets	649	(22)	627
Current liabilities	(519)	-	(519)
Net financial debt	(385)	-	(385)
Deferred tax	69	(1,196)	(1,127)
Net assets acquired	1,154	2,676	3,830
Indirect minority interests	(9)	-	(9)
Net assets, Group share	1,145	2,676	3,821
Goodwill	4,855	(2,676)	2,179
Carrying amount of shares held as of July 3, 2017	6,000	-	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 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 25).

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 “Other non-current liabilities”; see Note 20) 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 25).

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

Loro Piana

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

2.3 Fiscal year 2016

2.3.1 Fashion and Leather Goods

Donna Karan

On December 1, 2016, pursuant to the agreement signed on July 22, 2016, LVMH sold Donna Karan International to G-III Apparel Group. The sale was made based on an enterprise value of 650 million US dollars, translating to a provisional sale price of 542 million US dollars after adjustments and deducting Donna Karan's borrowings with LVMH. LVMH granted G-III Apparel Group a vendor loan for 125 million US dollars (recorded under “Other non-current assets”; see Note 9) and received the equivalent of 75 million US dollars in G-III shares (recorded under “Non-current available for sale financial assets”; see Note 8). In addition, the 129 million US dollars in financing granted to Donna Karan by LVMH was repaid by G-III Apparel Group. In 2016, the impact of the sale of Donna Karan International on the Group's net profit was a gain of 44 million euros.

LVMH Métiers d'Arts

In December 2016, following the exercise of the put option held by its partner, LVMH Métiers d'Arts acquired an additional 35% stake in the Heng Long tannery (Singapore), bringing its ownership interest to 100%. The difference between the acquisition price and minority interests was deducted from equity.

2.3.2 Selective Retailing

In November 2016, following the exercise of the put option held by its partner, Sephora acquired an additional 35% stake in Ile de Beauté (Russia), bringing its ownership interest to 100%. 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)	2018	2017	2016
Purchase price of consolidated investments and of minority interests' shares	(258)	(6,971)	(254)
Positive cash balance/(net overdraft) of companies acquired	5	251	5
Proceeds from sale of consolidated investments	-	80	354
(Positive cash balance)/net overdraft of companies sold	-	181	110
Impact of changes in ownership interests in consolidated entities on net cash and cash equivalents	(253)	(6,459)	215
<i>Of which: purchase and proceeds from sale of consolidated investments</i>	<i>(17)</i>	<i>(6,306)</i>	<i>310</i>
<i>purchase and proceeds from sale of minority interests</i>	<i>(236)</i>	<i>(153)</i>	<i>(95)</i>

In 2018, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the purchase 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).

In 2016, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the sale of Donna Karan International (435 million euro impact).

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)	2018			2017	2016
	Gross	Amortization and impairment	Net	Net	Net
Brands	14,292	(696)	13,596	13,515	9,773
Trade names	3,851	(1,586)	2,265	2,176	2,440
License rights	94	(81)	13	14	16
Leasehold rights	893	(450)	443	398	338
Software, websites	1,903	(1,359)	544	459	362
Other	977	(584)	393	395	406
Total	22,010	(4,756)	17,254	16,957	13,335

3.1 Changes during the fiscal year

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	Leasehold rights	Other intangible assets	Total
As of December 31, 2017	14,184	3,692	1,661	858	989	21,384
Acquisitions	-	-	177	88	272	537
Disposals and retirements	-	-	(82)	(10)	(126)	(218)
Changes in the scope of consolidation	40	-	-	1	1	42
Translation adjustment	68	159	23	3	15	268
Reclassifications	-	-	124	(47)	(80)	(3)
As of December 31, 2018	14,292	3,851	1,903	893	1,071	22,010

Amortization and impairment (EUR millions)	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2017	(669)	(1,516)	(1,202)	(460)	(580)	(4,427)
Amortization expense	(18)	(1)	(221)	(60)	(148)	(448)
Impairment expense	-	-	-	(2)	(7)	(9)
Disposals and retirements	-	-	80	10	126	216
Changes in the scope of consolidation	-	-	-	-	(1)	(1)
Translation adjustment	(9)	(69)	(15)	(1)	(7)	(101)
Reclassifications	-	-	(1)	63	(48)	14
As of December 31, 2018	(696)	(1,586)	(1,359)	(450)	(665)	(4,756)
Carrying amount as of December 31, 2018	13,596	2,265	544	443	406	17,254

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, 2015	10,204	2,370	319	334	345	13,572
Acquisitions	-	-	136	47	257	440
Disposals and retirements	-	-	(1)	(1)	-	(2)
Changes in the scope of consolidation	(364)	-	(2)	(5)	14	(357)
Amortization expense	(23)	(1)	(155)	(39)	(130)	(348)
Impairment expense	(34)	-	-	(2)	-	(36)
Translation adjustment	(10)	71	5	(1)	2	67
Reclassifications	-	-	60	5	(66)	(1)
As of December 31, 2016	9,773	2,440	362	338	422	13,335
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

Changes in the scope of consolidation in fiscal year 2017 were mainly related to the acquisitions of Christian Dior Couture and Rimowa. See Note 2.

3.3 Brands and trade names

The breakdown of brands and trade names by business group is as follows:

(EUR millions)	2018			2017	2016
	Gross	Amortization and impairment	Net	Net	Net
Wines and Spirits	857	(140)	717	715	752
Fashion and Leather Goods	8,843	(363)	8,480	8,439	4,470
Perfumes and Cosmetics	681	(52)	629	642	656
Watches and Jewelry	3,633	(73)	3,560	3,507	3,682
Selective Retailing	3,804	(1,539)	2,265	2,176	2,440
Other activities	325	(115)	210	212	213
Brands and trade names	18,143	(2,282)	15,861	15,691	12,213

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2018, 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 and Ole Henriksen;
- Watches and Jewelry: Bvlgari, TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora, Le Bon Marché and Ile de Beauté;

- Other activities: the publications of the media group Les Échos-Investir, the daily newspaper Le Parisien-Aujourd'hui en France, the Royal Van Lent-Feanship brand, La Samaritaine, and the Cova pastry shop brand.

These brands and trade names are recognized in the balance sheet at their value determined as of the date of their acquisition by the Group, which may be much less than their value in use or their market value as of the closing date for the Group's consolidated financial statements. This is notably the case for the brands Louis Vuitton, Veuve Clicquot and Parfums Christian Dior, and the trade name Sephora, with the understanding that this list must not be considered exhaustive.

See also Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

4. GOODWILL

(EUR millions)	2018			2017	2016
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	10,389	(1,735)	8,654	8,538	6,115
Goodwill arising on purchase commitments for minority interests' shares	5,073	-	5,073	5,299	4,286
Total	15,462	(1,735)	13,727	13,837	10,401

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

(EUR millions)	2018			2017	2016
	Gross	Impairment	Net	Net	Net
As of January 1	15,446	(1,609)	13,837	10,401	10,122
Changes in the scope of consolidation	45	-	45	2,605	(44)
Changes in purchase commitments for minority interests' shares	(126)	-	(126)	1,008	348
Changes in impairment	-	(100)	(100)	(51)	(97)
Translation adjustment	97	(26)	71	(126)	72
As of December 31	15,462	(1,735)	13,727	13,837	10,401

Changes in the scope of consolidation in 2017 were mainly attributable to the acquisitions of Christian Dior Couture and Rimowa.

The impact of changes in the scope of consolidation in 2016 mainly arose from the sale of Donna Karan International.

See also Note 2 for the impact of changes in the scope of consolidation and Note 20 for goodwill arising on purchase commitments for minority interests' shares.

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition are tested for impairment at least once a year. No significant impairment expense was recognized in respect of these items during the course of fiscal year 2018. As described in Note 1.14, these assets

are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans drawn up each fiscal year. The main assumptions used to determine these forecast cash flows are as follows:

(as %)	2018				2017			2016		
	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	6.5 to 11.0	9.7 to 16.4	5.7	2.0	6.5 to 11.0	5.9	2.0	6.5 to 11.0	6.0	2.0
Fashion and Leather Goods	8.0 to 10.5	13.9 to 15.7	9.7	2.0	8.0 to 10.5	6.6	2.0	9.3 to 10.5	6.8	2.0
Perfumes and Cosmetics	7.4 to 10.1	11.0 to 15.1	8.9	2.0	7.4 to 10.1	9.3	2.0	7.4 to 10.1	9.6	2.0
Watches and Jewelry	9.0 to 10.4	13.4 to 15.5	8.3	2.0	9.0 to 10.4	6.9	2.0	9.0 to 10.4	9.9	2.0
Selective Retailing	7.3 to 9.4	10.9 to 14.0	9.8	2.0	7.3 to 8.3	8.2	2.0	7.3 to 9.4	7.7	2.0
Other	6.5 to 9.3	9.7 to 13.9	4.5	2.0	6.5 to 7.3	8.4	2.0	6.5 to 7.5	4.4	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.

As of December 31, 2018, 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	9.3	2.0	5 years
Louis Vuitton	2,058	482	2,540	8.0	2.0	5 years
Loro Piana ^(a)	1,300	1,048	2,348	N/A	N/A	N/A
Fendi	713	404	1,117	9.3	2.0	5 years
Bvlgari	2,100	1,547	3,647	9.0	2.0	5 years
TAG Heuer	1,101	209	1,310	9.0	2.0	5 years
DFS Galleria	1,999	10	2,009	9.4	2.0	5 years

(a) For impairment testing purposes, the fair value of Loro Piana was determined by applying the share price multiples of comparable companies to Loro Piana's consolidated operating results. The change in multiples resulting from a 10% decrease in the market capitalization of comparable companies or the operating profit of Loro Piana would not generate an impairment risk for Loro Piana's intangible assets.

N/A: Not applicable.

As of December 31, 2018, for the business segments listed above (with the exception of Loro 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, 2018, 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, 2018 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, 2018, break down as follows:

(EUR millions)	Amount of intangible assets concerned as of 12/31/2018	Amount of impairment if:		
		Post-tax discount rate increases by 0.5 points	Annual growth rate for revenue decreases by 2 points	Growth rate for the period after the plan decreases by 0.5 points
Watches and Jewelry	15	(3)	(2)	(1)
Other business groups	359	(17)	(13)	(14)
Total	374	(20)	(15)	(15)

As of December 31, 2018, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or impairment charges in 2018 were 644 million euros and 467 million

euros, respectively (546 million and 222 million euros as of December 31, 2017). See Note 25 regarding the amortization and impairment expense recorded during the fiscal year.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2018			2017	2016
	Gross	Depreciation and impairment	Net	Net	Net
Land	2,921	(83)	2,838	2,374	1,305
Vineyard land and producing vineyards ^(a)	2,584	(111)	2,473	2,432	2,474
Buildings	4,130	(1,838)	2,292	2,052	1,735
Investment property	637	(35)	602	763	855
Leasehold improvements, machinery and equipment	12,739	(8,661)	4,078	3,971	3,417
Assets in progress	1,238	(1)	1,237	785	950
Other property, plant and equipment	2,074	(482)	1,592	1,485	1,403
Total	26,323	(11,211)	15,112	13,862	12,139
<i>Of which: assets held under finance leases</i>	<i>495</i>	<i>(212)</i>	<i>283</i>	<i>267</i>	<i>307</i>
<i>historical cost of vineyard land and producing vineyards</i>	<i>791</i>	<i>(111)</i>	<i>680</i>	<i>648</i>	<i>646</i>

(a) 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	Production, logistics	Other			
As of December 31, 2017	2,538	6,169	819	7,889	2,572	1,286	786	1,932	23,991
Acquisitions	25	473	70	604	162	82	1,074	114	2,604
Change in the market value of vineyard land	8	-	-	-	-	-	-	-	8
Disposals and retirements	(1)	(61)	(6)	(407)	(60)	(54)	(2)	(26)	(617)
Changes in the scope of consolidation	-	-	-	3	1	4	-	-	8
Translation adjustment	(1)	101	15	153	6	20	4	9	307
Other movements, including transfers	15	369	(261)	390	75	13	(624)	45	22
As of December 31, 2018	2,584	7,051	637	8,632	2,756	1,351	1,238	2,074	26,323

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	Production, logistics	Other			
As of December 31, 2017	(106)	(1,742)	(56)	(5,207)	(1,689)	(880)	(2)	(447)	(10,129)
Depreciation expense	(6)	(192)	(2)	(946)	(172)	(127)	-	(67)	(1,512)
Impairment expense	-	(2)	-	2	(1)	-	-	(2)	(3)
Disposals and retirements	1	61	6	404	57	53	1	29	612
Changes in the scope of consolidation	-	-	-	(1)	-	(1)	-	-	(2)
Translation adjustment	-	(34)	(1)	(108)	(5)	(15)	-	(7)	(170)
Other movements, including transfers	-	(12)	18	(51)	-	26	-	12	(7)
As of December 31, 2018	(111)	(1,921)	(35)	(5,907)	(1,810)	(944)	(1)	(482)	(11,211)
Carrying amount as of December 31, 2018	2,473	5,130	602	2,725	946	407	1,237	1,592	15,112

“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 Sephora, Louis Vuitton, DFS, Parfums Christian Dior, Bvlgari and Christian Dior Couture – in their retail networks. They also include investments by the champagne houses, Hennessy, Louis Vuitton and Parfums Christian Dior in their production equipment; investments related to the La Samaritaine and Jardin d'Acclimatation projects; and various real estate investments.

The impact of marking vineyard land to market was 1,793 million euros as of December 31, 2018 (1,785 million euros as of December 31, 2017; 1,829 million euros as of December 31, 2016). 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 0.8 billion euros as of December 31, 2018. 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, 2015	2,441	2,921	562	2,171	666	339	755	1,302	11,157
Acquisitions	3	214	285	574	93	56	768	157	2,150
Disposals and retirements	-	(1)	-	(1)	(4)	(1)	(1)	2	(6)
Depreciation expense	(6)	(155)	(6)	(772)	(134)	(125)	-	(76)	(1,274)
Impairment expense	(1)	(2)	-	9	(1)	-	(4)	(2)	(1)
Change in the market value of vineyard land	30	-	-	-	-	-	-	-	30
Changes in the scope of consolidation	-	31	-	(14)	(4)	(2)	-	-	11
Translation adjustment	-	(27)	2	34	(3)	3	9	5	23
Other movements, including transfers	7	59	12	395	68	70	(577)	15	49
As of December 31, 2016	2,474	3,040	855	2,396	681	340	950	1,403	12,139
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

Changes in the scope of consolidation in fiscal year 2017 were mainly related to the acquisitions of Christian Dior Couture and Rimowa (see Note 2).

Purchases of property, plant and equipment in fiscal years 2016 and 2017 included investments by the Group's brands in their retail networks, investments by the champagne houses and Hennessy in their production equipment, as well as, for 2017, investments related to the La Samaritaine project and, for 2016, investments in real estate for administrative use, sales operations or rental purposes.

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)	2018				2017		2016	
	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	647	(8)	639	273	770	362	729	353
Share of net profit (loss) for the period	23	-	23	12	(3)	2	3	4
Dividends paid	(28)	-	(28)	(9)	(22)	(8)	(21)	(8)
Changes in the scope of consolidation	(18)	8	(10)	2	(82)	(84)	27	-
Capital increases subscribed	3	-	3	1	5	3	4	3
Translation adjustment	7	-	7	-	(33)	(7)	7	(1)
Other, including transfers	4	-	4	(1)	4	5	21	11
Share of net assets of joint ventures and associates as of December 31	638	-	638	278	639	273	770	362

As of December 31, 2018, investments in joint ventures and associates consisted primarily of:

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

- a 40% stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton.

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 – is now fully consolidated, 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.

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

(EUR millions)	2018	2017	2016
As of January 1	789	744	574
Acquisitions	450	125	147
Disposals at net realized value	(45)	(85)	(44)
Changes in market value ^(a)	(101)	101	(20)
Changes in the scope of consolidation	-	5	67
Translation adjustment	16	(43)	20
Reclassifications	(9)	(58)	-
As of December 31	1,100	789	744

(a) Recognized within "Net financial income/(expense)".

Acquisitions in fiscal year 2018 included in particular, for 274 million euros, the impact of the acquisition of Belmond shares (see Notes 18 and 30), as well as, for 87 million euros, the impact of subscription of securities in investment funds and purchases of minority interests.

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

Acquisitions in fiscal year 2016 included the 120 million euro impact of non-current available for sale financial assets used to

hedge cash-settled convertible bonds issued during the period (see Note 18.1). The impact of changes in the scope of consolidation corresponded to the stake in G-III Apparel Group received as partial payment of the selling price of Donna Karan International (see Note 2).

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.9; see also Note 22.2 for the breakdown of these assets according to the measurement methods used.

9. OTHER NON-CURRENT ASSETS

(EUR millions)	2018	2017	2016
Warranty deposits	379	320	295
Derivatives ^(a)	257	246	168
Loans and receivables	303	264	288
Other	47	39	26
Total	986	869	777

(a) See Note 22.

10. INVENTORIES AND WORK IN PROGRESS

(EUR millions)	2018			2017	2016
	Gross	Impairment	Net	Net	Net
Wines and <i>eaux-de-vie</i> in the process of aging	4,796	(12)	4,784	4,517	4,281
Other raw materials and work in progress	2,105	(405)	1,700	1,370	1,225
	6,901	(417)	6,484	5,887	5,506
Goods purchased for resale	2,316	(225)	2,091	1,767	1,819
Finished products	4,852	(942)	3,910	3,234	3,221
	7,168	(1,167)	6,001	5,001	5,040
Total	14,069	(1,584)	12,485	10,888	10,546

See Note 1.16.

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

(EUR millions)	2018			2017	2016
	Gross	Impairment	Net	Net	Net
As of January 1	12,426	(1,538)	10,888	10,546	10,096
Change in gross inventories	1,722	-	1,722	1,006	819
Impact of provision for returns ^(a)	7	-	7	11	(4)
Impact of marking harvests to market	16	-	16	(21)	(19)
Changes in provision for impairment	-	(285)	(285)	(339)	(377)
Changes in the scope of consolidation	29	(4)	25	237	(62)
Translation adjustment	140	(31)	109	(550)	93
Other, including reclassifications	(271)	274	3	(2)	-
As of December 31	14,069	(1,584)	12,485	10,888	10,546

(a) See Note 1.25.

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

(EUR millions)	2018	2017	2016
Impact of marking the fiscal year's harvest to market	41	5	13
Impact of inventory sold during the fiscal year	(25)	(26)	(32)
Net impact on cost of sales of the fiscal year	16	(21)	(19)
Net impact on the value of inventory as of December 31	126	110	131

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

11. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2018	2017	2016
Trade accounts receivable, nominal amount	3,302	3,079	2,979
Provision for impairment	(78)	(78)	(66)
Provision for product returns ^(a)	(2)	(265)	(228)
Net amount	3,222	2,736	2,685

(a) See Note 1.25. See also Note 1.2.

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

(EUR millions)	2018			2017	2016
	Gross	Impairment	Net	Net	Net
As of January 1	2,814	(78)	2,736	2,685	2,521
Changes in gross receivables	179	-	179	134	122
Changes in provision for impairment	-	(1)	(1)	(11)	(1)
Changes in provision for product returns ^(a)	7	-	7	(43)	5
Changes in the scope of consolidation	5	-	5	141	(16)
Translation adjustment	24	-	24	(154)	46
Reclassifications ^(a)	271	1	272	(16)	8
As of December 31	3,300	(78)	3,222	2,736	2,685

(a) See Note 1.25. See also Note 1.2.

The trade accounts receivable balance is comprised essentially of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. As of December 31, 2018, coverage of customer

credit risk had been requested from insurers for the majority of trade receivables, approximately 84% of the amount of which was granted, versus 91% as of December 31, 2017 and 90% as of December 31, 2016.

As of December 31, 2018, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

(EUR millions)	Nominal amount of receivables	Impairment	Net amount of receivables
Not due:			
- less than 3 months	2,690	(16)	2,674
- more than 3 months	146	(9)	137
	2,836	(25)	2,811
Overdue:			
- less than 3 months	340	(5)	335
- more than 3 months	126	(50)	76
	466	(55)	411
Total	3,302	(80)	3,222

For each of the fiscal years presented, no single customer accounted for more than 10% of the Group's consolidated revenue.

The present value of trade accounts receivable is identical to their carrying amount.

12. OTHER CURRENT ASSETS

(EUR millions)	2018	2017	2016
Current available for sale financial assets ^(a)	666	515	374
Derivatives ^(b)	123	496	261
Tax accounts receivable, excluding income taxes	895	747	620
Advances and payments on account to vendors	216	203	191
Prepaid expenses	430	396	379
Other receivables	538	562	517
Total	2,868	2,919	2,342

(a) See Note 13.

(b) See Note 22.

13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	2018	2017	2016
Unlisted securities, shares in non-money-market SICAVs and funds	-	-	-
Listed securities and term deposits	666	515	374
Total	666	515	374
<i>Of which: historical cost of current available for sale financial assets</i>	<i>576</i>	<i>344</i>	<i>351</i>

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

(EUR millions)	2018	2017	2016
As of January 1	515	374	385
Acquisitions	311	112	151
Disposals at net realized value	(164)	(181)	(181)
Changes in market value ^(a)	3	156	19
Changes in the scope of consolidation	-	-	-
Translation adjustment	1	(4)	-
Reclassifications	-	58	-
As of December 31	666	515	374

(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 22.2 for the breakdown of current available for sale financial assets according to the measurement methods used.

14. CASH AND CHANGE IN CASH

14.1 Cash and cash equivalents

(EUR millions)	2018	2017	2016
Term deposits (less than 3 months)	654	708	520
SICAV and FCP funds	192	194	668
Ordinary bank accounts	3,764	2,836	2,356
Cash and cash equivalents per balance sheet	4,610	3,738	3,544

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)	2018	2017	2016
Cash and cash equivalents	4,610	3,738	3,544
Bank overdrafts	(197)	(120)	(207)
Net cash and cash equivalents per cash flow statement	4,413	3,618	3,337

14.2 Change in working capital

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

(EUR millions)	Notes	2018	2017	2016
Change in inventories and work in progress	10	(1,722)	(1,006)	(819)
Change in trade accounts receivable	11	(179)	(134)	(122)
Change in balance of amounts owed to customers		8	2	9
Change in trade accounts payable	21	715	257	235
Change in other receivables and payables		91	367	185
Change in working capital^(a)		(1,087)	(514)	(512)

(a) Increase/(Decrease) in cash and cash equivalents.

14.3 Operating investments

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

(EUR millions)	Notes	2018	2017	2016
Purchase of intangible assets	3	(537)	(456)	(440)
Purchase of property, plant and equipment ^(a)	6	(2,604)	(1,889)	(2,150)
Deduction of purchase under finance lease		14	6	204
Changes in accounts payable related to fixed asset purchases		137	40	125
Net cash used in purchases of fixed assets		(2,990)	(2,299)	(2,261)
Net cash from fixed asset disposals		10	26	6
Guarantee deposits paid and other cash flows related to operating investments		(58)	(3)	(10)
Operating investments^(b)		(3,038)	(2,276)	(2,265)

(a) Including finance lease acquisitions.

(b) Increase/(Decrease) in cash and cash equivalents.

15. EQUITY

15.1 Share capital and share premium account

As of December 31, 2018, the share capital consisted of 505,029,495 fully paid-up shares (507,042,596 as of December 31, 2017 and 507,126,088 as of December 31, 2016), with a par value of 0.30 euros per share, including 231,834,011 shares with

double voting rights (229,656,385 as of December 31, 2017 and 229,432,106 as of December 31, 2016). Double voting rights are attached to registered shares held for more than three years.

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

(Number of shares or EUR millions)	2018				2017	2016
	Number	Amount			Amount	Amount
		Share capital	Share premium account	Total		
As of January 1	507,042,596	152	2,614	2,766	2,753	2,731
Exercise of share subscription options	762,851	-	49	49	53	64
Retirement of shares	(2,775,952)	-	(365)	(365)	(40)	(42)
As of December 31	505,029,495	152	2,298	2,450	2,766	2,753

15.2 LVMH treasury shares

The portfolio of LVMH treasury shares is allocated as follows:

(Number of shares or EUR millions)	2018		2017	2016
	Number	Amount	Amount	Amount
Share subscription option plans	413,606	20	57	98
Bonus share plans	1,354,798	302	122	90
Shares held for stock option and similar plans^(a)	1,768,404	322	179	188
Liquidity contract	97,000	25	23	15
Shares pending retirement	270,000	74	328	317
LVMH treasury shares	2,135,404	421	530	520

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

The market value of LVMH shares held under the liquidity contract as of December 31, 2018 amounted to 25 million euros.

The portfolio movements of LVMH treasury shares during the fiscal year were as follows:

(Number of shares or EUR millions)	Number	Amount	Impact on cash
As of December 31, 2017	4,281,097	530	
Share purchases ^(a)	2,017,130	544	(544)
Vested bonus shares	(459,741)	(39)	-
Retirement of shares	(2,775,952)	(365)	-
Disposals at net realized value ^(a)	(927,130)	(249)	249
Gain/(loss) on disposal		-	-
As of December 31, 2018	2,135,404	421	(295)

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

15.3 Dividends paid by the parent company, LVMH SE

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

As of December 31, 2018, the distributable amount was 15,287 million euros; after taking into account the proposed dividend distribution in respect of the 2018 fiscal year, it was 13,267 million euros.

<i>(EUR millions, except for data per share in EUR)</i>	2018	2017	2016
Interim dividend for the current fiscal year (2018: 2.00 euros; 2017: 1.60 euros; 2016: 1.40 euros)	1,010	811	710
Impact of treasury shares	(4)	(7)	(6)
Gross amount disbursed for the fiscal year	1,006	804	704
Final dividend for the previous fiscal year (2017: 3.40 euros; 2016: 2.60 euros)	1,717	1,319	1,115
Impact of treasury shares	(8)	(13)	(9)
Gross amount disbursed for the previous fiscal year	1,709	1,306	1,106
Total gross amount disbursed during the period^(a)	2,715	2,110	1,810

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

The final dividend for fiscal year 2018, as proposed at the Shareholders' Meeting of April 18, 2019, is 4.00 euros per share, representing a total of 2,020 million euros before deduction

of the amount attributable to treasury shares held at the ex-dividend date.

15.4 Cumulative translation adjustment

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

<i>(EUR millions)</i>	2018	Change	2017	2016
US dollar	293	154	139	508
Swiss franc	632	104	528	762
Japanese yen	109	40	69	96
Hong Kong dollar	354	38	316	493
Pound sterling	(115)	(8)	(107)	(85)
Other currencies	(250)	(80)	(170)	(94)
Foreign currency net investment hedges ^(a)	(450)	(29)	(421)	(515)
Total, Group share	573	219	354	1,165

(a) Including -141 million euros with respect to the US dollar (-130 million euros as of December 31, 2017 and -169 million euros as of December 31, 2016), -117 million euros with respect to the Hong Kong dollar (-117 million euros as of December 31, 2017 and -135 million euros as of December 31, 2016), and -193 million euros with respect to the Swiss franc (-180 million euros as of December 31, 2017 and -214 million euros as of December 31, 2016). These amounts include the tax impact.

15.5 Strategy relating to the Group's financial structure

The Group believes that the management of its financial structure, together with the development of the companies it owns and the management of its brand portfolio, helps create value for its shareholders. Maintaining a suitable-quality credit rating is a core objective for the Group, ensuring good access to markets under favorable conditions, allowing it to seize opportunities and procure the resources it needs to develop its business.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt (see Note 18) to equity;
- cash from operations before changes in working capital to net financial debt;
- net cash from operations before changes in working capital;
- net cash from operating activities and operating investments (free cash flow);

- long-term resources to fixed assets;
- proportion of long-term debt in net financial debt.

Long-term resources are understood to correspond to the sum of equity and non-current liabilities.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through frequent recourse to several negotiable debt markets (both short- and long-term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts of undrawn confirmed credit lines, intended to largely exceed the outstanding portion of its commercial paper program, while continuing to represent a reasonable cost for the Group.

16. STOCK OPTION AND SIMILAR PLANS

16.1 General characteristics of plans

Share purchase and subscription option plans

At the Shareholders' Meeting of April 13, 2017, the shareholders renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2019, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 1% of the Company's share capital.

As of December 31, 2018, this authorization had not been used by the Board of Directors.

No share subscription option or purchase plans have been set up since 2010.

One share subscription option plan, with outstanding options remaining, remained in effect as of December 31, 2018. This plan is valid for ten years; options may be exercised after a four-year period, with one option giving the right to one share.

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 2014 and 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 exercise of options granted on May 14, 2009 and the vesting of bonus shares under certain plans are subject to conditions related to LVMH's financial performance, which must be met in order for recipients to be entitled to them. Options may only be exercised and 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. This concerns the following plans and fiscal years:

Plan commencement date	Type of plan	Shares/options awarded if there is a positive change in one of the indicators between fiscal years
May 14, 2009	Share subscription options	2009 and 2008; 2010 and 2008 ^(a)
October 23, 2014	Bonus shares	2015 and 2014
April 16, 2015	"	2015 and 2014
October 22, 2015	"	2016 and 2015; 2017 and 2015
October 20, 2016	"	2017 and 2016; 2018 and 2016
April 13, 2017	"	2017 and 2016
October 25, 2017	"	2018 and 2017; 2019 and 2017
April 12, 2018	"	2019 and 2018; 2020 and 2018
October 25, 2018	"	2019 and 2018; 2020 and 2018

(a) As an exception, for senior executive officers, options vest only if there is a positive change in at least one of the three indicators in respect of at least three of the following four fiscal years: 2009, 2010, 2011 and 2012.

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.

16.2 Share subscription option plans

The following table presents the main characteristics of the share subscription option plans and any changes that occurred during the fiscal year:

Plan commencement date	Number of options granted ^(a)	Exercise price ^(a) (EUR)	Vesting period of rights	Number of options exercised in 2018	Number of options expired in 2018	Number of options outstanding as of Dec. 31, 2018
May 15, 2008	1,708,542	65.265	4 years	(705,666)	(2,947)	-
"	78,469	65.445	"	(1,111)	(3,166)	-
May 14, 2009 ^(b)	1,333,097	50.861	"	(56,074)	(640)	394,063
"	37,106	50.879	"	-	-	17,025
Total	3,157,214			(762,851)	(6,753)	411,088

(a) After adjusting for the number of options outstanding as of December 17, 2014 in connection with the distribution in kind of Hermès shares. See Note 16.1.

(b) Plan subject to performance conditions; see Note 16.1 "General characteristics of plans".

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

	2018		2017		2016	
	Number	Weighted average exercise price (EUR)	Number	Weighted average exercise price (EUR)	Number	Weighted average exercise price (EUR)
Share subscription options outstanding as of January 1	1,180,692	59.56	1,903,010	65.17	2,821,150	66.79
Options expired	(6,753)	63.98	(13,833)	74.67	(10,211)	68.07
Options exercised	(762,851)	64.21	(708,485)	74.33	(907,929)	70.19
Share subscription options outstanding as of December 31	411,088	50.86	1,180,692	59.56	1,903,010	65.17

16.3 Bonus share plans

The following table presents the main characteristics of the bonus share plans and any changes that occurred during the fiscal year:

Plan commencement date	Number of shares awarded initially ^(a)	Of which: performance shares ^{(a)(b)}	Conditions satisfied?	Vesting period of rights	Shares expired in 2018	Shares vested in 2018	Non-vested shares as of Dec. 31, 2018
July 24, 2014	67,764	-	-	3 ^(c) or 4 ^(d) years	-	(61,099)	-
October 23, 2014	341,678	341,678	yes	3 ^(c) or 4 ^(d) years	(10,173)	(141,175)	-
April 16, 2015	73,262	73,262	yes	3 ^(c) or 4 ^(d) years	-	(55,940)	17,322
October 22, 2015	315,532	315,532	yes	3 ^(c) or 4 ^(d) years	(13,337)	(154,668)	131,822
October 20, 2016	360,519	310,509	yes	3 years	(14,097)	-	340,467
April 13, 2017	46,860	46,860	yes	1 year	-	(46,860)	-
July 26, 2017	21,700	21,700	^(e)	3 years	-	-	21,700
July 26, 2017	21,700	21,700	^(e)	4 years	-	-	21,700
October 25, 2017	288,827	270,325	^(e)	3 years	(8,306)	-	280,521
October 25, 2017	76,165	76,165	^(e)	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	-	-	238,695
April 12, 2018	93,421	93,421	^(e)	5 years ^(g)	-	-	93,421
October 25, 2018	9,477	9,477	^(e)	3 years	-	-	9,477
Total	2,076,288	1,940,012			(45,913)	(459,742)	1,351,978

(a) After adjusting for the distribution in kind of Hermès shares. See Note 16.1.

(b) See Note 16.1 "General characteristics of plans".

(c) Recipients with tax residence in France.

(d) Recipients with tax residence outside France.

(e) The performance conditions were considered to have been met for the purpose of determining the expense for fiscal year 2018, 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:

(number of shares)	2018	2017	2016
Non-vested shares as of January 1	1,395,351	1,312,587	1,456,068
Provisional allocations for the period	462,281	455,252	360,519
Shares vested during the period	(459,741)	(335,567)	(465,660)
Shares expired during the period	(45,913)	(36,921)	(38,340)
Non-vested shares as of December 31	1,351,978	1,395,351	1,312,587

Vested share allocations were settled in existing shares held.

16.4 Expense for the fiscal year

(EUR millions)	2018	2017	2016
Expense for the period for share subscription option and bonus share plans	82	62	41

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

The LVMH closing share price the day before the grant date of the plan was 241.20 euros for the plan dated January 25, 2018; 278.25 euros for the plan dated April 12, 2018; and 259.65 euros for the plan dated October 25, 2018.

The average unit value of non-vested bonus shares awarded under this plan during the 2018 fiscal year was 246.33 euros.

17. MINORITY INTERESTS

(EUR millions)	2018	2017	2016
As of January 1	1,408	1,510	1,460
Minority interests' share of net profit	636	475	387
Dividends paid to minority interests	(345)	(261)	(272)
Impact of changes in control of consolidated entities	41	114	22
Of which: Rimowa	-	89	-
Other	41	25	22
Impact of acquisition and disposal of minority interests' shares	(19)	(56)	(34)
Of which: Loro Piana	-	(58)	-
Other	(19)	2	(34)
Total impact of changes in the ownership interests in consolidated entities	22	58	(12)
Capital increases subscribed by minority interests	50	44	41
Minority interests' share in gains and losses recognized in equity	45	(134)	46
Minority interests' share in stock option plan expenses	4	7	2
Impact of changes in minority interests with purchase commitments	(156)	(291)	(142)
As of December 31	1,664	1,408	1,510

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

(EUR millions)	Cumulative translation adjustment	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Revaluation adjustments of employee benefits	Total share of minority interests
As of December 31, 2015	183	(9)	221	(24)	371
Changes during the fiscal year	41	(5)	25	(15)	46
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

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 (formerly Search Investment Group Ltd) in DFS. Since the 34% stake held by Diageo in Moët Hennessy is subject to a

purchase commitment, it is reclassified at year-end under "Other non-current liabilities" and is therefore excluded from the total amount of minority interests at the fiscal year-end date. See Notes 1.12 and 20.

Dividends paid to Diageo during fiscal year 2018 in respect of fiscal year 2017 amounted to 173 million euros. Net profit attributable to Diageo for fiscal year 2018 was 356 million euros, and its share in minority interests (before recognition of the purchase commitment granted to Diageo, which led to this item being reclassified under “Equity, Group share”) came to 3,215 million euros as of December 31, 2018. As of that date, the consolidated balance sheet of Moët Hennessy was as follows:

(EUR billions)	December 31, 2018
Property, plant and equipment and intangible assets	3.8
Other non-current assets	0.3
Non-current assets	4.1
Inventories	5.4
Other current assets	1.4
Cash and cash equivalents	2.3
Current assets	9.1
Assets	13.2

(EUR billions)	December 31, 2018
Equity	9.4
Non-current liabilities	1.0
Equity and non-current liabilities	10.4
Short term borrowings	1.3
Other	1.5
Current liabilities	2.8
Liabilities and equity	13.2

See also Note 23 regarding the revenue, operating profit and main assets of the Wines and Spirits business group, which relate primarily to Moët Hennessy’s business activities.

With regard to DFS, dividends paid to Mari-Cha Group Ltd during fiscal year 2018 in respect of fiscal year 2017 amounted to 35 million euros. Net profit attributable to Mari-Cha Group Ltd for fiscal year 2018 was 173 million euros, and its share in accumulated minority interests as of December 31, 2018 came to 1,439 million euros.

18. BORROWINGS

18.1 Net financial debt

(EUR millions)	2018	2017	2016
Long-term borrowings	6,005	7,046	3,932
Short-term borrowings	5,027	4,530	3,447
Gross borrowings	11,032	11,576	7,379
Interest rate risk derivatives	(16)	(28)	(65)
Foreign exchange risk derivatives	146	(25)	(21)
Gross borrowings after derivatives	11,162	11,523	7,293
Current available for sale financial assets ^(a)	(666)	(515)	(374)
Non-current available for sale financial assets used to hedge financial debt ^(b)	(125)	(117)	(131)
Cash and cash equivalents ^(c)	(4,610)	(3,738)	(3,544)
Net financial debt	5,761	7,153	3,244
Belmond shares (presented within “Non-current available for sale financial assets”) ^(b)	(274)	-	-
Adjusted net financial debt, excluding the acquisition of Belmond shares	5,487	7,153	3,244

(a) See Note 13.

(b) See Note 8.

(c) See Note 14.1.

In late December 2018, after the announcement of LVMH’s acquisition of Belmond, the Group purchased Belmond shares on the market for 274 million euros. These shares are presented within “Non-current available for sale financial assets” (see Note 8).

The adjusted net financial debt (excluding the acquisition of Belmond shares) presented above helps show the impact of the Group’s performance in 2018 on the level of net financial debt at the balance sheet date.

The change in gross borrowings after derivatives during the fiscal year breaks down as follows:

(EUR millions)	Dec. 31, 2017	Impact on cash ^(a)	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclas- sifications and Other	Dec. 31, 2018
Long-term borrowings	7,046	(43)	(20)	5	-	(983)	6,005
Short-term borrowings	4,530	(555)	75	2	5	970	5,027
Gross borrowings	11,576	(598)	55	7	5	(13)	11,032
Derivatives	(53)	(47)	-	233	-	(3)	130
Gross borrowings after derivatives	11,523	(645)	55	240	5	(16)	11,162

(a) Including a positive impact of 1,529 million euros in respect of proceeds from borrowings and a negative impact of 2,174 million euros in respect of repayment of borrowings.

During the 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.

In February 2016, LVMH issued exclusively cash-settled five-year convertible bonds with a total face value of 600 million US dollars, supplemented by a 150 million US dollar tap issue carried out in April 2016. These bonds – which were issued at 103.00% and 104.27% of their face value, respectively – are redeemable at par (if they are not converted) and do not bear

interest. In addition to these issues, LVMH subscribed to financial instruments with the same maturity, enabling it to fully hedge its exposure to any positive or negative changes in the share price. This set of transactions, involving euro-denominated swaps, provides the Group with the equivalent of traditional euro-denominated bond financing at an advantageous cost.

As provided by applicable accounting policies, the optional components of convertible bonds and financial instruments subscribed for hedging purposes are recorded under “Derivatives” (see Note 22), with hedging instruments other than these optional components recorded under “Non-current available for sale financial assets” (see Note 8). Given their connection to the bonds issued, hedging instruments (except option components) are presented as deducted from gross financial debt in calculating net financial debt, and their impact on cash and cash equivalents is presented under “Financing activities” in the cash flow statement.

In 2016, LVMH redeemed a 650 million euro bond issued in 2013 and 2014.

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

18.2 Analysis of gross borrowings

(EUR millions)	2018	2017	2016
Bonds and Euro Medium-Term Notes (EMTNs)	5,593	6,557	3,476
Finance and other long-term leases	315	296	342
Bank borrowings	97	193	114
Long-term borrowings	6,005	7,046	3,932
Bonds and Euro Medium-Term Notes (EMTNs)	996	1,753	1,377
Finance and other long-term leases	26	21	10
Bank borrowings	220	340	291
Commercial paper	3,174	1,855	1,204
Other borrowings and credit facilities	395	408	330
Bank overdrafts	197	120	207
Accrued interest	19	33	28
Short-term borrowings	5,027	4,530	3,447
Total gross borrowings	11,032	11,576	7,379

The market value of gross borrowings, based on market data and commonly used valuation models, was 11,076 million euros as of December 31, 2018 (11,651 million euros as of December 31, 2017 and 7,392 million euros as of December 31, 2016), including 5,032 million euros in short-term borrowings (4,533 million euros as of December 31, 2017 and 3,445 million euros as of

December 31, 2016) and 6,044 million euros in long-term borrowings (7,118 million euros as of December 31, 2017 and 3,947 million euros as of December 31, 2016).

As of December 31, 2018, December 31, 2017 and December 31, 2016, no financial debt was recognized using the fair value option. See Note 1.20.

18.3 Bonds and EMTNs

Nominal amount (in currency)	Year issued	Maturity	Initial effective interest rate ^(a) (%)	2018 (EUR millions)	2017	2016
EUR 1,200,000,000	2017	2024	0.82	1,197	1,192	-
EUR 800,000,000	2017	2022	0.46	799	796	-
GBP 400,000,000	2017	2022	1.09	439	445	-
EUR 1,250,000,000	2017	2020	0.13	1,248	1,246	-
EUR 1,250,000,000	2017	2018	floating	-	1,253	-
USD 750,000,000 ^(b)	2016	2021	1.92	639	603	682
EUR 650,000,000	2014	2021	1.12	664	663	670
AUD 150,000,000	2014	2019	3.68	94	100	103
EUR 300,000,000	2014	2019	floating	300	300	300
GBP 350,000,000	2014	2017	1.83	-	-	413
EUR 600,000,000	2013	2020	1.89	606	606	608
EUR 600,000,000 ^(c)	2013	2019	1.25	603	605	608
USD 850,000,000	2012	2017	1.75	-	-	811
EUR 500,000,000	2011	2018	4.08	-	501	505
EUR 150,000,000	2009	2017	4.81	-	-	153
Total bonds and EMTNs				6,589	8,310	4,853

(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%.

18.4 Analysis of gross borrowings by payment date and by type of interest rate

(EUR millions)	Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity: December 31, 2019	4,433	594	5,027	(270)	354	84	4,163	948	5,111
December 31, 2020	1,901	13	1,914	(413)	446	33	1,488	459	1,947
December 31, 2021	1,386	5	1,391	(664)	649	(15)	722	654	1,376
December 31, 2022	1,262	3	1,265	(632)	648	16	630	651	1,281
December 31, 2023	22	4	26	14	-	14	36	4	40
December 31, 2024	1,217	1	1,218	(299)	297	(2)	918	298	1,216
Thereafter	184	7	191	-	-	-	184	7	191
Total	10,405	627	11,032	(2,264)	2,394	130	8,141	3,021	11,162

See Note 22.4 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 2019
First quarter	3,496
Second quarter	726
Third quarter	20
Fourth quarter	785
Total	5,027

18.5 Analysis of gross borrowings by currency after derivatives

(EUR millions)	2018	2017	2016
Euro	6,445	6,665	2,251
US dollar	3,277	3,045	2,464
Swiss franc	-	144	613
Japanese yen	662	722	586
Other currencies	778	947	1,379
Total	11,162	11,523	7,293

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.

18.6 Sensitivity

On the basis of debt as of December 31, 2018:

- 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 109 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 109 million euros after hedging.

These changes would have no impact on the amount of equity as of December 31, 2018, due to the absence of hedging of future interest payments.

18.7 Covenants

In connection with certain credit lines, the Group may undertake to maintain certain financial ratios. As of December 31, 2018, no significant credit lines were concerned by these provisions.

18.8 Undrawn confirmed credit lines

As of December 31, 2018, undrawn confirmed credit lines totaled 3.9 billion euros.

18.9 Guarantees and collateral

As of December 31, 2018, borrowings secured by collateral were less than 200 million euros.

19. PROVISIONS

(EUR millions)	2018	2017	2016
Provisions for pensions, medical costs and similar commitments	605	625	698
Provisions for contingencies and losses	1,823	1,850	1,626
Provisions for reorganization	2	9	18
Non-current provisions	2,430	2,484	2,342
Provisions for pensions, medical costs and similar commitments	7	4	4
Provisions for contingencies and losses	341	366	319
Provisions for reorganization	21	34	29
Current provisions	369	404	352
Total	2,799	2,888	2,694

In 2018, changes in provisions were as follows:

(EUR millions)	Dec. 31, 2017	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other ^(a)	Dec. 31, 2018
Provisions for pensions, medical costs and similar commitments	629	122	(122)	(2)	-	(15)	612
Provisions for contingencies and losses	2,216	314	(218)	(166)	(24)	42	2,164
Provisions for reorganization	43	3	(22)	(1)	-	-	23
Total	2,888	439	(362)	(169)	(24)	27	2,799
<i>Of which: profit from recurring operations</i>		358	(325)	(84)			
<i>net financial income/(expense)</i>		-	(1)	(4)			
<i>other</i>		81	(36)	(81)			

(a) Including the impact of translation adjustments and changes in revaluation reserves.

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

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

Provisions for pensions, contribution to medical costs and other employee benefit commitments are analyzed in Note 29.

20. OTHER NON-CURRENT LIABILITIES

(EUR millions)	2018	2017	2016
Purchase commitments for minority interests' shares	9,281	9,177	7,877
Derivatives ^(a)	283	229	134
Employee profit sharing	89	94	91
Other liabilities	386	370	395
Total	10,039	9,870	8,497

(a) See Note 22.

As of December 31, 2018, purchase commitments for minority interests' shares mainly include the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy, for 80% of the fair value of Moët Hennessy at the exercise date of the option. This option may be exercised at any time subject to a six-month notice period. With regard to this commitment's valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits businesses, with the exception of the equity investments in Château d'Yquem, Château Cheval Blanc,

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.

The put option granted to minority interests in Fresh was exercised in 2018. See Note 2.

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

21. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

21.1 Trade accounts payable

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

(EUR millions)	2018	2017	2016
As of January 1	4,539	4,184	3,960
Changes in trade accounts payable	715	257	235
Changes in amounts owed to customers	8	2	9
Changes in the scope of consolidation	7	315	(36)
Translation adjustment	49	(198)	46
Reclassifications	(4)	(21)	(30)
As of December 31	5,314	4,539	4,184

21.2 Other current liabilities

(EUR millions)	2018	2017	2016
Derivatives ^(a)	166	45	207
Employees and social institutions	1,668	1,530	1,329
Employee profit sharing	105	101	103
Taxes other than income taxes	685	634	574
Advances and payments on account from customers	398	354	237
Provision for product returns ^(b)	356	-	-
Deferred payment for non-current assets	646	548	590
Deferred income	273	255	251
Other liabilities	1,288	1,286	1,108
Total	5,585	4,753	4,399

(a) See Note 22.

(b) See Notes 1.2 and 1.25.

22. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

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

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

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

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

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

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

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

22.2 Financial assets and liabilities recognized at fair value by measurement method

(EUR millions)	2018			2017			2016		
	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	1,171	-	4,610	772	-	3,738	721	-	3,544
Valuation model based on market data	307	380	-	331	742	-	204	429	-
Private quotations	288	-	-	201	-	-	193	-	-
Assets	1,766	380	4,610	1,304	742	3,738	1,118	429	3,544
Valuation based on ^(a) : Published price quotations	-	-	-	-	-	-	-	-	-
Valuation model based on market data	-	449	-	-	274	-	-	341	-
Private quotations	-	-	-	-	-	-	-	-	-
Liabilities	-	449	-	-	274	-	-	341	-

(a) See Note 1.9 on the valuation approaches used and Note 1.2 on the retrospective application of IFRS 9 Financial Instruments as of January 1, 2016.

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, 2018, December 31, 2017 and December 31, 2016.

The amount of financial assets valued on the basis of private quotations changed as follows in 2018:

(EUR millions)	2018
As of January 1	201
Acquisitions	114
Disposals (at net realized value)	(18)
Gains and losses recognized in income statement	(4)
Gains and losses recognized in equity	3
Reclassifications	(8)
As of December 31	288

22.3 Summary of derivatives

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

(EUR millions)			Notes	2018	2017	2016
Interest rate risk	Assets:	non-current		23	33	53
		current		12	9	17
	Liabilities:	non-current		(7)	(8)	-
		current		(12)	(6)	(5)
			22.4	16	28	65
Foreign exchange risk	Assets:	non-current		18	34	46
		current		108	485	244
	Liabilities:	non-current		(60)	(42)	(65)
		current		(154)	(39)	(199)
			22.5	(88)	438	26
Other risks	Assets:	non-current		216	179	69
		current		3	2	-
	Liabilities:	non-current		(216)	(179)	(69)
		current		-	-	(3)
			22.6	3	2	(3)
Total	Assets:	non-current	9	257	246	168
		current	12	123	496	261
	Liabilities:	non-current	20	(283)	(229)	(134)
		current	21	(166)	(45)	(207)
				(69)	468	88

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	-	196	-	196	-	196	(1)	(3)	(4)	192
Changes in consolidated gains and losses	(276)	-	(44)	(320)	(125)	(445)	-	2	2	(443)

(a) See Notes 1.8 and 1.21 on the principles of fair value adjustments to foreign exchange risk hedging instruments.

(b) See Notes 1.20 and 1.21 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.

22.4 Derivatives used to manage interest rate risk

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

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

Derivatives used to manage interest rate risk outstanding as of December 31, 2018 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	Fair value hedges	Not allocated	Total
Interest rate swaps in euros, floating-rate payer	343	1,697	300	2,340	24	-	24
Interest rate swaps in euros, fixed-rate payer	-	343	-	343	-	(2)	(2)
Foreign currency swaps, euro-rate payer	92	447	-	539	-	-	-
Foreign currency swaps, euro-rate receiver	69	133	-	202	(6)	-	(6)
Total					18	(2)	16

(a) Gain/(Loss).

(b) See Note 1.9 regarding the methodology used for market value measurement.

22.5 Derivatives used to manage foreign exchange risk

A significant portion of Group companies' sales to customers and to their own distribution 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, 2018 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation ^(a)				Market value ^{(b)(c)}				
	2018	2019	Thereafter	Total	Future cash flow hedges	Fair value hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	125	275	-	400	1	2	-	-	3
Put JPY	10	16	-	26	-	-	-	-	-
Put GBP	28	9	-	37	-	-	-	-	-
Other	-	27	-	27	-	1	-	-	1
	163	327	-	490	1	3	-	-	4
Collars									
Written USD	432	5,237	348	6,017	-	21	-	-	21
Written JPY	-	1,135	-	1,135	-	9	-	-	9
Written GBP	7	249	-	256	-	9	-	-	9
Written HKD	-	539	-	539	-	2	-	-	2
	439	7,160	348	7,947	-	41	-	-	41
Forward exchange contracts									
USD	292	(93)	-	199	1	3	-	-	4
HKD	106	1	-	107	-	-	-	-	-
JPY	85	-	-	85	(2)	-	-	-	(2)
CHF	(1)	(114)	-	(115)	1	3	-	-	4
RUB	33	-	-	33	1	-	-	-	1
CNY	25	-	-	25	-	-	-	-	-
GBP	20	32	43	95	-	3	-	-	3
Other	135	20	-	155	1	1	-	-	2
	695	(154)	43	584	2	10	-	-	12
Foreign exchange swaps									
USD	812	1,223	(524)	1,511	(117)	-	-	-	(117)
GBP	933	-	-	933	(11)	-	-	-	(11)
JPY	386	-	-	386	(18)	-	(1)	-	(19)
CNY	80	11	15	106	(3)	-	-	-	(3)
Other	(182)	-	-	(182)	7	-	(2)	-	5
	2,029	1,234	(509)	2,754	(142)	-	(3)	-	(145)
Total	3,326	8,567	(118)	11,775	(139)	54	(3)	-	(88)

(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 2019; the amount will depend on exchange rates at that date. The impact on net profit for fiscal year 2018 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 2018, 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	134	(38)	41	(3)	-	-	-	-
- conversion of net profit of entities outside the eurozone	116	(116)	22	(22)	20	(20)	43	(43)
Impact on net profit	250	(154)	63	(25)	20	(20)	43	(43)

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2018, mainly comprising options and collars.

As of December 31, 2018, forecast cash collections for 2019 in US dollars and Japanese yen are 80% hedged. For the hedged portion, the exchange rate upon sale will be at least 1.21 USD/EUR for the US dollar and at least 130 JPY/EUR for the Japanese yen.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2018 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	369	(369)	59	(59)	319	(319)	124	(124)
Change in market value of net investment hedges, after tax	(358)	183	(24)	44	(68)	56	(31)	20
Net impact on equity, excluding net profit	11	(186)	35	(15)	251	(263)	93	(104)

22.6 Financial instruments used to manage other risks

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

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

The Group may also use equity-based derivatives to 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. If applicable, the carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the balance sheet date. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices.

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers; or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2018 have a positive market value of 3 million euros. Considering nominal values of 158 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2018 would have a net impact on the Group's consolidated reserves in an amount of less than 1 million euros. These instruments mature in 2019.

22.7 Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Group's exposure to liquidity risk can be assessed in relation to the amount of its short-term borrowings excluding derivatives, i.e. 5.0 billion euros, below the 5.4 billion euros balance of cash and cash equivalents, or in relation to the outstanding amount of its commercial paper program, i.e. 3.2 billion euros. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.9 billion euros.

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

The following table presents the contractual schedule of disbursements for financial liabilities (excluding derivatives) recognized as of December 31, 2018, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2019	2020	2021	2022	2023	Over 5 years	Total
Bonds and EMTNs	1,037	1,883	1,328	1,264	9	1,209	6,730
Bank borrowings	226	24	60	1	3	3	317
Other borrowings and credit facilities	396	-	-	-	-	-	396
Finance and other long-term leases	31	32	31	29	25	682	830
Commercial paper	3,174	-	-	-	-	-	3,174
Bank overdrafts	197	-	-	-	-	-	197
Gross borrowings	5,061	1,939	1,419	1,294	37	1,894	11,644
Other liabilities, current and non-current ^(a)	5,149	65	29	26	23	107	5,399
Trade accounts payable	5,314	-	-	-	-	-	5,314
Other financial liabilities	10,463	65	29	26	23	107	10,713
Total financial liabilities	15,524	2,004	1,448	1,320	60	2,001	22,357

(a) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 5,146 million euros and to "Other non-current liabilities" (excluding derivatives, purchase commitments for minority interests and deferred income of 253 million euros as of December 31, 2018) for 222 million euros.

See Note 30.3 regarding contractual maturity dates of collateral and other guarantee commitments, Notes 18.5 and 22.5 regarding foreign exchange derivatives, and Note 22.4 regarding interest rate risk derivatives.

23. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari. The Selective Retailing business group comprises the Group's own-label retailing activities. Other activities and holding companies comprise

brands and businesses that are not associated with any of the above-mentioned business groups, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

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

23.1 Information by business group

Fiscal year 2018

(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	5,115	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 and amortization expense	(155)	(759)	(275)	(238)	(461)	(72)	-	(1,960)
Impairment expense	(7)	(5)	-	(1)	(2)	(97)	-	(112)
Intangible assets and goodwill ^(b)	6,157	13,246	1,406	5,791	3,430	951	-	30,981
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	1,449	1,596	1,401	721	870	976	8,709 ^(c)	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
Liabilities	1,580	4,262	2,115	1,075	3,005	1,249	27,057 ^(d)	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

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated ^(a)	Total
Sales outside the Group	5,051	15,422	4,534	3,722	13,272	635	-	42,636
Intra-Group sales	33	50	1,026	83	39	16	(1,247)	-
Total revenue	5,084	15,472	5,560	3,805	13,311	651	(1,247)	42,636
Profit from recurring operations	1,558	4,905	600	512	1,075	(309)	(48)	8,293
Other operating income and expenses	(18)	(29)	(8)	(90)	(42)	7	-	(180)
Depreciation and amortization expense	(159)	(669)	(254)	(223)	(452)	(65)	-	(1,822)
Impairment expense	1	-	-	(50)	(58)	(2)	-	(109)
Intangible assets and goodwill ^(b)	6,277	13,149	1,280	5,684	3,348	1,056	-	30,794
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	1,449	1,234	1,108	598	845	1,279	7,698 ^(c)	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
Liabilities	1,544	3,539	1,706	895	2,839	1,223	27,632 ^(d)	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)

Fiscal year 2016

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated ^(a)	Total
Sales outside the Group	4,805	12,735	4,083	3,409	11,945	623	-	37,600
Intra-Group sales	30	40	870	59	28	15	(1,042)	-
Total revenue	4,835	12,775	4,953	3,468	11,973	638	(1,042)	37,600
Profit from recurring operations	1,504	3,873	551	458	919	(244)	(35)	7,026
Other operating income and expenses	(60)	10	(9)	(30)	(64)	31	-	(122)
Depreciation and amortization expense	(148)	(601)	(212)	(208)	(399)	(54)	-	(1,622)
Impairment expense	(4)	(34)	(1)	(32)	(62)	(1)	-	(134)
Intangible assets and goodwill ^(b)	5,185	6,621	1,305	5,879	3,692	1,054	-	23,736
Property, plant and equipment	2,613	2,143	585	529	1,777	4,499	(7)	12,139
Inventories	4,920	1,501	581	1,403	2,172	235	(266)	10,546
Other operating assets	1,419	974	948	720	908	980	7,246 ^(c)	13,195
Total assets	14,137	11,239	3,419	8,531	8,549	6,768	6,973	59,616
Equity	-	-	-	-	-	-	27,898	27,898
Liabilities	1,524	2,641	1,593	918	2,924	1,178	20,940 ^(d)	31,718
Total liabilities and equity	1,524	2,641	1,593	918	2,924	1,178	48,838	59,616
Operating investments ^(e)	(276)	(506)	(268)	(229)	(558)	(434)	6	(2,265)

(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 both 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.

23.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2018	2017	2016
France	4,491	4,172	3,745
Europe (excluding France)	8,731	8,000	6,825
United States	11,207	10,691	10,004
Japan	3,351	2,957	2,696
Asia (excluding Japan)	13,723	11,877	9,922
Other countries	5,323	4,939	4,408
Revenue	46,826	42,636	37,600

Operating investments by geographic region are as follows:

(EUR millions)	2018	2017	2016
France	1,054	921	807
Europe (excluding France)	539	450	375
United States	765	393	491
Japan	80	51	65
Asia (excluding Japan)	411	309	314
Other countries	189	152	213
Operating investments	3,038	2,276	2,265

No geographic breakdown of segment assets is provided since a significant portion of these assets consists of brands and goodwill, which must be analyzed on the basis of the revenue

generated by these assets in each region, and not in relation to the region of their legal ownership.

23.3 Quarterly information

Quarterly revenue by business group 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	1,195	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 ^(a)	1,275	959	3,126	163	(285)	9,830
Third quarter	1,220	3,939	1,395	951	3,055	146	(325)	10,381
Fourth quarter	1,570	4,634	1,495	1,016	3,976	179	(329)	12,541
Total for 2017	5,084	15,472	5,560	3,805	13,311	651	(1,247)	42,636
First quarter	1,033	2,965	1,213	774	2,747	154	(266)	8,620
Second quarter	1,023	2,920	1,124	835	2,733	161	(228)	8,568
Third quarter	1,225	3,106	1,241	877	2,803	145	(259)	9,138
Fourth quarter	1,554	3,784	1,375	982	3,690	178	(289)	11,274
Total for 2016	4,835	12,775	4,953	3,468	11,973	638	(1,042)	37,600

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

24. REVENUE AND EXPENSES BY NATURE

24.1 Analysis of revenue

Revenue consists of the following:

(EUR millions)	2018	2017	2016
Revenue generated by brands and trade names	46,427	42,218	37,184
Royalties and license revenue	114	96	102
Income from investment property	23	32	31
Other revenue	262	290	283
Total	46,826	42,636	37,600

The portion of total revenue generated by the Group at its own stores, including sales through e-commerce websites, was approximately 69% in 2018 (69% in 2017 and 65% in 2016), i.e. 32,081 million euros in 2018 (29,534 million euros in 2017 and 24,321 million euros in 2016).

24.2 Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	2018	2017	2016
Advertising and promotion expenses	5,518	4,831	4,242
Lease expenses	3,678	3,783	3,422
Personnel costs	8,290	7,618	6,575
Research and development expenses	130	130	111

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, 2018, a total of 4,592 stores were operated by the Group worldwide (4,374 in 2017; 3,948 in 2016), particularly by Fashion and Leather Goods and Selective Retailing.

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

(EUR millions)	2018	2017	2016
Fixed or minimum lease payments	1,910	1,847	1,669
Variable portion of indexed leases	911	791	620
Airport concession fees – fixed portion or minimum amount	466	550	580
Airport concession fees – variable portion	391	595	553
Commercial lease expenses	3,678	3,783	3,422

Personnel costs consist of the following elements:

(EUR millions)	2018	2017	2016
Salaries and social security contributions	8,081	7,444	6,420
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans ^(a)	127	112	114
Stock option plan and related expenses ^(b)	82	62	41
Personnel costs	8,290	7,618	6,575

(a) See Note 29.

(b) See Note 16.4.

In 2018, the average full-time equivalent workforce broke down as follows by professional category:

(in number and as %)	2018	%	2017	%	2016	%
Executives and managers	27,924	21%	25,898	20%	22,810	20%
Technicians and supervisors	14,057	10%	13,455	10%	12,614	11%
Administrative and sales staff	76,772	56%	72,981	57%	65,788	56%
Production workers	17,880	13%	16,303	13%	15,574	13%
Total	136,633	100%	128,637	100%	116,786	100%

24.3 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 2018 fiscal year breaks down as follows:

(EUR millions, excluding VAT)			2018
	ERNST & YOUNG Audit	MAZARS	Total
Audit-related fees	10	7	17
Tax services	3	NS	3
Other	1	NS	1
Non-audit-related fees	4	NS	4
Total	14	7	21

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.

25. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2018	2017	2016
Net gains/(losses) on disposals	(5)	(15)	39
Restructuring costs	1	(15)	3
Remeasurement of shares acquired prior to their initial consolidation	-	(12)	-
Transaction costs relating to the acquisition of consolidated companies	(10)	(13)	(3)
Impairment or amortization of brands, trade names, goodwill and other property	(117)	(128)	(155)
Other items, net	5	3	(6)
Other operating income and expenses	(126)	(180)	(122)

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

In 2016, net gains/(losses) on disposals included the gain related to the sale of Donna Karan International to G-III Apparel Group (see Note 2).

26. NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	2018	2017	2016
Borrowing costs	(158)	(169)	(158)
Income from cash, cash equivalents and current available for sale financial assets	44	34	26
Fair value adjustment of borrowings and interest rate hedges	(3)	(2)	(1)
Cost of net financial debt	(117)	(137)	(133)
Dividends received from non-current available for sale financial assets	18	13	6
Cost of foreign exchange derivatives	(160)	(168)	(187)
Fair value adjustment of available for sale financial assets	(108)	264	28
Other items, net	(21)	(31)	(32)
Other financial income and expenses	(271)	78	(185)
Net financial income/(expense)	(388)	(59)	(318)

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

(EUR millions)	2018	2017	2016
Income from cash and cash equivalents	31	21	14
Income from current available for sale financial assets	13	13	12
Income from cash, cash equivalents and current available for sale financial assets	44	34	26

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

(EUR millions)	2018	2017	2016
Hedged financial debt	1	27	(10)
Hedging instruments	(1)	(30)	9
Unallocated derivatives	(3)	1	-
Fair value adjustment of borrowings and interest rate hedges	(3)	(2)	(1)

The cost of foreign exchange derivatives breaks down as follows:

(EUR millions)	2018	2017	2016
Cost of commercial foreign exchange derivatives	(156)	(175)	(267)
Cost of foreign exchange derivatives related to net investments denominated in foreign currency	3	-	(6)
Cost and other items related to other foreign exchange derivatives	(7)	7	(57)
Cost of foreign exchange derivatives	(160)	(168)	(330)

27. INCOME TAXES

27.1 Analysis of the income tax expense

(EUR millions)	2018	2017	2016
Current income taxes for the fiscal year	(2,631)	(2,875)	(2,650)
Current income taxes relating to previous fiscal years	76	474	(16)
Current income taxes	(2,555)	(2,401)	(2,666)
Change in deferred income taxes	57	137	251
Impact of changes in tax rates on deferred income taxes	(1)	50	282
Deferred income taxes	56	187	533
Total tax expense per income statement	(2,499)	(2,214)	(2,133)
Tax on items recognized in equity	118	(103)	139

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

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

27.2 Analysis of net deferred tax on the balance sheet

Net deferred taxes on the balance sheet include the following assets and liabilities:

(EUR millions)	2018	2017	2016
Deferred tax assets	1,932	1,741	2,053
Deferred tax liabilities	(5,036)	(4,989)	(4,137)
Net deferred tax asset (liability)	(3,104)	(3,248)	(2,084)

27.3 Analysis of the difference between the theoretical and effective income tax rates

The effective tax rate is as follows:

(EUR millions)	2018	2017	2016
Profit before tax	9,489	8,054	6,586
Total income tax expense	(2,499)	(2,214)	(2,133)
Effective tax rate	26.3%	27.5%	32.4%

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>	2018	2017	2016
French statutory tax rate	34.4	34.4	34.4
Changes in tax rates ^(a)	-	(2.2)	(4.3)
Differences in tax rates for foreign companies	(8.8)	(6.2)	(5.5)
Tax losses and tax loss carryforwards, and other changes in deferred tax	0.7	0.9	0.5
Differences between consolidated and taxable income, and income taxable at reduced rates	(1.2)	2.5	5.1
Tax on dividend payments applicable to French companies, net of the exceptional surtax ^(a)	-	(2.9)	0.9
Other taxes on distribution ^(b)	1.2	1.0	1.3
Effective tax rate of the Group	26.3	27.5	32.4

(a) See Note 27.1.

(b) Tax on distribution is mainly related to intra-Group dividends.

In 2018, the wider gap in tax rates between foreign and French companies mainly resulted from the impact of tax reform in the United States, which reduced the country's corporate income tax rate by 13 points, with the overall tax rate going from 40% to 27%.

27.4 Sources of deferred taxes

In the income statement^(a)

<i>(EUR millions)</i>	2018	2017	2016
Valuation of brands	(1)	325	407
Other revaluation adjustments	2	62	53
Gains and losses on available for sale financial assets	6	(51)	(2)
Gains and losses on hedges of future foreign currency cash flows	(3)	3	17
Provisions for contingencies and losses	(63)	(74)	45
Intra-Group margin included in inventories	85	(38)	14
Other consolidation adjustments	14	(16)	(28)
Losses carried forward	16	(24)	27
Total	56	187	533

(a) Income/(Expenses).

In equity^(a)

<i>(EUR millions)</i>	2018	2017	2016
Fair value adjustment of vineyard land	(2)	82	108
Gains and losses on available for sale financial assets	-	-	-
Gains and losses on hedges of future foreign currency cash flows	110	(112)	23
Gains and losses on employee benefit commitments	(5)	(24)	17
Total	103	(54)	148

(a) Gains/(Losses).

In the balance sheet^(a)

<i>(EUR millions)</i>	2018	2017	2016
Valuation of brands	(3,902)	(3,872)	(3,114)
Fair value adjustment of vineyard land	(574)	(565)	(650)
Other revaluation adjustments	(458)	(459)	(320)
Gains and losses on available for sale financial assets	(50)	(55)	(3)
Gains and losses on hedges of future foreign currency cash flows	49	(58)	50
Provisions for contingencies and losses	551	596	732
Intra-Group margin included in inventories	795	707	727
Other consolidation adjustments	447	433	434
Losses carried forward	38	25	60
Total	(3,104)	(3,248)	(2,084)

(a) Asset/(Liability).

27.5 Losses carried forward

As of December 31, 2018, 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 497 million euros (446 million euros in 2017 and 331 million euros in 2016).

27.6 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 225 million euros in 2018 (increase of 6 million euros in 2017; decrease of 37 million euros in 2016).
- The other tax consolidation systems in place, notably in the United States, generated current tax savings of 61 million euros in 2018 (85 million euros in 2017; 99 million euros in 2016).

28. EARNINGS PER SHARE

	2018	2017	2016
Net profit, Group share <i>(EUR millions)</i>	6,354	5,365	4,066
Average number of shares outstanding during the fiscal year	505,986,323	507,172,381	507,210,806
Average number of treasury shares owned during the fiscal year	(3,160,862)	(4,759,687)	(4,299,681)
Average number of shares on which the calculation before dilution is based	502,825,461	502,412,694	502,911,125
Basic earnings per share <i>(EUR)</i>	12.64	10.68	8.08
Average number of shares outstanding on which the above calculation is based	502,825,461	502,412,694	502,911,125
Dilutive effect of stock option and bonus share plans	1,092,679	1,597,597	1,729,334
Other dilutive effects	-	-	-
Average number of shares on which the calculation after dilution is based	503,918,140	504,010,291	504,640,459
Diluted earnings per share <i>(EUR)</i>	12.61	10.64	8.06

As of December 31, 2018, 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, 2018 and the date at which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

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

29.1 Expense for the fiscal year

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

(EUR millions)	2018	2017	2016
Service cost	113	110	100
Net interest cost	12	12	13
Actuarial gains and losses	(1)	-	1
Changes in plans	3	(10)	-
Total expense for the fiscal year for defined-benefit plans	127	112	114

29.2 Net recognized commitment

(EUR millions)	Notes	2018	2017	2016
Benefits covered by plan assets		1,515	1,490	1,523
Benefits not covered by plan assets		189	179	193
Defined-benefit obligation		1,704	1,669	1,716
Market value of plan assets		(1,137)	(1,077)	(1,038)
Net recognized commitment		567	592	678
Of which:				
Non-current provisions	19	605	625	698
Current provisions	19	7	4	4
Other assets		(45)	(37)	(24)
Total		567	592	678

29.3 Analysis of the change in net recognized commitment

(EUR millions)	Defined-benefit obligation	Market value of plan assets	Net recognized commitment
As of December 31, 2017	1,669	(1,077)	592
Service cost	113	-	113
Net interest cost	30	(19)	11
Payments to recipients	(83)	58	(25)
Contributions to plan assets	-	(106)	(106)
Contributions of employees	9	(9)	-
Changes in scope and reclassifications	-	-	-
Changes in plans	(1)	5	4
Actuarial gains and losses	(68)	41	(27)
Of which: experience adjustments ^(a)	4	41	45
changes in demographic assumptions ^(a)	(40)	-	(40)
changes in financial assumptions ^(a)	(32)	-	(32)
Translation adjustment	35	(30)	5
As of December 31, 2018	1,704	(1,137)	567

(a) (Gain)/Loss.

Actuarial gains and losses resulting from experience adjustments related to fiscal years 2014 to 2017 were as follows:

(EUR millions)	2014	2015	2016	2017
Experience adjustments on the defined-benefit obligation	3	(11)	(1)	4
Experience adjustments on the market value of plan assets	(28)	(12)	(25)	(49)
Actuarial gains and losses resulting from experience adjustments^(a)	(25)	(23)	(26)	(45)

(a) (Gain)/Loss.

The actuarial assumptions applied to estimate commitments as of December 31, 2018 in the main countries concerned were as follows:

(as %)	2018					2017					2016				
	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland
Discount rate ^(a)	1.50	4.43	2.90	0.50	0.83	1.50	3.70	2.60	0.50	0.65	1.30	3.92	2.80	0.50	0.11
Future rate of increase of salaries	2.75	4.59	3.38	1.99	1.74	2.68	1.70	3.53	2.00	1.69	2.75	4.88	4.00	2.00	1.77

(a) Discount rates were determined with reference to market yields of AA-rated corporate bonds at the period-end in the countries concerned. Bonds with maturities comparable to those of the commitments were used.

The assumed rate of increase of medical expenses in the United States is 6.40% for 2019, 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 114 million euros in the amount of the defined-benefit obligation as of December 31, 2018; a decrease of 0.5 points in the discount rate would result in a rise of 112 million euros.

29.4 Analysis of benefits

The breakdown of the defined-benefit obligation by type of benefit plan is as follows:

(EUR millions)	2018	2017	2016
Supplementary pensions	1,300	1,279	1,335
Retirement bonuses and similar benefits	326	311	299
Medical costs of retirees	42	45	53
Long-service awards	27	25	24
Other	9	9	5
Defined-benefit obligation	1,704	1,669	1,716

The geographic breakdown of the defined-benefit obligation is as follows:

(EUR millions)	2018	2017	2016
France	615	579	566
Europe (excluding France)	556	569	618
United States	347	344	347
Japan	136	125	130
Asia (excluding Japan)	41	44	48
Other countries	9	8	7
Defined-benefit obligation	1,704	1,669	1,716

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2018 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.

29.5 Analysis of related plan assets

The breakdown of the market value of plan assets by type of investment is as follows:

(as % of market value of related plan assets)	2018	2017	2016
Shares	23	25	28
Bonds			
- private issues	36	36	34
- public issues	5	6	8
Cash, investment funds, real estate and other assets	36	33	30
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 2019 by paying in approximately 120 million euros.

30. OFF-BALANCE SHEET COMMITMENTS

30.1 Purchase commitments

(EUR millions)	2018	2017	2016
Grapes, wines and <i>eaux-de-vie</i>	2,040	1,925	1,962
Other purchase commitments for raw materials	215	123	87
Industrial and commercial fixed assets	721	525	613
Investments in joint venture shares and non-current available for sale financial assets	2,151	205	953

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, 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. Belmond owns and operates an exceptional portfolio of very high-end hotels and travel experiences in the world's most desirable, prestigious locations. The company operates in 24 countries and is listed on the New York Stock Exchange. The transaction should be finalized in the first half of 2019, subject to approval by Belmond's shareholders and certain competition authorities.

As of December 31, 2016, purchase commitments for shares and non-current available for sale financial assets included the amount related to the acquisition of Rimowa. See Note 2.

As of December 31, 2018, 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>	659	1,346	35	2,040
Other purchase commitments for raw materials	123	91	1	215
Industrial and commercial fixed assets	601	121	(1)	721
Investments in joint venture shares and non-current available for sale financial assets	2,049	102	-	2,151

30.2 Leases

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

The fixed or minimum portions of commitments in respect of the irrevocable period of operating lease or concession contracts were as follows as of December 31, 2018:

(EUR millions)	2018	2017	2016
Less than one year	2,334	2,172	2,024
One to five years	6,098	5,595	4,965
More than five years	4,141	3,677	3,107
Commitments given for operating leases and concessions	12,573	11,444	10,096
Less than one year	18	15	14
One to five years	48	35	17
More than five years	3	13	6
Commitments received for subleases	69	63	37

In addition, the Group may enter into operating leases or concession contracts that have variable guaranteed amounts.

30.3 Collateral and other guarantees

As of December 31, 2018, these commitments broke down as follows:

(EUR millions)	2018	2017	2016
Securities and deposits	342	379	400
Other guarantees	160	274	132
Guarantees given	502	653	532
Guarantees received	70	40	34

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	125	209	8	342
Other guarantees	56	91	13	160
Guarantees given	181	300	21	502
Guarantees received	20	44	6	70

30.4 Other commitments

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

31. EXCEPTIONAL EVENTS AND LITIGATION

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

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

At the end of October 2017, 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 claim is expected to be settled in the first half of 2019. The Group and the insurance company jointly sued the subcontractor for damages.

There were no significant developments in fiscal year 2018 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.

32. RELATED-PARTY TRANSACTIONS

32.1 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)	2018	2017	2016
Amounts billed by Groupe Arnault SE, Financière Agache and Christian Dior SE to LVMH	(3)	(6)	(6)
Amount payable outstanding as of December 31	-	(2)	(2)
Amounts billed by LVMH to Groupe Arnault SE, Financière Agache and Christian Dior SE	5	5	5
Amount receivable outstanding as of December 31	-	1	4

32.2 Relations with Diageo

Moët Hennessy SAS and Moët Hennessy International SAS (hereinafter referred to as “Moët Hennessy”) are the holding companies for LVMH’s Wines and Spirits businesses, with the exception of Château d’Yquem, Château Cheval Blanc, Domaine du Clos des Lambrays, 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 15% of shared costs in 2018 (16% in 2017 and 17% in 2016), 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 17 million euros for 2018 (19 million euros in 2017 and 21 million euros in 2016).

32.3 Relations with the Fondation Louis Vuitton

In October 2014, the Fondation Louis Vuitton opened a modern and contemporary art museum in Paris. The LVMH group 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 30.3).

32.4 Executive bodies

The total compensation paid to the members of the Executive Committee and the Board of Directors, in respect of their functions within the Group, breaks down as follows:

<i>(EUR millions)</i>	2018	2017	2016
Gross compensation, employers' charges and benefits in kind	61	63	62
Post-employment benefits	19	17	16
Other long-term benefits	19	2	11
End-of-contract bonuses	13	12	-
Stock option and similar plans	29	14	14
Total	141	108	103

The commitment recognized as of December 31, 2018 for post-employment benefits net of related financial assets was 66 million euros (68 million euros as of December 31, 2017 and 72 million euros as of December 31, 2016).

33. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2018 and January 29, 2019, the date at which the financial statements were approved for publication by the Board of Directors.

CONSOLIDATED COMPANIES

Companies	Registered office	Method of consolidation	Ownership interest
WINES AND SPIRITS			
MHCS	Épernay, France	FC	66%
Champagne Des Moutiers	Épernay, France	FC	66%
Société Viticole de Reims	Épernay, France	FC	66%
Compagnie Française du Champagne et du Luxe	Épernay, France	FC	66%
Chamfipar	Épernay, France	FC	66%
GIE Moët Hennessy Information Services	Épernay, France	FC	66%
Moët Hennessy Entreprise Adaptée	Épernay, France	FC	66%
Champagne Bernard Breuzon	Colombé-le-Sec, France	FC	66%
Champagne De Mansin	Gyé-sur-Seine, France	FC	66%
Société Civile des Crus de Champagne	Reims, France	FC	66%
Moët Hennessy Italia SpA	Milan, Italy	FC	66%
Moët Hennessy UK	London, United Kingdom	FC	66%
Moët Hennessy España	Barcelona, Spain	FC	66%
Moët Hennessy (Suisse)	Geneva, Switzerland	FC	66%
Moët Hennessy Deutschland GmbH	Munich, Germany	FC	66%
Moët Hennessy de Mexico	Mexico City, Mexico	FC	66%
Moët Hennessy Belux	Brussels, Belgium	FC	66%
Moët Hennessy Österreich	Vienna, Austria	FC	66%
Moët Hennessy Suomi	Helsinki, Finland	FC	66%
Moët Hennessy Polska	Warsaw, Poland	FC	66%
Moët Hennessy Czech Republic	Prague, Czech Republic	FC	66%
Moët Hennessy Sverige	Stockholm, Sweden	FC	66%
Moët Hennessy Norge	Sandvika, Norway	FC	66%
Moët Hennessy Danmark	Copenhagen, Denmark	FC	66%
Moët Hennessy Nederland	Baarn, Netherlands	FC	66%
Moët Hennessy USA	New York, USA	FC	66%
Moët Hennessy Turkey	Istanbul, Turkey	FC	66%
Moët Hennessy South Africa Pty Ltd	Johannesburg, South Africa	FC	66%
MH Champagnes and Wines Korea Ltd	Icheon, South Korea	FC	66%
MHD Moët Hennessy Diageo	Courbevoie, France	JV	66%
Cheval des Andes	Buenos Aires, Argentina	EM	33%
Domaine Chandon	California, USA	FC	66%
Cape Mentelle Vineyards	Margaret River, Australia	FC	66%
Veuve Clicquot Properties	Margaret River, Australia	FC	66%
Moët Hennessy Do Brasil - Vinhos			
E Destilados	São Paulo, Brazil	FC	66%
Cloudy Bay Vineyards	Blenheim, New Zealand	FC	66%
Bodegas Chandon Argentina	Buenos Aires, Argentina	FC	66%
Domaine Chandon Australia	Coldstream, Victoria, Australia	FC	66%
Newton Vineyards	California, USA	FC	59%
Domaine Chandon (Ningxia)			
Moët Hennessy Co.	Yinchuan, China	FC	66%
Moët Hennessy Chandon (Ningxia) Vineyards Co.	Yinchuan, China	FC	40%
SA Du Château d'Yquem	Sauternes, France	FC	96%
SC Du Château d'Yquem	Sauternes, France	FC	96%
Société Civile Cheval Blanc (SCCB)	Saint-Émilion, France	EM	50%
Colgin Cellars	Saint Helena, USA	FC	60%
Moët Hennessy Shangri-La (Deqin)			
Winery Company	Deqin, China	FC	53%
Jas Hennessy & Co.	Cognac, France	FC	65%
Distillerie de la Groie	Cognac, France	FC	65%
SICA de Bagnole	Cognac, France	FC	3%
Sodepa	Cognac, France	FC	65%
Diageo Moët Hennessy BV	Amsterdam, Netherlands	JV	66%
Hennessy Dublin	Dublin, Ireland	FC	66%
Edward Dillon & Co. Ltd	Dublin, Ireland	EM	26%
Hennessy Far East	Hong Kong, China	FC	65%
Moët Hennessy Diageo Hong Kong	Hong Kong, China	JV	66%
Moët Hennessy Diageo Macau	Macao, China	JV	66%
Riche Monde (China)	Hong Kong, China	JV	66%
Moët Hennessy Diageo Singapore Pte	Singapore	JV	66%
Moët Hennessy Cambodia Co.	Phnom Penh, Cambodia	FC	34%
Moët Hennessy Philippines	Makati, Philippines	FC	49%
Société du Domaine des Lambrays	Morey-Saint-Denis, France	FC	100%
Moët Hennessy Services UK	London, United Kingdom	FC	66%
Moët Hennessy Services Singapore Pte Ltd	Singapore	FC	66%
Moët Hennessy Diageo Malaysia Sdn.	Kuala Lumpur, Malaysia	JV	66%
Diageo Moët Hennessy Thailand	Bangkok, Thailand	JV	66%
Moët Hennessy Shanghai	Shanghai, China	FC	66%
Moët Hennessy India	Mumbai, India	FC	66%
Jas Hennessy Taiwan	Taipei, Taiwan	FC	65%
Moët Hennessy Diageo China Company	Shanghai, China	JV	66%
Moët Hennessy Distribution Russia	Moscow, Russia	FC	66%
Moët Hennessy Vietnam Importation Co.	Ho Chi Minh City, Vietnam	FC	65%
Moët Hennessy Vietnam Distribution			
Shareholding Co.	Ho Chi Minh City, Vietnam	FC	33%
Moët Hennessy Rus	Moscow, Russia	FC	66%

Companies	Registered office	Method of consolidation	Ownership interest
MHD Moët Hennessy Diageo	Tokyo, Japan	JV	66%
Moët Hennessy Asia Pacific Pte Ltd	Singapore	FC	65%
Moët Hennessy Australia	Mascot, Australia	FC	65%
Polmos Zyrardow Sp. Z O.O.	Zyrardow, Poland	FC	66%
The Glenmorangie Company	Edinburgh, United Kingdom	FC	66%
Macdonald & Muir Ltd	Edinburgh, United Kingdom	FC	66%
Alistair Graham Limited	Edinburgh, United Kingdom	FC	66%
Ardbeg Distillery Limited	Edinburgh, United Kingdom	FC	66%
Ardbeg Ltd	Edinburgh, United Kingdom	FC	66%
Bonding and Transport Co. Ltd	Edinburgh, United Kingdom	FC	66%
Charles Muirhead & Son Limited	Edinburgh, United Kingdom	FC	66%
Douglas Macniven & Company Ltd	Edinburgh, United Kingdom	FC	66%
Glenmorangie Distillery Co. Ltd	Edinburgh, United Kingdom	FC	66%
Glenmorangie Spring Water	Edinburgh, United Kingdom	FC	66%
James Martin & Company Ltd	Edinburgh, United Kingdom	FC	66%
Macdonald Martin Distilleries	Edinburgh, United Kingdom	FC	66%
Morangie Mineral Water Company	Edinburgh, United Kingdom	FC	66%
Morangie Springs Limited	Edinburgh, United Kingdom	FC	66%
Nicol Anderson & Co. Ltd	Edinburgh, United Kingdom	FC	66%
Tarlogie Springs Limited	Edinburgh, United Kingdom	FC	66%
Woodinville Whiskey Company LLC	Woodinville, USA	FC	66%
Volcan Azul	Mexico City, Mexico	EM	33%
FASHION AND LEATHER GOODS			
Louis Vuitton Malletier	Paris, France	FC	100%
Manufature de Souliers Louis Vuitton	Fiesse d'Artico, Italy	FC	100%
Louis Vuitton Saint-Barthélemy	Saint-Barthélemy, French Antilles	FC	100%
Louis Vuitton Cantacilik Ticaret	Istanbul, Turkey	FC	100%
Louis Vuitton Editeur	Paris, France	FC	100%
Louis Vuitton International	Paris, France	FC	100%
Louis Vuitton India Holding			
& Services Pvt. Ltd.	Bangalore, India	FC	100%
Société des Ateliers Louis Vuitton	Paris, France	FC	100%
Manufature des Accessoires Louis Vuitton	Fiesse d'Artico, Italy	FC	100%
Louis Vuitton Bahrain WLL	Manama, Bahrain	FC	65%
Société Louis Vuitton Services	Paris, France	FC	100%
Louis Vuitton Qatar LLC	Doha, Qatar	FC	63%
Société des Magasins Louis Vuitton France	Paris, France	FC	100%
Belle Jardinière	Paris, France	FC	100%
La Fabrique du Temps Louis Vuitton	Meyrin, Switzerland	FC	100%
Les Ateliers Joailliers Louis Vuitton	Paris, France	FC	100%
Louis Vuitton Monaco	Monte Carlo, Monaco	FC	100%
ELV	Paris, France	FC	100%
Louis Vuitton Services Europe	Brussels, Belgium	FC	100%
Louis Vuitton UK	London, United Kingdom	FC	100%
Louis Vuitton Ireland	Dublin, Ireland	FC	100%
Louis Vuitton Deutschland	Munich, Germany	FC	100%
Louis Vuitton Ukraine	Kiev, Ukraine	FC	100%
Manufature de Maroquinerie et Accessoires Louis Vuitton	Barcelona, Spain	FC	100%
La Fabrique de Maroquinerie Louis Vuitton	Paris, France	FC	100%
Louis Vuitton B.V.	Amsterdam, Netherlands	FC	100%
Louis Vuitton Belgium	Brussels, Belgium	FC	100%
Louis Vuitton Luxembourg	Luxembourg	FC	100%
Louis Vuitton Hellas	Athens, Greece	FC	100%
Louis Vuitton Portugal Maleiro	Lisbon, Portugal	FC	100%
Louis Vuitton Ltd	Tel Aviv, Israel	FC	100%
Louis Vuitton Danmark	Copenhagen, Denmark	FC	100%
Louis Vuitton Aktiebolag	Stockholm, Sweden	FC	100%
Louis Vuitton Suisse	Meyrin, Switzerland	FC	100%
Louis Vuitton Polska Sp. Z O.O.	Warsaw, Poland	FC	100%
Louis Vuitton Ceska	Prague, Czech Republic	FC	100%
Louis Vuitton Österreich	Vienna, Austria	FC	100%
Louis Vuitton Kazakhstan	Almaty, Kazakhstan	FC	100%
Louis Vuitton US Manufacturing, Inc.	San Dimas, USA	FC	100%
Louis Vuitton Hawaii, Inc.	Hawaii, USA	FC	100%
Louis Vuitton Guam, Inc.	Tamuning, Guam	FC	100%
Louis Vuitton Saipan Inc.	Saipan, Northern Mariana Islands	FC	100%
Louis Vuitton Norge	Oslo, Norway	FC	100%
San Dimas Luggage Company	San Dimas, USA	FC	100%
Louis Vuitton North America, 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%

Companies	Registered office	Method of consolidation	Ownership interest	Companies	Registered office	Method of consolidation	Ownership interest
Operadora Louis Vuitton Mexico	Mexico City, Mexico	FC	100%	Loewe Italy	Milan, Italy	FC	100%
Louis Vuitton Chile Spa	Santiago de Chile, Chile	FC	100%	Loewe Alemania	Frankfurt, Germany	FC	100%
Louis Vuitton (Aruba)	Oranjestad, Aruba	FC	100%	Loewe LLC	New York, USA	FC	100%
Louis Vuitton Argentina	Buenos Aires, Argentina	FC	100%	LVMH Fashion Group Support	Paris, France	FC	100%
Louis Vuitton Republica Dominicana	Santo Domingo, Dominican Republic	FC	100%	Berluti SA	Paris, France	FC	100%
Louis Vuitton Pacific	Hong Kong, China	FC	100%	Manifattura Berluti Srl	Ferrara, Italy	FC	100%
Louis Vuitton Kuwait WLL	Kuwait City, Kuwait	FC	32%	Berluti LLC	New York, USA	FC	100%
Louis Vuitton Hong Kong Limited	Hong Kong, China	FC	100%	Berluti UK Limited (Company)	London, United Kingdom	FC	100%
Louis Vuitton (Philippines) Inc.	Makati, Philippines	FC	100%	Berluti Macau Company Limited	Macao, China	FC	100%
Louis Vuitton Singapore Pte Ltd	Singapore	FC	100%	Berluti (Shanghai) Company Limited	Shanghai, China	FC	100%
LV Information & Operation Services Pte Ltd	Singapore	FC	100%	Berluti Hong Kong Company Limited	Hong Kong, China	FC	100%
PT Louis Vuitton Indonesia	Jakarta, Indonesia	FC	98%	Berluti Deutschland GmbH	Munich, Germany	FC	100%
Louis Vuitton (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%	Berluti Singapore Pte Ltd	Singapore	FC	100%
Louis Vuitton (Thailand) Société Anonyme	Bangkok, Thailand	FC	100%	Berluti Japan KK	Tokyo, Japan	FC	99%
Louis Vuitton Taiwan Ltd.	Taipei, Taiwan	FC	100%	Berluti Orient FZ LLC	Emirate of Ras Al Khaimah, United Arab Emirates	FC	65%
Louis Vuitton Australia Pty Ltd.	Sydney, Australia	FC	100%	Berluti EAU LLC	Dubai, United Arab Emirates	FC	65%
Louis Vuitton (China) Co. Ltd.	Shanghai, China	FC	100%	Berluti Taiwan Ltd.	Taipei, Taiwan	FC	100%
Mon Moda Luxe LLC	Ulaanbaatar, Mongolia	FC	100%	Berluti Korea Company Ltd.	Seoul, South Korea	FC	65%
Louis Vuitton New Zealand	Auckland, New Zealand	FC	100%	Berluti Australia	Sydney, Australia	FC	100%
Louis Vuitton India Retail Pte Ltd	Gurgaon, India	FC	100%	Rossimoda	Vigona, Italy	FC	100%
Louis Vuitton EAU LLC	Dubai, United Arab Emirates	FC	52%	Rossimoda Romania	Cluj-Napoca, Romania	FC	100%
Louis Vuitton Saudi Arabia Ltd.	Jeddah, Saudi Arabia	FC	55%	LVMH Fashion Group Services	Paris, France	FC	100%
Louis Vuitton Middle East	Dubai, United Arab Emirates	FC	65%	Montaigne	Tokyo, Japan	FC	99%
Louis Vuitton - Jordan PSC	Amman, Jordan	FC	95%	Interlux Company	Hong Kong, China	FC	100%
Louis Vuitton Orient LLC	Emirate of Ras Al Khaimah, United Arab Emirates	FC	65%	Jean Patou SAS	Paris, France	FC	70%
Louis Vuitton Korea Ltd.	Seoul, South Korea	FC	100%	Rimowa GmbH	Cologne, Germany	FC	80%
LVMH Fashion Group Trading Korea Ltd.	Seoul, South Korea	FC	100%	Rimowa GmbH & Co Distribution KG	Cologne, Germany	FC	80%
Louis Vuitton Hungaria Kft.	Budapest, Hungary	FC	100%	Rimowa Electronic Tag GmbH	Hamburg, Germany	FC	80%
Louis Vuitton Vostok	Moscow, Russia	FC	100%	Rimowa CZ spol s.r.o.	Pelhrimov, Czech Republic	FC	80%
LV Colombia SAS	Santa Fé de Bogota, Colombia	FC	100%	Rimowa America Do Sul Malas	São Paulo, Brazil	FC	80%
Louis Vuitton Maroc	Casablanca, Morocco	FC	100%	Rimowa North America Inc.	Cambridge, Canada	FC	80%
Louis Vuitton South Africa	Johannesburg, South Africa	FC	100%	Rimowa Inc.	Delaware, USA	FC	80%
Louis Vuitton Macau Company Limited	Macao, China	FC	100%	Rimowa Distribution Inc.	Delaware, USA	FC	80%
Louis Vuitton Japan KK	Tokyo, Japan	FC	99%	Rimowa Far East Limited	Hong Kong, China	FC	80%
Louis Vuitton Services KK	Tokyo, Japan	FC	99%	Rimowa Macau Limited	Macao, China	FC	80%
Louis Vuitton Canada, Inc.	Toronto, Canada	FC	100%	Rimowa Japan Co. Ltd	Tokyo, Japan	FC	80%
Louis Vuitton (Barbados)	Saint Michael, Barbados	FC	100%	Rimowa France SARL	Paris, France	FC	80%
Atepli - Ateliers des Pontes de Lima	Calvelo, Portugal	FC	100%	Rimowa Italy Srl	Milan, Italy	FC	80%
Somarest	Sibiu, Romania	FC	100%	Rimowa Netherlands BV	Amsterdam, Netherlands	FC	80%
LVMH Métiers D'Art	Paris, France	FC	100%	Rimowa Spain SLU	Madrid, Spain	FC	80%
Tanneries Roux	Romans-sur-Isère, France	FC	100%	Rimowa Great Britain Limited	London, United Kingdom	FC	80%
HLI Holding Pte. Ltd	Singapore	FC	100%	Rimowa China	Shanghai, China	FC	80%
Heng Long International Ltd	Singapore	FC	100%	Rimowa International	Paris, France	FC	80%
Heng Long Leather Co. (Pte) Ltd	Singapore	FC	100%	Rimowa Group Services	Paris, France	FC	80%
Heng Long Leather (Guangzhou) Co. Ltd	Guangzhou, China	FC	100%	Rimowa Middle East FZ-LLC	Dubai, United Arab Emirates	FC	80%
HL Australia Proprietary Ltd	Sydney, Australia	FC	100%	Rimowa Korea Ltd	Seoul, South Korea	FC	80%
Starke Holding	Florida, USA	FC	100%	Rimowa Orient Trading-LLC	Dubai, United Arab Emirates	FC	80%
Cypress Creek Farms	Florida, USA	FC	100%	110 Vondra Holdings Inc.	Cambridge, Canada	FC	80%
The Florida Alligator Company	Florida, USA	FC	100%	Christian Dior Couture Korea Ltd	Seoul, South Korea	FC	100%
Pellefina	Starke, USA	FC	100%	Christian Dior KK	Tokyo, Japan	FC	100%
Thélos	Longarone, Italy	FC	51%	Christian Dior Inc.	New York, USA	FC	100%
Thélos France	Paris, France	FC	51%	Christian Dior Far East Ltd	Hong Kong, China	FC	100%
Thélos USA Inc.	Somerville, USA	FC	51%	Christian Dior Hong Kong Ltd	Hong Kong, China	FC	100%
Thélos Asia Pacific Limited	Hong Kong, China	FC	51%	Christian Dior Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Marc Jacobs International	New York, USA	FC	80%	Christian Dior Singapore Pte Ltd	Singapore	FC	100%
Marc Jacobs International (UK)	London, United Kingdom	FC	80%	Christian Dior Australia Pty Ltd	Sydney, Australia	FC	100%
Marc Jacobs Trademarks	New York, USA	FC	80%	Christian Dior New Zealand Ltd	Auckland, New Zealand	FC	100%
Marc Jacobs Japan	Tokyo, Japan	FC	80%	Christian Dior Taiwan Limited	Hong Kong, China	FC	100%
Marc Jacobs International Italia	Milan, Italy	FC	80%	Christian Dior (Thailand) Co. Ltd	Bangkok, Thailand	FC	100%
Marc Jacobs International France	Paris, France	FC	80%	Christian Dior Saipan Ltd	Saipan, Northern Mariana Islands	FC	100%
Marc Jacobs Commercial and Trading (Shanghai) Co.	Shanghai, China	FC	80%	Christian Dior Guam Ltd	Tumon Bay, Guam	FC	100%
Marc Jacobs Hong Kong	Hong Kong, China	FC	80%	Christian Dior Espanola	Madrid, Spain	FC	100%
Marc Jacobs Holdings	New York, USA	FC	80%	Christian Dior Puerto Banus	Madrid, Spain	FC	75%
Marc Jacobs Hong Kong Distribution Company	Hong Kong, China	FC	80%	Christian Dior UK Limited	London, United Kingdom	FC	100%
Marc Jacobs Macau Distribution Company	Macao, China	FC	80%	Christian Dior Italia Srl	Milan, Italy	FC	100%
Loewe	Madrid, Spain	FC	100%	Christian Dior Suisse SA	Geneva, Switzerland	FC	100%
Loewe Hermanos	Madrid, Spain	FC	100%	Christian Dior GmbH	Pforzheim, Germany	FC	100%
Manufacturas Loewe	Madrid, Spain	FC	100%	Christian Dior Fourrere M.C.	Monte Carlo, Monaco	FC	100%
LVMH Fashion Group France	Paris, France	FC	100%	Christian Dior do Brasil Ltda	São Paulo, Brazil	FC	100%
Loewe Hermanos UK	London, United Kingdom	FC	100%	Christian Dior Belgique	Brussels, Belgium	FC	100%
Loewe Hong Kong	Hong Kong, China	FC	100%	Bopel	Lugagnano Val d'Arda, Italy	FC	85%
Loewe Commercial and Trading (Shanghai) Co.	Shanghai, China	FC	100%	Christian Dior Couture CZ	Prague, Czech Republic	FC	100%
Loewe Fashion	Singapore	FC	100%	Ateliers AS	Pierre-Bénite, France	EM	25%
Loewe Taiwan	Taipei, Taiwan	FC	100%	Christian Dior Couture	Paris, France	FC	100%
Loewe Macau Company	Macao, China	FC	100%	Christian Dior Couture FZE	Dubai, United Arab Emirates	FC	100%
				Christian Dior Couture Maroc	Casablanca, Morocco	FC	100%
				Christian Dior Macau Single Shareholder Company Limited	Macao, China	FC	100%
				Christian Dior S. de R.L. de C.V.	Lomas de Chapultepec, Mexico	FC	100%

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Companies	Registered office	Method of consolidation	Ownership interest
Les Ateliers Bijoux GmbH	Pforzheim, Germany	FC	100%
Christian Dior Commercial (Shanghai) Co.Ltd	Shanghai, China	FC	100%
Christian Dior Trading India Pte Ltd	Mumbai, India	FC	100%
Christian Dior Couture Stoleshnikov	Moscow, Russia	FC	100%
Ateliers Modèles SAS	Paris, France	FC	100%
CDCH SA	Luxembourg	FC	85%
CDC Abu-Dhabi LLC Couture	Abu Dhabi, United Arab Emirates	FC	85%
Dior Grèce Société Anonyme			
Garments Trading	Athens, Greece	FC	100%
CDC General Trading LLC	Dubai, United Arab Emirates	FC	80%
Christian Dior Istanbul			
Magazacilik Anonim Sirketi	Istanbul, Turkey	FC	100%
John Galliano SA	Paris, France	FC	100%
Christian Dior Couture Qatar LLC	Doha, Qatar	FC	82%
Christian Dior Couture Bahrain W.L.L.	Manama, Bahrain	FC	84%
PT Fashion Indonesia Trading Company	Jakarta, Indonesia	FC	100%
Christian Dior Couture Ukraine	Kiev, Ukraine	FC	100%
CDCG FZCO	Dubai, United Arab Emirates	FC	85%
COU.BO Srl	Arzano, Italy	FC	85%
Christian Dior Netherlands BV	Amsterdam, Netherlands	FC	100%
Christian Dior Vietnam Limited			
Liability Company	Hanoi, Vietnam	FC	100%
Vermont	Paris, France	FC	100%
Christian Dior Couture Kazakhstan	Almaty, Kazakhstan	FC	100%
Christian Dior Austria GmbH	Vienna, Austria	FC	100%
Manufactures Dior Srl	Milan, Italy	FC	100%
Christian Dior Couture Azerbaijan	Baku, Azerbaijan	FC	100%
Draupnir SA	Luxembourg	FC	100%
Myolnir SA	Luxembourg	FC	100%
Christian Dior Couture Luxembourg SA	Luxembourg	FC	100%
Les Ateliers Horlogers Dior	La Chaux-de-Fonds, Switzerland	FC	100%
Dior Montres	Paris, France	FC	100%
Christian Dior Couture Canada Inc.	Toronto, Canada	FC	100%
Christian Dior Couture Panama Inc.	Panama City, Panama	FC	100%
IDMC Manufacture	Paris, France	FC	90%
GINZA SA	Luxembourg	FC	100%
GFEC. Srl	Casoria, Italy	FC	100%
CDC Kuwait Fashion Accessories with limited liability	Kuwait City, Kuwait	FC	85%
AURELIA Solutions S.R.L.	Milan, Italy	FC	100%
Grandville	Luxembourg	FC	100%
Céline SA	Paris, France	FC	100%
Avenue M International SCA	Paris, France	FC	99%
Enilec Gestion SARL	Paris, France	FC	99%
Céline Montaigne SAS	Paris, France	FC	99%
Céline Monte-Carlo SA	Monte Carlo, Monaco	FC	99%
Céline Germany GmbH	Berlin, Germany	FC	99%
Céline Production Srl	Florence, Italy	FC	99%
Céline Suisse SA	Geneva, Switzerland	FC	99%
Céline UK Ltd	London, United Kingdom	FC	99%
Céline Inc.	New York, USA	FC	100%
Céline (Hong Kong) Limited	Hong Kong, China	FC	99%
Céline Commercial and Trading (Shanghai) Co. Ltd	Shanghai, China	FC	99%
Céline Boutique Taiwan Co. Ltd	Taipei, Taiwan	FC	100%
CPC Macao Company Limited	Macao, China	FC	99%
LVMH FG Services UK	London, United Kingdom	FC	100%
Céline Distribution Spain S.L.U.	Madrid, Spain	FC	99%
Céline Distribution Singapore	Singapore	FC	99%
RC Diffusion Rive Droite SARL	Paris, France	FC	99%
Céline EAU LLC	Dubai, United Arab Emirates	FC	52%
Céline Netherlands BV	Baarn, Netherlands	FC	99%
Céline Australia Ltd Co.	Sydney, Australia	FC	99%
Céline Sweden AB	Stockholm, Sweden	FC	99%
Celine Czech Republic	Prague, Czech Republic	FC	99%
Céline Middle East	Dubai, United Arab Emirates	FC	65%
LMP LLC	New York, USA	FC	100%
Kenzo SA	Paris, France	FC	100%
Kenzo Belgique SA	Brussels, Belgium	FC	100%
Kenzo UK Limited	London, United Kingdom	FC	100%
Kenzo Italia Srl	Milan, Italy	FC	100%
Kenzo Paris USA LLC	New York, USA	FC	100%
Kenzo Paris Netherlands	Amsterdam, Netherlands	FC	100%
Kenzo Paris Japan KK	Tokyo, Japan	FC	100%
Kenzo Paris Singapore	Singapore	FC	100%
Kenzo Paris Hong Kong Company	Hong Kong, China	FC	100%
Kenzo Paris Macao Company Ltd.	Macao, China	FC	100%
Holding Kenzo Asia	Hong Kong, China	FC	51%
Kenzo Paris Shanghai	Shanghai, China	FC	51%
Digital Kenzo China	Shanghai, China	FC	100%
LVMH Fashion Group Malaysia	Kuala Lumpur, Malaysia	FC	100%
Givenchy SA	Paris, France	FC	100%
Givenchy Corporation	New York, USA	FC	100%
Givenchy China Co.	Hong Kong, China	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
Givenchy (Shanghai) Commercial and Trading Co.	Shanghai, China	FC	100%
GCCL Macao Co.	Macao, China	FC	100%
Givenchy Italia Srl	Florence, Italy	FC	100%
LVMH Fashion Group Japan KK	Tokyo, Japan	FC	99%
Givenchy Couture Ltd	London, United Kingdom	FC	100%
Givenchy Taiwan	Taipei, Taiwan	FC	100%
Givenchy Trading WLL	Doha, Qatar	FC	56%
Givenchy Middle-East FZ LLC	Dubai, United Arab Emirates	FC	70%
George V EAU LLC	Dubai, United Arab Emirates	FC	56%
Givenchy Singapore	Singapore	FC	100%
Givenchy Korea Ltd	Seoul, South Korea	FC	100%
Fendi Prague s.r.o.	Prague, Czech Republic	FC	100%
Luxury Kuwait for Ready Wear Company WLL	Kuwait City, Kuwait	FC	62%
Fendi Canada Inc.	Toronto, Canada	FC	100%
Fendi Private Suites Srl	Rome, Italy	FC	100%
Fun Fashion Qatar LLC	Doha, Qatar	FC	80%
Fendi International SAS	Paris, France	FC	100%
Fun Fashion Emirates LLC	Dubai, United Arab Emirates	FC	62%
Fendi SA	Luxembourg	FC	100%
Fun Fashion Bahrain Co.WLL	Manama, Bahrain	FC	58%
Fendi Srl	Rome, Italy	FC	100%
Fendi Dis Ticaret Ltd Sti	Istanbul, Turkey	FC	100%
Fendi Italia Srl	Rome, Italy	FC	100%
Fendi UK Ltd	London, United Kingdom	FC	100%
Fendi France SAS	Paris, France	FC	100%
Fendi North America Inc.	New York, USA	FC	100%
Fendi (Thailand) Company Limited	Bangkok, Thailand	FC	100%
Fendi Asia Pacific Limited	Hong Kong, China	FC	100%
Fendi Korea Ltd	Seoul, South Korea	FC	100%
Fendi Taiwan Ltd	Taipei, Taiwan	FC	100%
Fendi Hong Kong Limited	Hong Kong, China	FC	100%
Fendi China Boutiques Limited	Hong Kong, China	FC	100%
Fendi (Singapore) Pte Ltd	Singapore	FC	100%
Fendi Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Fendi Switzerland SA	Mendrisio, Switzerland	FC	100%
Fendi Kids SA	Mendrisio, Switzerland	FC	100%
Fun Fashion FZCO	Dubai, United Arab Emirates	FC	78%
Fendi Macao Company Limited	Macao, China	FC	100%
Fendi Germany GmbH	Munich, Germany	FC	100%
Fendi Austria GmbH	Vienna, Austria	FC	100%
Fendi (Shanghai) Co. Ltd	Shanghai, China	FC	100%
Fun Fashion India Pte Ltd	Mumbai, India	FC	78%
Interservices & Trading SA	Mendrisio, Switzerland	FC	100%
Fendi Silk SA	Mendrisio, Switzerland	FC	100%
Outshine Mexico S. de R.L. de C.V.	Mexico City, Mexico	FC	100%
Fendi Timepieces USA Inc.	New Jersey, USA	FC	100%
Fendi Timepieces Service Inc.	New Jersey, USA	FC	100%
Fendi Timepieces SA	Neuchâtel, Switzerland	FC	100%
Support Retail Mexico S de R.L. de C.V.	Mexico City, Mexico	FC	100%
Fendi Netherlands BV	Baarn, Netherlands	FC	100%
Fendi Brasil-Comercio de Artigos de Luxo	São Paulo, Brazil	FC	100%
Fendi RU LLC	Moscow, Russia	FC	100%
Fendi Australia Pty Ltd	Sydney, Australia	FC	100%
Fendi Doha LLC	Doha, Qatar	FC	47%
Fendi Denmark ApS	Copenhagen, Denmark	FC	100%
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%
Emilio Pucci International	Baarn, Netherlands	FC	67%
Emilio Pucci Ltd	New York, USA	FC	100%
Emilio Pucci Hong Kong Company Limited	Hong Kong, China	FC	100%
Emilio Pucci (Shanghai) Company Limited	Shanghai, China	FC	100%
Emilio Pucci UK Limited	London, United Kingdom	FC	100%
Emilio Pucci 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%
Loro Piana	Quarona, Italy	FC	85%
Loro Piana Switzerland	Lugano, Switzerland	FC	85%
Loro Piana France	Paris, France	FC	85%
Loro Piana	Munich, Germany	FC	85%
Loro Piana GB	London, United Kingdom	FC	85%
Warren Corporation	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%

Companies	Registered office	Method of consolidation	Ownership interest
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 Oesterreich	Vienna, Austria	FC	85%
Loro Piana Nederland	Amsterdam, Netherlands	FC	85%
Loro Piana Czech Republic	Prague, Czech Republic	FC	85%
Loro Piana Belgique	Brussels, Belgium	FC	85%
Sanin	Rawson, Argentina	FC	51%
Loro Piana Canada	Toronto, Canada	FC	85%
Cashmere Lifestyle Luxury Trading LLC	Garhoud, United Arab Emirates	FC	51%
Nicholas Kirkwood Ltd	London, United Kingdom	FC	52%
Nicholas Kirkwood (USA) Corp.	Astoria, USA	FC	52%
NK Washington LLC	Astoria, USA	FC	52%
Nicholas Kirkwood LLC	Astoria, USA	FC	52%
NK WLV LLC	Astoria, USA	FC	52%
Project Loud France	Paris, France	FC	50%
JW Anderson Limited	London, United Kingdom	EM	46%
Marco de Vincenzo Srl	Rome, 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%
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	Paris, France	FC	100%
SAS Iparkos	Amsterdam, Netherlands	FC	100%
Parfums Christian Dior S.A.B.	Brussels, Belgium	FC	100%
Parfums Christian Dior (Ireland)	Dublin, Ireland	FC	100%
Parfums Christian Dior Hellas	Athens, Greece	FC	100%
Parfums Christian Dior	Zurich, Switzerland	FC	100%
Christian Dior Perfumes	New York, USA	FC	100%
Parfums Christian Dior Canada	Montreal, Canada	FC	100%
LVMH P&C de Mexico	Mexico City, Mexico	FC	100%
Parfums Christian Dior Japon	Tokyo, Japan	FC	100%
Parfums Christian Dior (Singapore)	Singapore	FC	100%
Inalux	Luxembourg	FC	100%
LVMH P&C Asia Pacific	Hong Kong, China	FC	100%
Fa Hua 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%
Parfums Christian Dior	Stockholm, Sweden	FC	100%
LVMH Perfumes & Cosmetics (New Zealand)	Auckland, New Zealand	FC	100%
Parfums Christian Dior Austria	Vienna, Austria	FC	100%
L Beauty Luxury Asia	Taguig City, Philippines	FC	51%
SCI Annabell	Paris, France	FC	100%
PT L Beauty Brands	Jakarta, Indonesia	FC	51%
L Beauty Pte	Singapore	FC	51%
L Beauty Vietnam	Ho Chi Minh City, Vietnam	FC	51%
SCI Rose Blue	Paris, France	FC	100%
PCD St Honoré	Paris, France	FC	100%
LVMH Perfumes & Cosmetics Macau	Macao, China	FC	100%
DP Seldico	Kiev, Ukraine	FC	100%
OOO Seldico	Moscow, Russia	FC	100%
LVMH P&C Kazakhstan	Almaty, Kazakhstan	FC	100%
PCD Dubai General Trading	Dubai, United Arab Emirates	FC	29%

Companies	Registered office	Method of consolidation	Ownership interest
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	Düsseldorf, Germany	FC	100%
Deutschland GmbH	Vienna, Austria	FC	100%
Guerlain GmbH	Brussels, Belgium	FC	100%
Guerlain Benelux SA	London, United Kingdom	FC	100%
Guerlain Ltd	Lisbon, Portugal	FC	100%
LVMH Perfumes e Cosmética	Zurich, Switzerland	FC	100%
PC Parfums Cosmétiques SA	New York, USA	FC	100%
Guerlain Inc.	Saint-Jean, Canada	FC	100%
Guerlain (Canada) Ltd	Mexico City, Mexico	FC	100%
Guerlain de Mexico	Hong Kong, China	FC	100%
Guerlain (Asia Pacific) Limited	Tokyo, Japan	FC	100%
Guerlain KK	Levallois-Perret, France	FC	80%
Guerlain KSA SAS	Dubai, United Arab Emirates	FC	100%
Guerlain Orient DMCC	Jeddah, Saudi Arabia	FC	60%
Guerlain Saudi Limited	Botany, Australia	FC	100%
Guerlain Oceania Australia Pty Ltd	Jakarta, Indonesia	FC	51%
PT Guerlain Cosmetics Indonesia	Paris, France	FC	100%
Make Up For Ever	Paris, France	FC	100%
SCI Edison	New York, USA	FC	100%
Make Up For Ever	Montreal, Canada	FC	100%
Make Up For Ever Canada	Shanghai, China	FC	100%
Make Up For Ever Academy China	London, United Kingdom	FC	100%
Make Up For Ever UK Limited	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%
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%
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%
Koulogne Brands SAS	Boulogne-Billancourt, France	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	Luxembourg	FC	100%
LVMH Relojeria y Joyeria España SA	Madrid, Spain	FC	100%
LVMH Montres & Joaillerie France	Paris, France	FC	100%
TAG Heuer Limited	Manchester, United Kingdom	FC	100%
Duval Ltd	Manchester, United Kingdom	FC	100%
LVMH Watch & Jewelry Central Europe	Oberursel, Germany	FC	100%
TAG Heuer Boutique Outlet			
Store Roermond	Roermond, Netherlands	FC	100%
LVMH Watch & Jewelry UK	Manchester, United Kingdom	FC	100%
Duvaltec Limited	Manchester, United Kingdom	FC	100%

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Companies	Registered office	Method of consolidation	Ownership interest
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)	Shanghai, China	FC	100%
Commercial Co.	Moscow, Russia	FC	100%
LVMH Watch & Jewelry Russia LLC	Manchester, United Kingdom	FC	100%
Timecrown	Tramelan, Switzerland	FC	100%
Artcad	La Chaux-de-Fonds, Switzerland	FC	100%
TAG Heuer SA	Paris, France	FC	100%
Golfcoders	Hong Kong, China	FC	100%
Alpha Time Corp.	Paris, France	FC	100%
Chaumet International	London, United Kingdom	FC	100%
Chaumet London	Nyon, Switzerland	FC	100%
Chaumet Horlogerie	Seoul, South Korea	FC	100%
Chaumet Korea Yuhon Hoesa	Dubai, United Arab Emirates	FC	60%
Chaumet Middle East	Dubai, United Arab Emirates	FC	60%
Chaumet UAE	Sydney, Australia	FC	100%
Chaumet Australia	Madrid, Spain	FC	100%
Chaumet Iberia SL	Macao, China	FC	100%
LVMH Watch & Jewelry Macau Company	La Chaux-de-Fonds, Switzerland	FC	100%
LVMH Swiss Manufactures	Manchester, United Kingdom	FC	100%
Zenith Time Company (GB) Ltd.	Milan, Italy	FC	100%
LVMH Watch & Jewelry Italy SpA	La Chaux-de-Fonds, Switzerland	FC	100%
Delano	Neuilly-sur-Seine, France	FC	100%
Fred Paris	Monte Carlo, Monaco	FC	100%
Joaillerie de Monaco	New York, USA	FC	100%
Fred	London, United Kingdom	FC	100%
Fred Londres	Nyon, Switzerland	FC	100%
Hublot	Monte Carlo, Monaco	FC	100%
Hublot Boutique Monaco	Luxembourg	FC	100%
Bentim International	Geneva, Switzerland	FC	100%
Hublot SA Genève	Florida, USA	FC	100%
Hublot of America	Florida, USA	FC	100%
Nyon	Florida, USA	FC	100%
Nyon Services	Florida, USA	FC	100%
Atlanta Boutique	Florida, USA	FC	100%
Echidna Distribution Company	Florida, USA	FC	100%
Furioso	Florida, USA	FC	100%
Fusion World Dallas	Florida, USA	FC	100%
Fusion World Houston	Florida, USA	FC	100%
New World of Fusion	Florida, USA	FC	100%
Fusion World DD LLC	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%
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 Nederland BV	Amsterdam, Netherlands	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%
Bulgari (Kuwait)	Kuwait City, Kuwait	FC	49%
Gulf Luxury Trading	Dubai, United Arab Emirates	FC	51%
Bulgari do Brazil	São Paulo, Brazil	FC	100%

Companies	Registered office	Method of consolidation	Ownership interest
Bulgari Hotels and Resorts Milano	Rome, Italy	EM	50%
Lux Jewels Kuwait for Trading			
In Gold Jewelry and Precious Stones	Kuwait City, Kuwait	FC	80%
Lux Jewels Bahrain	Manama, Bahrain	FC	80%
India Luxco Retail	New Delhi, India	FC	100%
BK for Jewelry and Precious Metals and Stones Co.	Kuwait City, Kuwait	FC	80%
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%
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	56%
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%
Sephora Korea Ltd	Seoul, South Korea	FC	100%
Luxola Pte Ltd	Singapore	FC	100%
Luxola Trading Pte Ltd	Singapore	FC	100%
LX Holding Pte Ltd (Singapour)	Singapore	FC	100%
LXEDIT (Thailand) Ltd	Bangkok, Thailand	FC	100%
Luxola (Thailand) Ltd	Bangkok, Thailand	FC	100%
Luxola India Services Pvt. Ltd	Bangalore, India	FC	100%
PT Luxola Services Indonesia	Jakarta, Indonesia	FC	100%
LX Services Pte Ltd	Singapore	FC	100%
PT MU and SC Trading (Indonesia)	Jakarta, Indonesia	FC	100%
Luxola Sdn. Bhd. (Malaysia)	Petaling Jaya, Malaysia	FC	100%
Sephora Services Philippines (Branch)	Manila, Philippines	FC	100%
Sephora Digital (Thailand) Ltd	Bangkok, Thailand	FC	100%
Sephora USA Inc.	California, USA	FC	100%
Sephora Cosmetics Pte Ltd (India)	New Delhi, India	FC	100%
Sephora Beauty Canada Inc.	California, USA	FC	100%
Sephora Puerto Rico LLC	California, USA	FC	100%
Sephora Mexico S. de R.L. de C.V	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%

Companies	Registered office	Method of consolidation	Ownership interest
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 Seoul Limited	Incheon, 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%
Tumon Entertainment LLC	Tamuning, Guam	FC	100%
Comete Guam Inc.	Tamuning, Guam	FC	100%
Tumon Aquarium LLC	Tamuning, Guam	FC	97%
Comete Saipan Inc.	Saipan, Northern Mariana Islands	FC	100%
Tumon Games LLC	Tamuning, Guam	FC	100%
DFS Vietnam Limited Liability Company	Ho Chi Minh City, Vietnam	FC	61%
PT Sona Topas Tourism industry Tbk	Jakarta, Indonesia	EM	28%
Cruise Line Holdings Co.	Florida, USA	FC	100%
Starboard Cruise Services	Florida, USA	FC	100%
Starboard Holdings	Florida, USA	FC	100%
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	60%
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	78%
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%

Companies	Registered office	Method of consolidation	Ownership interest
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%
Probinvest	Paris, France	FC	100%
Ufipar	Paris, France	FC	100%
Sofidiv	Paris, France	FC	100%
LVMH Services	Paris, France	FC	85%
Moët Hennessy	Paris, France	FC	66%
LVMH Services Limited	London, United Kingdom	FC	100%
Ufip (Ireland)	Dublin, Ireland	FC	100%
Moët Hennessy Investissements	Paris, France	FC	66%
LV Group	Paris, France	FC	100%
Moët Hennessy International	Paris, France	FC	66%
Creare	Luxembourg	FC	100%
Creare Pte Ltd	Singapore	FC	100%
Bayard (Shanghai) Investment and Consultancy Co. Ltd	Shanghai, China	FC	100%
Villa Foscarini Srl	Milan, Italy	FC	100%
Liszt Invest	Luxembourg	FC	100%
Gorgias	Luxembourg	FC	100%
LC Investissements	Paris, France	FC	51%
LVMH Investissements	Paris, France	FC	100%
LVMH Canada	Toronto, Canada	FC	100%
Société Montaigne Jean Goujon	Paris, France	FC	100%
Delphine	Paris, France	FC	100%
LVMH Finance	Paris, France	FC	100%
Primae	Paris, France	FC	100%
Eutrope	Paris, France	FC	100%
Flavius Investissements	Paris, France	FC	100%
LBD Holding	Paris, France	FC	100%
LVMH Hotel Management	Paris, France	FC	100%
Ufinvest	Paris, France	FC	100%
Delta	Paris, France	FC	100%
White 1921 Courchevel Société d'Exploitation Hôtelière	Courchevel, France	FC	100%
Société Immobilière Paris Savoie	Courchevel, France	FC	100%
Les Tovets	Courchevel, France	FC	100%
EUPALINOS 1850	Paris, France	FC	100%
Société d'Exploitation Hôtelière de La Samaritaine	Paris, France	FC	100%
Société d'Exploitation Hôtelière Isle de France	Saint-Barthélemy, French Antilles	FC	56%
Société d'Investissement Cheval Blanc Saint Barth Isle de France	Saint-Barthélemy, French Antilles	FC	56%
Hôtel de la Pinède	Saint-Tropez, France	FC	100%
Villa Jacquemone	Saint-Tropez, France	FC	100%
Moët Hennessy Inc.	New York, USA	FC	66%
One East 57th Street LLC	New York, USA	FC	100%
LVMH Moët Hennessy - Louis Vuitton Inc.	New York, USA	FC	100%
Folio St. Barths	New York, USA	FC	100%
Lafayette Art I LLC	New York, USA	FC	100%
LVMH Holdings Inc.	New York, USA	FC	100%
Sofidiv Art Trading Company	New York, USA	FC	100%
Sofidiv Inc.	New York, USA	FC	100%
598 Madison Leasing Corp.	New York, USA	FC	100%
1896 Corp.	New York, USA	FC	100%
313-317 N. Rodeo LLC	New York, USA	FC	100%
319-323 N. Rodeo LLC	New York, USA	FC	100%
420 N. Rodeo LLC	New York, USA	FC	100%
456 North Rodeo Drive	New York, USA	FC	100%
468 North Rodeo Drive	New York, USA	FC	100%
461 North Beverly Drive	New York, USA	FC	100%
LVMH MJ Holdings Inc.	New York, USA	FC	100%
LVMH Perfumes & Cosmetics Inc.	New York, USA	FC	100%
Arbelos Insurance Inc.	New York, USA	FC	100%
Meadowland Florida LLC	New York, USA	FC	100%
P&C International	Paris, France	FC	100%
LVMH Participations BV	Baarn, Netherlands	FC	100%
LVMH Moët Hennessy - Louis Vuitton BV	Baarn, Netherlands	FC	100%
LVMH Services BV	Baarn, Netherlands	FC	100%
LVMH Finance Belgique	Brussels, Belgium	FC	100%
LVMH International	Brussels, Belgium	FC	100%
Marithé	Luxembourg	FC	100%
LVMH EU	Luxembourg	FC	100%
Ufilug	Luxembourg	FC	100%
Glacea	Luxembourg	FC	100%
Naxara	Luxembourg	FC	100%
Pronos	Luxembourg	FC	100%
Sofidil	Luxembourg	FC	100%

FINANCIAL STATEMENTS

Consolidated companies

Companies	Registered office	Method of consolidation	Ownership interest
LVMH Publica	Brussels, Belgium	FC	100%
Rimowa Group GmbH.	Cologne, Germany	FC	100%
Sofidiv UK Limited	London, United Kingdom	FC	100%
LVMH Moët Hennessy - Louis Vuitton	Tokyo, Japan	FC	100%
Osaka Fudosan Company	Tokyo, Japan	FC	100%
LVMH Asia Pacific	Hong Kong, China	FC	100%
LVMH (Shanghai) Management & Consultancy Co. Ltd	Shanghai, China	FC	100%
LVMH South & South East Asia Pte Ltd	Singapore	FC	100%
LVMH Korea Ltd	Seoul, South Korea	FC	100%
Vicuna Holding	Milan, Italy	FC	100%
Pasticceria Confetteria Cova	Milan, Italy	FC	80%
Cova Montnapoleone	Milan, Italy	FC	80%
Investissement Hôtelier Saint Barth	Saint-Barthélemy, French Antilles	FC	56%
Plage des Flamands	Luxembourg	FC	100%
Dajbog S.A.			

FC: Fully consolidated.

EM: Accounted for using the equity method.

JV: Joint venture company with Diageo: only the Moët Hennessy activity is consolidated. See also Notes 1.6 and 1.25 for the revenue recognition policy for these companies.

Companies	Registered office	Method of consolidation	Ownership interest
Barlow Investments S.A.	Luxembourg	FC	100%
Alderande	Paris, France	FC	56%
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%
Ictinos 1850	Paris, France	100%	Sofpar 139	Paris, France	100%
Samos 1850	Paris, France	100%	Sofpar 140	Paris, France	100%
BRN Invest NV	Baarn, Netherlands	100%	Sofpar 141	Paris, France	100%
Toiltech	La Chapelle-devant-Bruyères, France	90%	Sofpar 142	Paris, France	100%
Bulgari Austria Ltd	Vienna, Austria	100%	Moët Hennessy Management	Paris, France	100%
Sephora Macau Limited	Macao, China	100%	Prolepsis	Brussels, Belgium	100%
Les Beaux Monts	Coutermon, France	90%	Prolepsis Investment Ltd	London, United Kingdom	100%
Sofpar 116	Paris, France	100%	Hennessy Management	Paris, France	66%
Sofpar 125	Paris, France	100%	MHCS Management	Paris, France	66%
Sofpar 126	Paris, France	100%	Innovacion en Marcas de Prestigio SA	Mexico City, Mexico	65%
Sofpar 127	Paris, France	100%	Moët Hennessy Nigeria	Lagos, Nigeria	66%
Sofpar 128	Paris, France	100%	MS 33 Expansion	Paris, France	100%
Sofpar 129	Paris, France	100%	Shinsegae International Co. Ltd LLC	Seoul, South Korea	51%
Sofpar 130	Paris, France	100%	Crystal Pumpkin	Luxembourg	99%
Sofpar 131	Paris, France	100%	Rimowa Austria GmbH	Innsbruck, Austria	80%
Sofpar 132	Paris, France	100%	Rimowa Schweiz AG	Zurich, Switzerland	80%
Sofpar 133	Paris, France	100%	Loewe Nederland B.V	Amsterdam, Netherlands	100%
Sofpar 134	Paris, France	100%	Groupement Forestier des Bois de la Celle	Cognac, France	65%
Sofpar 135	Paris, France	100%	Augesco	Paris, France	50%
Sofpar 136	Paris, France	100%	HUGO	Neuilly-sur-Seine, France	100%
			Moët Hennessy Portugal Unipessoal Lda.	Lisbon, Portugal	66%

These companies, which are not included in the scope of consolidation, are either entities that are inactive and/or being liquidated, or entities whose individual or collective consolidation would not have a significant impact on the Group's main aggregates.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders' Meeting of LVMH Moët Hennessy - Louis Vuitton,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of LVMH Moët Hennessy - Louis Vuitton ("LVMH") for the fiscal year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2018 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 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, 2018 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

We draw attention to the following matters described in Note 1.2 to the consolidated financial statements relating to:

- the impact of the first application of IFRS 9 on financial instruments and IFRS 15 on revenue recognition;
- the expected impact of the application of IFRS 16 on leases, which the Group will apply as of January 1st, 2019.

Our opinion is not modified in respect of this matter.

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 of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

- **Allocation of the Christian Dior Couture purchase price**

Risk identified

On July 3, 2017, LVMH acquired 100% of Christian Dior Couture from Christian Dior for 6 billion euros, as specified in Note 2.2 to the consolidated financial statements. In accordance with IFRS 3, during the first half of 2018 the LVMH group identified and valued the assets acquired and liabilities assumed, including in particular its brand and property, plant and equipment. The resulting final goodwill totals 2,179 million euros. We considered the final allocation of the purchase price of Christian Dior Couture to constitute a key audit matter due to: the degree of judgment required to identify the assets acquired and liabilities assumed and the estimates used in measuring their fair value; the significance of the assets valued and the amount of goodwill arising from the acquisition.

Our response

Our audit work on this matter consisted in particular in: assessing the relevance of the methodology used by the Group to identify the assets acquired and liabilities assumed; assessing, with the support of our valuation experts, the key assets and liabilities valued and the reasonableness of assumptions used in estimating their fair value, notably: key assumptions inherent in the methods used to measure the value of the brand, as specified in Note 2.2 to the consolidated financial statements; assumptions used in valuing property, plant and equipment; assessing the appropriateness of information disclosed in the notes to the consolidated financial statements.

- **Valuation of fixed assets, in particular intangible assets**

Risk identified

At December 31, 2018, the value of the Group's fixed assets totaled 46 billion euros, compared with total assets of 74 billion euros. These fixed assets mainly comprise brands, trade names and goodwill recognized on external growth transactions, as well as, to a lesser extent, property, plant and equipment, mainly composed of land, vineyard land, buildings and store fixtures and fittings. We considered the valuation of these fixed assets to be a key audit matter, due to their significance in the Group's financial statements and because the determination of their recoverable amount, which is usually based on discounted forecast cash flows, requires the use of 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 1.14 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 the Group companies' business where the carrying amount of intangible assets represents a high multiple of profit from recurring operations. In particular, among the most significant intangible assets recognized by the Group disclosed in Note 5 to the consolidated financial statements, we paid special attention to recent acquisitions. We assessed the reasonableness of the main estimates used, in particular forecast cash flows, long-term growth rates and the discount rates applied. We also analyzed the consistency of forecasts with past performance, the market outlook and the Group's historic performance and 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 amounts of provisions for inventory impairment on the basis of sales prospects in its various markets or due to product obsolescence, as specified in Note 1.16 to the consolidated financial statements. We considered this to constitute a key audit matter since the aforementioned projections and any resulting provisions are intrinsically dependent on assumptions, estimates and other forms of judgment made by the Group. Furthermore, inventories are present in a large number of subsidiaries, and determining these provisions depends primarily on estimated returns and the monitoring of internal margins, which are eliminated in the consolidated financial statements unless and until inventories are sold to non-Group clients.

Our response

As part of our procedures, we analyzed sales prospects as estimated by the Group in 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 provisions. 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 checking that the elimination percentage applied is consistent.

- **Provisions for contingencies and losses**

Risk identified

The Group's activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Within this context, the Group's activities may 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. In particular, as stated in Note 19 to the consolidated financial statements, appropriate provisions are set aside to cover these rectification claims, as well as any uncertain tax positions that have been identified but not yet officially notified; the amount of such provisions is established in accordance with IAS 37 Provisions and IAS 12 Income Taxes. We considered this to constitute a key audit matter due to the significance of the amounts at stake and the level of judgment required to monitor ongoing regulatory changes, in particular with regard to tax rules in France and the United States, and to 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; obtaining an understanding of risk analysis work performed by the Group and the corresponding documentation and, where applicable, reviewing written advice 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 Group management to estimate the amount of the provisions; carrying out a critical review of analyses relating to the use of provisions for contingencies and losses prepared by the Group; assessing with the support of our tax specialists the evaluations drawn up by the Group's Tax department relating to the consequences of tax reforms in France and the United States; assessing the appropriateness of information relating to these risks disclosed in the notes to the consolidated financial statements.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given 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 non-financial statement provided for by article L.225-102-1 of the French Commercial Code (*Code de commerce*) is included in the Management Report, it being specified 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 financial statements of the information contained in this statement which has to be subject to a report by an independent third party.

Report on other legal and regulatory requirements

- **Appointment of the Statutory Auditors**

We were appointed as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton by the Shareholders' Meeting held on April 14, 2016.

As of December 31, 2018, our audit firms were in the third 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, as applicable, any matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its 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 consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our Statutory Audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse audit opinion;
- assesses the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these financial statements.

- **Report to the Performance Audit Committee**

We submit to the Performance Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Performance Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense and Courbevoie, February 7, 2019

The Statutory Auditors, French original signed by

MAZARS

Loïc Wallaert

Simon Beillevaire

ERNST & YOUNG Audit

Jeanne Boillet

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.

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INCOME STATEMENT

Income/(Expense) (EUR millions)	Notes	2018	2017
Financial income from subsidiaries and investments		3,550.5	2,645.5
Investment portfolio: impairment and provisions		(133.0)	(75.0)
gains and losses on disposal		-	-
Income from managing subsidiaries and investments	4.1	3,417.5	2,570.5
Cost of net financial debt	4.2	(30.4)	(49.9)
Foreign exchange gains and losses	4.3	(33.4)	136.0
Other financial income and expenses	4.4	(8.9)	0.1
FINANCIAL INCOME/(EXPENSE)	4	3,344.8	2,656.7
Services provided and other income	5	316.0	267.3
Personnel costs	6	(181.1)	(120.3)
Other net management charges	7	(326.4)	(329.9)
OPERATING PROFIT/(LOSS)		(191.5)	(182.9)
RECURRING PROFIT BEFORE TAX		3,153.3	2,473.8
EXCEPTIONAL INCOME/(EXPENSE)	8	-	-
Income tax income/(expense)	9	230.8	379.4
NET PROFIT		3,384.1	2,853.2

BALANCE SHEET

ASSETS (EUR millions)	Notes			2018	2017
		Gross	Depreciation, amortization and impairment	Net	Net
Intangible assets		9.2	(7.7)	1.5	8.3
Vineyard land		45.2	-	45.2	45.1
Other property, plant and equipment		48.2	(1.8)	46.4	22.1
Intangible assets and property, plant and equipment	10	102.6	(9.5)	93.1	75.5
Equity investments	11	27,170.2	(1,716.4)	25,453.8	25,086.7
LVMH treasury shares	12	94.6	-	94.6	385.6
Other non-current financial assets	13	132.0	-	132.0	126.0
Non-current financial assets		27,396.8	(1,716.4)	25,680.4	25,598.3
NON-CURRENT ASSETS		27,499.4	(1,725.9)	25,773.5	25,673.8
Receivables	14	594.3	-	594.3	1,080.7
LVMH treasury shares	12	326.7	(0.1)	326.6	144.9
Cash and cash equivalents		30.6	-	30.6	32.4
CURRENT ASSETS		951.6	(0.1)	951.5	1,258.0
Prepayments and accrued income	15	25.2	-	25.2	34.2
TOTAL ASSETS		28,476.2	(1,726.0)	26,750.2	26,966.0

LIABILITIES AND EQUITY (EUR millions)	Notes			2018	2017
				Before appropriation	Before appropriation
Share capital (fully paid up)	16.1			151.5	152.1
Share premium account	16.2			2,298.5	2,614.1
Reserves and revaluation adjustments	17			388.0	388.0
Retained earnings				10,764.7	10,424.6
Interim dividend				(1,005.7)	(804.4)
Net profit for the fiscal year				3,384.1	2,853.2
Regulated provisions				0.1	0.1
EQUITY	16.2			15,981.2	15,627.7
PROVISIONS FOR CONTINGENCIES AND LOSSES	18			692.3	647.1
Bonds	19			6,604.0	8,348.6
Other financial debt	19			3,102.4	1,951.8
Other debt	20			356.7	358.2
OTHER LIABILITIES				10,063.1	10,658.6
Accruals and deferred income	21			13.6	32.6
TOTAL LIABILITIES AND EQUITY				26,750.2	26,966.0

CASH FLOW STATEMENT

(EUR millions)	2018	2017
OPERATING ACTIVITIES		
Net profit	3,384.1	2,853.2
Depreciation, amortization and impairment of fixed assets	134.5	77.2
Change in other provisions	45.3	27.2
Gains or losses on sales of assets	37.6	17.0
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	3,601.5	2,974.6
Change in intra-Group current accounts	1,207.4	2,212.1
Change in other receivables and payables	416.4	40.7
NET CASH FROM OPERATING ACTIVITIES	5,225.3	5,227.4
INVESTING ACTIVITIES		
(Acquisition)/Disposal of intangible assets and property, plant and equipment	(18.1)	(13.9)
Purchase of equity investments	-	(6,642.9)
Proceeds from sale of equity investments and similar transactions	-	-
Subscription to capital increases carried out by subsidiaries	(500.0)	(133.2)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	(518.1)	(6,790.0)
FINANCING ACTIVITIES		
Capital increase	49.0	52.7
Acquisitions and disposals of LVMH treasury shares	(293.7)	(68.2)
Interim and final dividends paid during the fiscal year	(2,714.3)	(2,109.5)
Proceeds from issuance of financial debt	-	4,957.0
Repayments in respect of financial debt	(1,750.0)	(1,270.0)
(Acquisition)/Disposal of available for sale financial assets	-	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	(4,709.0)	1,562.0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(1.8)	(0.6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	32.4	33.0
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	30.6	32.4

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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 December 13, 2018, LVMH Moët Hennessy - Louis Vuitton SE and Belmond Ltd entered into a definitive agreement for the LVMH group to acquire Belmond. Belmond owns and operates an exceptional portfolio of very high-end hotels and travel experiences in the world's most desirable, prestigious locations. Belmond Ltd is listed on the New York Stock Exchange. The price per Class A share used for the transaction will be 25 US dollars, representing an equity value of 2.6 billion US dollars. This acquisition should be finalized in the first half of 2019, subject to approval by Belmond's shareholders and obtaining authorization from certain competition 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: "Net financial income/(expense)", "Net operating income/(expense)" and "Net exceptional income/(expense)". The total of "Net financial income/(expense)" and "Net operating profit/(loss)" corresponds to "Recurring profit before tax".

"Net financial income/(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, as well as other items resulting from the management of subsidiaries or of financial debt, particularly gains or losses on foreign exchange or hedging instruments. Net income from the management of subsidiaries and other investments includes all portfolio management items: dividends, changes in impairment, changes in provisions for contingencies and losses related to the portfolio, and gains or losses arising on the disposal of investments.

"Operating profit/(loss)" includes costs related to the management of the Company and to the Group's operational management and coordination costs, personnel costs or other administrative costs, less the amount rebilled to subsidiaries, either by billing for management support services or rebilling expenses incurred on their behalf.

"Net financial income/(expense)" and "Net operating profit/(loss)" include items relating to the financial management of the Company or administrative operations, irrespective of their amounts or their occurrence. "Net exceptional income/(expense)" thus comprises only those transactions that, due to their nature, may not be included in "Net financial income/(expense)" or "Operating profit/(loss)".

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 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 listed securities is calculated 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 "Net financial income/(expense)", under "Other financial income/(expense)".

With respect to LVMH shares allocated to share purchase option plans:

- if the plan is non-exercisable (market value of the LVMH share lower than the exercise price of the option), the calculation of the impairment, charged to "Operating profit" under the heading "Personnel costs", is made in relation to the average price of all non-exercisable plans involved;
- if the plan is exercisable (market value of the LVMH share greater than the exercise price of the option), a provision for losses is recognized and calculated as described in Note 2.6.3 below.

No impairment is recognized for LVMH shares allocated to bonus share plans or shares recorded in "Long-term investments".

2.6.3 Expense relating to 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

There were no subsequent events as of January 29, 2019, 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)	2018	2017
Dividends received from French companies	3,355.3	2,456.8
Dividends received from foreign companies	196.1	188.9
Share of income from GIEs (economic interest groups)	(0.9)	(0.2)
Financial income from subsidiaries and investments	3,550.5	2,645.5
Changes in impairment	(133.0)	(75.0)
Changes in provisions for contingencies and losses	-	-
Impairment and provisions related to subsidiaries and investments	(133.0)	(75.0)
Gains and losses on disposal	-	-
Income from managing subsidiaries and investments	3,417.5	2,570.5

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)	2018	2017
Interest and premiums on borrowings	(43.6)	(52.7)
Financial income and revenue	19.2	5.3
Cost of non-Group net financial debt	(24.4)	(47.4)
Intra-Group interest expense	(6.0)	(2.5)
Intra-Group interest income	-	-
Cost of intra-Group net financial debt	(6.0)	(2.5)
Cost of net financial debt	(30.4)	(49.9)

4.3 Foreign exchange gains and losses

Foreign exchange gains and losses comprise the following items:

<i>(EUR millions)</i>	2018	2017
Foreign exchange gains	49.0	240.0
Foreign exchange losses	(76.2)	(145.5)
Changes in provisions for unrealized foreign exchange losses	(6.2)	41.5
Foreign exchange gains and losses	(33.4)	136.0

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>	2018	2017
Income and expenses from LVMH shares	0.4	6.8
Other financial income	-	3.3
Other financial expenses	(9.2)	(10.0)
Changes in provisions	(0.1)	-
Other financial income and expenses	(8.9)	0.1

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>	2018	2017
Services provided	178.0	167.2
Rebilled expenses	130.5	92.7
Real estate revenue	7.5	7.4
Total	316.0	267.3

Services provided and other income relates exclusively to 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 2018, 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 12.3.2).

6.1 Gross compensation

Due to the nature of the Company's business, as described in Note 1.1, "Business activity", a significant portion of this compensation is 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 2018 amounted to 53 million euros, including 0.9 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, 2018, the commitment that has not been recognized, net of financial assets covering this commitment,

determined according to the same principles as those used for the Group's consolidated financial statements, amounts to 70 million euros.

The discount rate used to estimate this commitment was 1.50%.

The payments made to cover this commitment – 17 million euros in 2018 (13.5 million euros in 2017) – are recognized under the heading "Personnel costs".

6.3 Average headcount

In 2018, the Company had an average headcount of 19 (2017: 18; 2016: 18).

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 158 million euros.

Taxes, duties and similar levies recognized in "Other management charges" amounted to 3.8 million euros for fiscal year 2018 (3.7 million euros in 2017).

8. EXCEPTIONAL INCOME/(EXPENSE)

None.

9. INCOME TAXES

9.1 Breakdown of corporate income tax

Corporate income tax breaks down as follows:

(EUR millions)	Profit before tax	Tax (expense)/ income	Net profit
Recurring profit	3,153.3	70.3	3,223.6
Exceptional income/(expense)	-	-	-
	3,153.3	70.3	3,223.6
Tax in respect of prior fiscal years ^(a)	-	16.1	16.1
Provisions for general contingencies	-	(10.3)	(10.3)
Impact of tax consolidation	-	154.7	154.7
	3,153.3	230.8	3,384.1

(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, 2018, the amount of tax losses that may be reclaimed from LVMH by its subsidiaries totaled 4,337 million euros.

9.3 Deferred tax

Deferred tax arising from temporary differences amounted to a net debit balance of 13.7 million euros as of December 31, 2018, including 1.9 million euros relating to temporary differences that are expected to reverse in 2019.

10. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2018
Carrying amount of fixed assets as of December 31, 2017	75.5
Additions	25.7
Disposals and retirements	(7.5)
Net change in depreciation/amortization	(0.6)
Carrying amount of fixed assets as of December 31, 2018	93.1

11. EQUITY INVESTMENTS

(EUR millions)	2018	2017
Gross amount of equity investments	27,170.2	26,670.1
Impairment	(1,716.4)	(1,583.4)
Carrying amount of equity investments	25,453.8	25,086.7

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, 2018, the value of the treasury shares held was allocated as follows:

(EUR millions)			2018	2017
	Gross	Impairment	Net	Net
Share subscription option plans	20.1	-	20.1	57.1
Pending retirement	74.5	-	74.5	328.5
Long-term investments	94.6	-	94.6	385.6
Bonus share plans	302.1	-	302.1	122.1
Liquidity contract	24.6	(0.1)	24.5	22.8
Short-term investments	326.7	(0.1)	326.6	144.9

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, 2018	1,242,989	57.1	1,952,960	328.5	3,195,949	385.6
Purchases	-	-	270,000	74.5	270,000	74.5
Transfers	(6,391)	(0.3)	-	-	(6,391)	(0.3)
Shares retired	(822,992)	(36.7)	(1,952,960)	(328.5)	(2,775,952)	(365.2)
As of December 31, 2018	413,606	20.1	270,000	74.5	683,606	94.6

Short-term investments (EUR millions)	Other plans		Liquidity contract		Total	
	Number	Gross value	Number	Gross value	Number	Gross value
As of January 1, 2018	993,148	122.1	92,000	22.8	1,085,148	144.9
Purchases	815,000	218.7	932,130	250.8	1,747,130	469.5
Sales	-	-	(927,130)	(249.0)	(927,130)	(249.0)
Transfers	6,391	0.3	-	-	6,391	0.3
Bonus share awards	(459,741)	(39.0)	-	-	(459,741)	(39.0)
As of December 31, 2018	1,354,798	302.1	97,000	24.6	1,451,798	326.7

The net gain recognized on disposals under the liquidity contract during the fiscal year amounted to 0.4 million euros. As of December 31, 2018, based on stock market quotes at that date, the value of shares held under this contract was 25 million euros.

12.2 Stock option and similar plans

12.2.1 Plan characteristics

Share subscription and purchase option plans

The Shareholders' Meeting of April 13, 2017 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2019, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 1% of the Company's share capital.

As of December 31, 2018, this authorization had not been used by the Board of Directors.

No share subscription option or purchase plans have been set up since 2010.

One share subscription option plan with outstanding options remaining, set up by LVMH on May 14, 2009, was in force as of December 31, 2018. This plan is valid for ten years; options may be exercised after a four-year period, with one option giving the right to one share.

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 2014 and 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 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.

Performance conditions

In addition to the condition under which recipients must still be with the Group, the exercise of options granted on May 14, 2009 and the vesting of bonus shares under certain plans are 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 October 23, 2014; April 16, 2015; October 22, 2015; April 13, 2017; and October 25, 2018 provide solely for the allocation of bonus shares subject to a condition related to the performance of the LVMH group.

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

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

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

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

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 stock option plan set up on May 14, 2009, options may only be exercised if LVMH's consolidated financial statements both for the fiscal year in which the plan is set up (fiscal year "Y") and for fiscal year Y+1 show a positive change compared to fiscal year Y-1 in relation to one or more of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, or current operating margin (hereinafter referred to as the "Indicators"). This condition was met for this plan, as a result of which options could be exercised as of May 14, 2013. Moreover, as an exception, options granted to senior executive officers may only be exercised if, in three of the four fiscal years from 2009 to 2012, at least one of the three Indicators shows a positive change compared to fiscal year 2008. This condition was met in 2009, 2010, 2011 and 2012, as a result of which options could be exercised as of May 14, 2013.

For the October 23, 2014 plan and the April 16, 2015 plan, performance shares only vest if LVMH's consolidated financial statements for the 2015 fiscal year show a positive change in one or more of the Indicators compared to fiscal year 2014. This condition was met, so shares allocated under the October 23, 2014 plan were fully vested as of October 23, 2017 for recipients who were French residents for tax purposes and as of October 23, 2018 for recipients who were not French residents for tax purposes. Shares allocated under the April 16, 2015 plan to recipients who were French residents for tax purposes were fully vested as of April 16, 2018.

For the plans set up on October 22, 2015 and October 20, 2016, performance shares will only vest if LVMH's consolidated financial statements for fiscal years Y+1 and Y+2 show a positive change in one or more of the Indicators relative to the fiscal year in which the plan was set up (fiscal year Y). For the plan set up on October 22, 2015, the performance condition was met in 2016 and 2017. For the plan set up on October 20, 2016, the performance condition was met in 2017 and 2018. Shares allocated under the October 22, 2015 plan to recipients who were French residents for tax purposes were fully vested as of October 22, 2018.

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 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). 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 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 vest provided that quantitative targets are met regarding its consolidated revenue and consolidated profit from recurring operations in respect of fiscal year 2023.

For bonus shares awarded 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).

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 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 plan set up on October 25, 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).

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, 2018	1,180,692	1,395,351
Provisional allocations for the period	-	462,281
Options and allocations expired in 2018	(6,753)	(45,913)
Options exercised and allocations vested in 2018	(762,851)	(459,741)
Rights not exercised as of December 31, 2018	411,088	1,351,978

Previously owned shares were remitted in settlement of the bonus shares vested.

The total expense recognized under "Personnel costs" in 2018 for stock option and similar plans was 70.9 million euros (2017: expense of 37.2 million euros; 2016: expense of 31.2 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, 2018, which was 258.20 euros.

13. OTHER NON-CURRENT FINANCIAL ASSETS

As of December 31, 2018, other non-current financial assets included 131 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)	2018			2017
	Gross	Impairment	Net	Net
Receivables from related companies	424.5	-	424.5	510.7
of which: financial current account	338.4	-	338.4	395.2
tax consolidation current accounts	26.0	-	26.0	61.0
Receivables from the State	147.8	-	147.8	541.0
Other receivables	22.0	-	22.0	29.0
of which: currency revaluation of hedging derivatives	16.7	-	16.7	18.4
swap residual balance receivable	-	-	-	4.8
Total	594.3	-	594.3	1,080.7

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 505,029,495 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, 762,851 shares were issued as a result of the exercise of share subscription options and 2,775,952 shares were retired.

As of December 31, 2018, the Company's share capital broke down as follows:

	Number	%
Shares with double voting rights	231,834,011	45.91
Shares with single voting rights	271,060,080	53.67
	502,894,091	99.58
LVMH treasury shares	2,135,404	0.42
Total number of shares	505,029,495	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, 2017 before appropriation of net profit	507,042,596	152.1	2,614.1	388.1	10,424.6	(804.4)	2,853.2	15,627.7
Appropriation of net profit for 2017	-	-	-	-	2,853.2	-	(2,853.2)	-
2017 dividends	-	-	-	-	(2,528.5)	804.4	-	(1,724.1)
Impact of treasury shares	-	-	-	-	15.4	-	-	15.4
As of December 31, 2017 after appropriation of net profit	507,042,596	152.1	2,614.1	388.1	10,764.7	-	-	13,919.0
Exercise of subscription options	762,851	0.2	48.8	-	-	-	-	49.0
Retirement of shares	(2,775,952)	(0.8)	(364.4)	-	-	-	-	(365.2)
2018 interim dividend	-	-	-	-	-	(1,010.0)	-	(1,010.0)
Impact of treasury shares	-	-	-	-	-	4.3	-	4.3
Net profit for fiscal year 2018	-	-	-	-	-	-	3,384.1	3,384.1
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

The appropriation of net profit for fiscal year 2017 resulted from the resolutions of the Combined Shareholders' Meeting of April 12, 2018.

17. RESERVES AND REVALUATION ADJUSTMENTS

Reserves break down as follows:

(EUR millions)	2018	2017
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)	2018	2017
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, 2017	Increases	Amounts used	Amounts released	December 31, 2018
Equity investments	1,583.4	133.0	-	-	1,716.4
LVMH treasury shares	-	0.1	-	-	0.1
Other assets	-	-	-	-	-
Asset impairment	1,583.4	133.1	-	-	1,716.5
Stock option and similar plans	27.6	45.6	(13.7)	-	59.5
General contingencies	560.2	54.6	-	(44.3)	570.5
Unrealized forex losses	1.4	7.6	(1.4)	-	7.6
Other expenses	57.9	26.4	(20.5)	(9.1)	54.7
Provisions for contingencies and losses	647.1	134.2	(35.6)	(53.4)	692.3
Total	2,230.5	267.3	(35.6)	(53.4)	2,408.8
of which: financial income/(expense)		140.7	(1.4)	(0.2)	
operating profit/(loss)		72.0	(34.2)	(8.9)	
of which: personnel costs		72.0	(34.2)	(1.9)	
other		54.6	-	(44.3)	
		267.3	(35.6)	(53.4)	

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)	2018	2017
Bonds	6,604.0	8,348.6
Bank loans and borrowings	-	-
Intra-Group financial debt	3,102.4	1,951.8
Other financial debt	3,102.4	1,951.8
Gross borrowings	9,706.4	10,300.4

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, 2018 (EUR millions)	Accrued interest after swap (EUR millions)	Total (EUR millions)
EUR 1,200,000,000; 2017	0.750%	25.00%	99.542%	2024	1,200.0	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	447.2	0.8	448.0
EUR 1,250,000,000; 2017	-	-	99.609%	2020	1,250.0	-	1,250.0
USD 750,000,000; 2016	-	-	102.806%	2021	655.0	-	655.0
EUR 650,000,000; 2014	1.000%	Total	99.182%	2021	650.0	0.3	650.3
AUD 150,000,000; 2014	3.500%	Total	99.177%	2019	92.5	-	92.5
EUR 300,000,000; 2014	Floating	-	99.900%	2019	300.0	-	300.0
EUR 100,000,000; 2014	1.250%	-	103.152%	2019	100.0	0.2	100.2
EUR 500,000,000; 2013	1.250%	50.00%	99.198%	2019	500.0	0.5	500.5
EUR 600,000,000; 2013	1.750%	66.67%	99.119%	2020	600.0	1.0	601.0
Total					6,594.7	9.3	6,604.0

(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, 2018.

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).

During the fiscal year, LVMH repaid the 500 million euro bond issued in 2011 and the 1,250 million euro bond issued in 2017.

19.2 Analysis of gross borrowings by payment date

The breakdown of gross borrowings by type and payment date, and the related accrued expenses, are shown in the table below:

Borrowings (EUR millions)	Total	Amount			of which: Accrued expenses	of which: Related companies
		Less than 1 year	From 1 to 5 years	More than 5 years		
Bonds	6,604.0	1,001.8	4,402.2	1,200.0	9.3	-
Bank loans and borrowings	-	-	-	-	-	-
Intra-Group financial debt	3,102.4	3,102.4	-	-	1.6	3,102.4
Other financial debt	3,102.4	3,102.4	-	-	1.6	3,102.4
Gross borrowings	9,706.4	4,104.2	4,402.2	1,200.0	10.9	3,102.4

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

In connection with certain credit lines, LVMH may undertake to comply with a net financial debt to equity ratio calculated based on consolidated data. As of December 31, 2018, no drawn or undrawn credit lines were concerned by this provision.

19.5 Guarantees and collateral

As of December 31, 2018, 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	160.9	160.9	-	-	144.6	127.3
Tax and social security liabilities	42.5	42.5	-	-	31.9	-
Other debt	153.3	153.3	-	-	-	131.1
of which: Tax consolidation current accounts	129.7	129.7	-	-	-	129.7
Other debt	356.7	356.7	-	-	176.5	258.4

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, 2018, 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)	131.0	-	131.0
Bond debt (see Note 19)	(6,294.7)	(300.0)	(6,594.7)
Total financial positions	(6,163.7)	(300.0)	(6,463.7)
Hedging instruments	1,997.0	(1,997.0)	-
Financial positions after hedging	(4,166.7)	(2,297.0)	(6,463.7)

(a) Asset/(Liability).

The following table presents the types of instruments outstanding as of December 31, 2018, 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	2,339.8	342.5	1,697.3	300.0	(19.3)
Fixed-rate payer swap	342.8	-	342.8	-	(2.2)
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, 2018:

(EUR millions)	US dollar	Australian dollar	Pound sterling	Total ^(a)
Non-current financial assets (see Note 13)	131.0	-	-	131.0
Bond debt (see Note 19)	(655.0)	(92.5)	(447.2)	(1,194.7)
Total financial positions	(524.0)	(92.5)	(447.2)	(1,063.7)
Derivatives used to hedge financial positions	524.0	92.5	447.2	1,063.7
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)	2018	2017
Other receivables	2.5	16.2
Provisions for contingencies and losses	(3.8)	-
Market value of isolated open positions	(1.3)	16.2

The nominal values of hedges outstanding as of December 31, 2018, 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	524.0	-	524.0	-	13.9
Australian dollar	92.5	92.5	-	-	(11.3)
Pound sterling	447.2	-	447.2	-	(9.9)
Hedges of financial positions	1,063.7	92.5	971.2	-	(7.3)
US dollar	(393.0)	(393.0)	-	-	2.5
Swiss franc	(601.2)	(601.2)	-	-	(2.8)
Japanese yen	(45.3)	(45.3)	-	-	(1.0)
Isolated open positions	(1,039.5)	(1,039.5)	-	-	(1.3)

(a) Purchase/(Sale).

(b) Gain/(Loss).

23. OTHER INFORMATION

23.1 Share purchase commitments

Share purchase commitments amount to 11,377 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 include LVMH's commitment to acquire, for cash, all the Class A shares of Belmond Ltd for a total of 2.3 billion US dollars after taking into account the shares purchased on the market in December 2018 (see Note 1.2), as well as commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%) and distribution subsidiaries in various countries, mainly in the Middle East.

23.2 Other commitments given in favor of third parties

(EUR millions)	As of December 31, 2018
Guarantees and comfort letters granted to subsidiaries or other Group companies	8,241.5

23.3 Other commitments given in favor of LVMH

(EUR millions)	As of December 31, 2018
Undrawn confirmed long-term lines of credit	2,990.0
Undrawn confirmed short-term lines of credit	645.0

23.4 Related-party transactions

No new related-party agreements, within the meaning of Article R.123-198 of the French Commercial Code, were entered into during the fiscal year in significant amounts and under conditions other than normal market conditions.

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
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
36,832,647 shares with a par value of EUR 15 each in LVMH Finance SA	99.99	588.4
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	29.5
7,000 shares with a par value of EUR 1,265 each in the GIE LVMH Services	20.00	8.9
23,000 shares with a par value of JPY 50,000 each in LVMH KK (Japan)	100.00	7.6
9,660 shares with a par value of EUR 30 each in Loewe SA (Spain)	5.44	6.7
Total		25,453.8

See also Note 11, "Equity investments".

SUBSIDIARIES AND INVESTMENTS

Company (in millions of currency units)	Registered office	Currency	Share capital ^(a)	Equity other than share capital ^{(a)(b)}	Percentage of share capital held	Carrying amount of shares held ^(c)		Loans and advances provided ^(c)	Deposits and sureties granted ^(c)	Revenue before taxes ^{(a)(d)}	Net profit/ (loss) from the prior fiscal year ^(a)	Dividends received in 2018 ^(c)
						Gross	Net					
1. Subsidiaries (> 50%)												
Sofidiv SAS	Paris	EUR	8,427.4	3,895.7	100.00%	10,116.4	10,116.4	-	-	871.9	862.9	813.6
Grandville SA	Luxembourg	EUR	100.0	542.9	100.00%	6,000.0	6,000.0	-	-	-	(0.3)	-
Bulgari SpA	Rome	EUR	24.5	321.4	100.00%	4,268.7	4,268.7	-	-	295.5	230.8	160.0
LVMH Finance SA	Paris	EUR	552.5	(119.2)	99.99%	2,290.5	588.4	-	-	0.2	(139.0)	-
Vicuna Holding SpA	Milan	EUR	110.1	1,626.9	100.00%	1,533.4	1,533.4	-	-	64.0	59.0	35.0
Moët Hennessy SAS	Paris	EUR	428.7	2,367.5	58.67%	1,018.9	1,018.9	-	-	1,140.0	397.7	134.7
LV Group SA	Paris	EUR	35.6	1,072.4	99.95%	822.4	822.4	-	-	2,361.3	2,343.3	2,000.1
Rimowa Group GmbH	Cologne	EUR	642.8	(3.6)	100.00%	642.8	642.8	-	-	-	-	-
Le Bon Marché SA	Paris	EUR	29.4	126.5	99.99%	259.2	259.2	-	-	469.3	13.9	18.0
Parfums Christian Dior SA	Paris	EUR	2.6	845.7	99.99%	76.5	76.5	-	6.1	1,773.3	448.6	235.9
Moët Hennessy Inter. SAS	Paris	EUR	151.6	444.8	58.67%	74.4	74.4	-	-	176.9	173.9	153.0
LVMH Services Ltd	London	GBP	34.4	(7.6)	100.00%	43.8	29.5	-	-	2.6	(1.3)	-
LVMH KK	Tokyo	JPY	1,150.0	879.3	100.00%	7.6	7.6	-	390.9	1,037.8	151.7	0.6
2. Investments (> 10% and < 50%)												
GIE LVMH Services	Paris	EUR	44.3	(3.8)	20.00%	8.9	8.9	-	-	2.6	(3.8)	-
3. Investments (< 10%)												
Loewe SA	Madrid	EUR	5.3	46.0	5.44%	6.7	6.7	-	-	236.4	16.4	0.5
4. Other subsidiaries and investments												
Total						27,170.2	25,453.8		397.0			3,551.4

(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)	2014	2015	2016	2017	2018
1. Share capital at fiscal year-end					
Share capital	152.3	152.1	152.1	152.1	151.5
Number of ordinary shares outstanding	507,711,713	507,139,110	507,126,088	507,042,596	505,029,495
Maximum number of future shares to be created:					
- through conversion of bonds	-	-	-	-	-
- through exercise of equity warrants	-	-	-	-	-
- through exercise of share subscription options	3,384,313	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	7,583.5	6,842.7	3,441.3	2,912.8	3,866.5
Profit before taxes, depreciation, amortization and movements in provisions	7,698.3	5,971.8	2,917.7	2,523.0	3,322.8
Income tax income/(expense) ^(a)	-	-	-	-	-
Profit after taxes, depreciation, amortization and movements in provisions ^(b)	7,160.5	6,019.8	2,645.3	2,853.2	3,384.1
Profit distributed as dividends ^(c)	1,624.7	1,800.3	2,028.5	2,535.2	3,030.2
3. Earnings per share					
Earnings per share after taxes but before depreciation, amortization and movements in provisions	14.38	11.79	5.45	5.72	7.04
Earnings per share after taxes, depreciation, amortization and movements in provisions ^(b)	14.10	11.87	5.22	5.63	6.70
Gross dividend distributed per share ^{(c)(d)}	3.20	3.55	4.00	5.00	6.00
4. Employees					
Average number of employees	18	19	18	18	19
Total payroll	75.5	77.7	103.4	103.5	161.0
Amounts paid in respect of employee benefits	17.4	19.3	15.7	16.8	20.1

(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. For fiscal year 2018, amount proposed at the Shareholders' Meeting of April 18, 2019.

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

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended December, 31 2018

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, 2018.

In our opinion, the parent company financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December, 31 2018 and of the results of its operations for the fiscal year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

2. Basis for our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' responsibilities for the audit of the parent company financial statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

3. 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, 2018, the net amount of equity investments recognized as assets amounted to 25 billion euros, after impairment of 1.7 billion euros, representing 95% of total assets. They are stated at acquisition cost (excluding incidental costs) or at contribution value, after revaluations pursuant to French law where appropriate.

When the recoverable amount as of 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 reasonableness of the main estimates used, in particular forecast cash flow, long-term growth rates and the discount rates applied. We also analyzed the consistency of forecasts with past performance and market outlook, and 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 with the support of our valuation experts. Lastly, we assessed the appropriateness of the information disclosed in the notes to the parent company financial statements.

Provisions for contingencies and losses

Risk identified

As of December 31, 2018, provisions for contingencies and losses amounted to 692 million euros and essentially comprised provisions for general contingencies amounting to 571 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 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 the tax authorities, customs or other administrations, both in France and abroad.

We considered this to be a key audit matter due to the significance of the amounts at stake and the level of judgment required to evaluate these provisions within a constantly evolving international regulatory 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 to identify and catalogue all risks;
- obtaining an understanding of risk analysis work performed by the Company and the corresponding documentation and, where applicable, reviewing written advice 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 given in the Management Report and in the other documents provided to shareholders with respect to the financial position and the parent company financial statements

We have no matters to report as to the fair presentation and the consistency with the parent company financial statements of the information given in the *Management Report of the Board of Directors* and in the other documents provided to shareholders with respect to the financial position and the parent company financial statements.

Information relating to payment deadlines

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (*Code de commerce*).

Report on corporate governance

We attest that the *Board of Directors' report on corporate governance* sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*Code de commerce*) relating to compensation and benefits received by the Company officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information, it being specified that, as mentioned in the *Board of Directors' report on corporate governance*, this information refers to compensation and benefits paid or incurred by your Company or the companies it controls, as well as remunerations and benefits paid or incurred by your Company or the companies it owns, as well as compensation and benefits paid or incurred by the companies Financière Jean Goujon and Christian Dior.

With respect to the information relating to items that your Company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L.225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management Report.

5. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton by the Shareholders' Meeting held on April 14, 2016.

As of December 31, 2018, our audit firms were in the third 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 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 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 parent company financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or 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 his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or inadequate, to 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, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the parent company financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Performance Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Courbevoie and Paris-La Défense, February 7, 2019

The Statutory Auditors, French original signed by

MAZARS

ERNST & YOUNG Audit

Loïc Wallaert

Simon Beillevoire

Jeanne Boillet

Patrick Vincent-Genod

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by European regulations and French law, such as information about the appointment of the Statutory Auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED RELATED-PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders' Meeting of LVMH Moët Hennessy - Louis Vuitton,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements and commitments. It is your responsibility, in accordance with Article R.225- 31 of the French Commercial Code (*Code de commerce*), to assess the relevance of these agreements and commitments prior to their approval.

We are also required, where applicable, to inform you in accordance with Article R.225- 31 of the French Commercial Code (*Code de commerce*) of the continuation of the implementation, during the fiscal year ended December 31, 2018, of the agreements and commitments previously approved by the Shareholders' Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR APPROVAL AT THE SHAREHOLDERS' MEETING

In accordance with Article L.225-40 of the French Commercial Code (*Code de commerce*), we have been notified of the following related-party agreements and commitments entered into during the past fiscal year which received prior authorization from your Board of Directors.

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 25, 2018, the Board of Directors authorized the signing of a new amendment, executed on March 29, 2018, 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 3,000,000 euros per year beginning on January 1, 2018.

For the 2018 fiscal year, your Company paid 3,000,000 euros (exclusive of VAT) to Groupe Arnault SEDCS.

AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED AT A SHAREHOLDERS' MEETING

In accordance with Article R.225-30 of the French Commercial Code (*Code de commerce*), we have been notified that the implementation of the following agreements and commitments, which were approved by the Shareholders' Meeting in prior fiscal years, continued during the fiscal year ended December 31, 2018.

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. In 1994, when Diageo acquired this stake, an agreement was entered into between Diageo and your Company for the apportionment of shared holding company costs between Moët Hennessy SAS and the other holding companies of the LVMH group.

Under this agreement, Moët Hennessy SAS assumed 14.9% of shared costs in 2018 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 17.4 million euros for the 2018 fiscal year.

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 Executive Committee members, employees and senior executives of French companies, some of whom are also Directors, remained in effect during fiscal year 2018.

The resulting expense for your Company in fiscal year 2018 is included in the amount disclosed in Note 32.4 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 in 2018.

Pursuant to this agreement, your Company received annual fees of 60,000 euros (exclusive of VAT) from Christian Dior SE during the 2018 fiscal year.

Courbevoie and Paris-La Défense, February 7, 2019

The Statutory Auditors, French original signed by

MAZARS

ERNST & YOUNG Audit

Loïc Wallaert

Simon Beillevaire

Jeanne Boillet

Patrick Vincent-Genod

This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with French law and professional standards applicable in France.

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 2018, LVMH billed its subsidiaries 178 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: +33 (0)1 44 13 22 22.

Legal form (Article 1 of the Bylaws): *Société Européenne* (Societas Europaea). The Company was converted from a *Société Anonyme* (SA) to a *Société Européenne* (SE) on October 27, 2014.

Jurisdiction (Article 1 of the Bylaws): the Company is governed by French law.

Registration and number: the Company is registered in the Paris Register of Commerce and Companies under number 775 670 417 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.

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.

The 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.

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.

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.

The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his term of office, which cannot exceed that of his office as Director and may dismiss him at any time.

The 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 term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached. Subject to this provision, the Chairman of the Board may always be re-elected.

The Board may 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, 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.

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.

- The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation. Subject to the powers expressly granted to the shareholders 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 term of office, his appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

The Chief Executive Officer 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 and decrees in force. 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 by means of video conference or through the use of any telecommunications media allowing the identification of shareholders.

A Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence, by the oldest Vice-Chairman of the Board of Directors or, in the absence of the latter, by a Member of the Board of Directors appointed by the Board for that purpose. 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 (Extract from Articles 6, 8, 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 be removed by a decision at the Extraordinary Shareholders' Meeting after ratification by 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): 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, 2018, the Company's share capital was 151,508,848.50 euros, consisting of 505,029,495 fully paid-up shares with a par value of 0.30 euros each.

At its meeting of January 29, 2019, the Board of Directors noted the increase in the share capital resulting as of December 31, 2018 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 29, 2019, 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, 231,841,942 shares conferred double voting rights.

2.2 Authorized share capital

As of December 31, 2018, 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.

2.5 Non-capital shares

The Company has not issued any non-capital shares.

2.6 Securities giving access to the Company's capital

No securities giving access to the Company's capital – other than the share subscription options described in §4.4.2 of the "Parent company: LVMH Moët Hennessy - Louis Vuitton" section of the *Management Report of the Board of Directors* – were outstanding as of December 31, 2018.

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, 2015					152,479	508,263,850
Fiscal year 2016	Issue of shares ^(a)	907,929	272	63,450	152,414	508,047,039
"	Retirement of shares	920,951	(276)	(41,463)	152,138	507,126,088
Fiscal year 2017	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
As of December 31, 2018					151,509	505,029,495

(a) In connection with the exercise of share subscription options.

3. ANALYSIS OF SHARE CAPITAL AND VOTING RIGHTS

3.1 Share ownership of the Company

As of December 31, 2018, the Company's share capital comprised 505,029,495 shares:

- 234,862,766 pure registered shares;
- 6,963,632 administered registered shares;
- 263,203,097 bearer shares.

Taking into consideration treasury shares, 502,894,091 shares carried voting rights, of which 231,834,011 shares carried double voting rights.

Shareholders	Number of shares	Number of voting rights ^(a)	% of share capital	% of voting rights
Arnault Family Group ^(b)	238,155,505	464,890,015	47.16	63.27
Of which: <i>Financière Jean Goujon</i>	207,962,425	415,783,750	41.18	56.59
Other shareholders ^(c)	266,873,990	269,838,087	52.84	36.73
Total as of December 31, 2018	505,029,495	734,728,102	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 5.98% of the Company's share capital and 6.68% of the voting rights exercisable at Shareholders' Meetings (see also §3.2 and 3.4 below).

(c) Including 2,135,404 treasury shares, i.e. 0.42% of the share capital.

On the basis of registered shareholders and information provided by the latest Euroclear survey of depository banks in December 2016, without applying an ownership threshold, the Company had about 190,000 shareholders.

Subject to the provisions of §3.4 below, to the Company's knowledge:

- no shareholder held at least 5% of the Company's share capital and voting rights as of December 31, 2018;
- 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, 2018, members of the Executive Committee and of the Board of Directors directly held less than 0.4% of the Company's share capital and voting rights, personally and as registered shares.

As of December 31, 2018, the Company held 2,135,404 shares as treasury shares. Of these shares, 1,451,798 were recognized as short-term investments, with the main objective of covering commitments for bonus share plans, while 683,606 shares were recognized as long-term investments, with the main objective of covering commitments for existing share subscription option plans and the retirement of shares. In accordance with legal requirements, these shares are stripped of their voting rights.

As of December 31, 2018, the employees of the Company and of affiliated companies, as defined under Article L.225-180 of the French Commercial Code, held LVMH shares in employee savings plans equivalent to less than 0.1% of the Company's share capital.

During the 2018 fiscal year, Amundi and MFS informed the Company that they had exceeded the thresholds specified under the Bylaws with 1.04% and 1.99% of the share capital, respectively.

During the fiscal year ended December 31, 2018 and as of the date at which this Reference Document was filed with the *Autorité des Marchés Financiers*, no public tender or exchange offer nor price guarantee was made by a third party involving the Company's shares.

The Company's main shareholders have voting rights identical to those of other shareholders.

In order to protect the rights of each and every shareholder, the Charter of the Board of Directors requires that at least one-third of its appointed members be Independent Directors. In addition, at least two-thirds of the members of the Performance Audit Committee must be Independent Directors. A majority of the members of the Nominations & Compensation Committee and the Ethics & Sustainable Development Committee must also be Independent Directors.

3.2 Changes in share ownership during the last three fiscal years

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.

As of December 31, 2016

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)	237,036,289	46.74	461,347,582	62.64	461,347,582	63.07
<i>Of which: Financière Jean Goujon</i>	<i>207,821,325</i>	<i>40.98</i>	<i>415,642,650</i>	<i>56.43</i>	<i>415,642,650</i>	<i>56.82</i>
Treasury shares	5,097,122	1.01	5,097,122	0.69	-	-
Free-float registered	6,554,185	1.29	11,674,998	1.58	11,674,998	1.60
Free-float bearer	258,438,492	50.96	258,438,492	35.09	258,438,492	35.33
Total	507,126,088	100.00	736,558,194	100.00	731,461,072	100.00

(a) Excluding to Financière Jean Goujon, the Arnault family and companies it controls directly or indirectly held 5.76% of the Company's share capital and 6.25% 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.

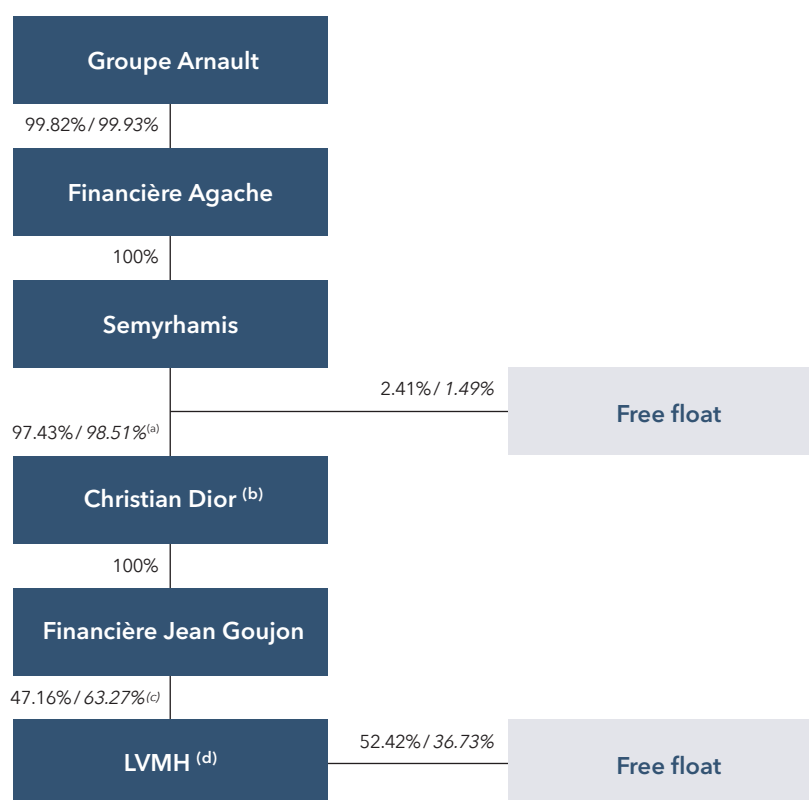
3.4 Natural persons or legal entities that may exercise control over the Company

As of December 31, 2018, the Arnault Family Group directly or indirectly held 47.16% of the Company's share capital and 63.27% of the voting rights exercisable at Shareholders' Meetings.

The Arnault Family Group is composed of the Arnault family and companies it controls, in particular (i) Groupe Arnault SEDCS; (ii) Christian Dior SE, 97.43% of the share capital of which is directly or indirectly controlled by the Arnault family; and (iii) Financière Jean Goujon, wholly owned by Christian Dior SE.

As of December 31, 2018, Financière Jean Goujon held 207,962,425 shares in the Company representing 41.18% of the share capital and 56.59% of the voting rights exercisable at Shareholders' Meetings. The main purpose of Financière Jean Goujon is to hold LVMH shares.

The organizational chart below provides a simplified overview of the shareholding structure as of December 31, 2018 (% of share capital/% of voting rights exercisable at Shareholders' Meetings):



(a) Stake directly and indirectly held by the Arnault Family Group as of December 31, 2018, with Semyrhamis directly holding 85.57% of the share capital and 85.48% of the theoretical voting rights of Christian Dior SE.

(b) Treasury shares: 0.16% based on the share capital under the Bylaws as of December 31, 2018.

(c) Stake directly and indirectly held by the Arnault Family Group as of December 31, 2018, with Financière Jean Goujon directly holding 41.18% of the share capital and 56.59% of the theoretical voting rights of LVMH SE.

(d) Treasury shares: 0.42% based on the share capital under the Bylaws as of December 31, 2018.

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 the FTSE4Good, one of the key indices for socially responsible investing.

As of end-December, LVMH's market capitalization was 130 billion euros, making it the number-one company on the CAC 40.

In 2018, 171,662,309 LVMH shares were traded on Euronext for a total of 47 billion euros. This corresponds to an average daily volume of 673,186 shares.

Since September 23, 2005, LVMH has entrusted a provider of financial services with the implementation of a liquidity contract in line with the Charter of Good Practice initially drawn up by AMAFI (the French association of investment firms), which was approved by the *Autorité des Marchés Financiers* in its decision of March 22, 2005 and published in the *Bulletin des annonces légales obligatoires* dated April 1, 2005.

Trading volumes and amounts on Euronext Paris and share price movement in 2018

	Opening price first day (EUR)	Closing price last day (EUR)	Highest share price ^(a) (EUR)	Lowest share price ^(a) (EUR)	Number of shares traded	Value of shares traded (EUR billions)
January	245.65	252.60	254.60	238.00	13,755,906	3.4
February	253.80	246.50	253.95	232.50	15,336,369	3.7
March	246.00	250.20	253.65	237.55	13,026,815	3.2
April	249.05	289.30	289.30	248.70	14,570,591	4.0
May	290.15	297.05	313.70	289.10	12,752,035	3.8
June	300.55	285.20	311.50	278.60	14,810,600	4.4
July	283.05	298.85	310.20	281.00	12,079,568	3.6
August	299.00	301.85	312.60	290.00	10,091,365	3.0
September	299.50	304.60	310.25	278.60	13,740,743	4.0
October	304.55	268.80	307.95	256.15	20,662,404	5.6
November	268.80	252.55	280.70	249.75	15,266,252	4.0
December	260.50	258.20	269.05	242.30	15,569,661	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 13, 2017 and April 12, 2018. Under this program, between

January 1 and December 31, 2018, stock market purchases of LVMH shares by LVMH SE amounted to 2,017,130 shares, or 0.4% of its share capital. Disposals of shares, bonus share awards and retired shares involved the equivalent of 4,162,823 LVMH shares.

4.3 LVMH bond markets

Among the bonds issued by LVMH Moët Hennessy - Louis Vuitton outstanding as of December 31, 2018, 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
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%
AUD	150,000,000	2014	2019	3.50%
EUR	300,000,000	2014	2019	Floating
EUR	650,000,000	2014	2021	1.00%
EUR	600,000,000	2013	2020	1.75%
EUR	600,000,000	2013	2019	1.25%

4.4 Dividend

A dividend of 6.00 euros per share is being proposed for fiscal year 2018, representing an increase of 1.00 euro compared to the dividend paid for fiscal year 2017.

Based on the 505,029,495 shares outstanding as of December 31, 2018, the total LVMH Moët Hennessy - Louis Vuitton distribution will amount to 3,030 million euros for fiscal year 2018, before the effect of treasury shares.

Dividend distribution in respect of fiscal years 2014 to 2018

Fiscal year	Gross dividend per share (EUR)	Dividend distribution (EUR millions)
2018 ^(a)	6.00	3,030
2017	5.00	2,535
2016	4.00	2,029
2015	3.55	1,800
2014	3.20	1,625

(a) Proposed at the Shareholders' Meeting of April 18, 2019.

The Company has a steady dividend distribution policy, designed to ensure a stable return to shareholders, while making them partners in the growth of the Group.

In accordance with applicable laws in France, dividends and interim dividends not claimed within five years become void and are paid to the French state.

4.5 Change in the number of shares outstanding

During the fiscal year, 762,851 shares were issued as a result of the exercise of share subscription options, and 2,775,952 shares were retired, bringing the number of shares outstanding to 505,029,495 shares as of December 31, 2018.

4.6 Performance per share

(EUR)	2018	2017 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾
Diluted Group share of earnings per share	12.61	10.64	8.06
Gross dividend per share	6.00	5.00	4.00
Increase relative to previous year	20.0%	25.0%	12.7%
Highest share price (intra-day)	313.70	260.55	181.40
Lowest share price (intra-day)	232.50	175.80	130.55
Share price as of December 31	258.20	245.40	181.40
Change compared to previous year	5.2%	35.3%	25.2%

(1) The financial statements as of December 31, 2017 and December 31, 2016 have been restated to reflect the retrospective application with effect from January 1, 2016 of IFRS 9 Financial Instruments. See Note 1.2 to the consolidated financial statements.

(2) The financial statements as of December 31, 2017 have been restated to reflect the final allocation of the purchase price of Christian Dior Couture. See Note 2 to the consolidated financial statements.

OTHER INFORMATION

Responsible company officer; financial information

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1. STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE REFERENCE DOCUMENT

We declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Reference Document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the Management Report presented on page 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.

We obtained an end-of-assignment letter from the Statutory Auditors, in which they indicate that they have verified the information relating to the financial position and the financial statements provided in this document, in addition to having read the document as a whole.

In their report on the consolidated financial statements for fiscal year 2018, the Statutory Auditors drew the shareholders' attention to the following matters described in Note 1.2 to the consolidated financial statements relating to:

- the impact of the first application of IFRS 9 on financial instruments and IFRS 15 on revenue recognition;
- the expected impact of the application of IFRS 16 on leases, which the Group will apply as of January 1, 2019.

Paris, March 27, 2019

Under delegation from the Chairman and Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee

2. INFORMATION INCORPORATED BY REFERENCE

In application of Article 28 of European Commission Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Reference Document:

- the 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 2016 consolidated financial statements, prepared in accordance with IFRS, accompanied by the report of the Statutory Auditors on these statements, included on pages 132-199 and 200, respectively, of the 2016 Reference Document, filed with the AMF on March 22, 2017 under the number D. 17-0209;
- the 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 developments in the Group's financial situation and in the results of its operations between the 2016 and 2015 fiscal years, presented on pages 24-45 of the 2016 Reference Document, filed with the AMF on March 22, 2017 under the number D. 17-0209;
- the 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 2016 parent company financial statements, prepared in accordance with French GAAP, accompanied by the report of the Statutory Auditors on these statements, included on pages 202-225 and 226-227, respectively, of the 2016 Reference Document, filed with the AMF on March 22, 2017 under the number D. 17-0209;
- the 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 Statutory Auditors' special report on related party agreements and commitments of the 2016 fiscal year, included on pages 228-229 of the 2016 Reference Document, filed with the AMF on March 22, 2017 under the number D. 17-0209.

The sections of the 2017 and 2016 reference documents that are not incorporated are either not relevant to investors or are included in the present document.

3. DOCUMENTS ON DISPLAY

The Bylaws of the company LVMH Moët Hennessy - Louis Vuitton are incorporated within this Reference Document. Other legal documents pertaining to the Company may be consulted at its headquarters under the conditions provided by law.

The Company's Reference Document filed by LVMH with the *Autorité des Marchés Financiers* (the French financial markets regulator), the press releases relating to revenue and earnings, as well as the annual and interim reports and the consolidated and parent company financial statements and information relating to transactions in treasury shares and the total number of voting rights and shares may be consulted on the Company's web site at the following address: www.lvmh.com.

OTHER INFORMATION

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1. TABLE OF CONCORDANCE WITH HEADINGS PRESENTED IN ANNEX 1 OF COMMISSION REGULATION (EC) 809/2004

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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.

The original French version of this document was submitted to the Autorité des Marchés Financiers on March 27, 2019 pursuant to Article 212-13 of its General Regulation. The original French version of this document may be used for the purposes of public capital and financial operations if it is supplemented by a transaction note approved by the Autorité des Marchés Financiers. The original French version of this document was prepared by the issuer, and its signatories are responsible for its content.

LVMH

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