LVMH

PASSIONATE ABOUT CREATIVITY

Annual report 2008

LVMH
MOËT HENNESSY . LOUIS VUITTON

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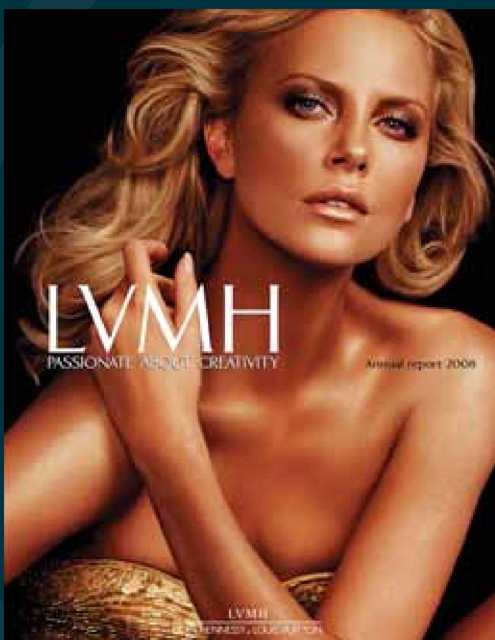
Annual report 2008



Cover page. A magical perfume, an exceptional casting: Charlize Theron, one of Hollywood's most famous stars is the face of the perfume J'adore. Born in 1999, J'adore immediately won over women's hearts. It is still adored today and its spectacular success is part of the history of Dior. Charlize Theron, its ambassador, radiant and luminous, appears illuminated with gold. Her gown, created by John Galliano, reveals all the splendor of "haute couture". It is clearly stitched with DIOR thread.

Contents

LE BON MARCHÉ
46
SEPHORA
24
32
40

Bernard Arnault

Creativity and quality our key values, our priorities

Our leading brands have strong, timeless values, which carry a true message of quality and a real promise of excellence. We will continue to support these brands so that they can, once again, assert their authenticity through powerful and qualitative innovation as well as creative marketing.

The Group's solid performance in 2008 demonstrated, more clearly than ever before, the strength of its brands, the effectiveness of its strategy and the fantastic energy resulting from the commitment of its teams. With the economic slowdown intensifying during the last few months, the momentum behind our brands has often made the difference. Our business is sustained by creative drive, the uncompromising quality of our products, the desire to surprise and engage our clients and to offer them a unique experience in our stores. All this derives from the talent and application of our employees. The proactivity of everyone in our Houses and across our markets worldwide has enabled us to respond rapidly to the unstable environment and to limit its consequences.

There have been a number of successes this year. I will start with those that we owe to our leading brands. Louis Vuitton, which enjoyed another record year, celebrated its timeless values through the iconic personalities that featured in its corporate campaign. Parfums Christian Dior, demonstrating its exceptional image and its roots in the world of couture, once again outperformed its competitors. Hennessy secured its leading position in China and Sephora gained further market share. From our rising stars, we have continued to make excellent progress. Some examples are Ruinart's remarkable achievements, further progress at Donna Karen which has built on the performance of recent years, the strengthening position of Ardbeg whisky, and the accelerated growth of Marc Jacobs, Benefit and Make Up For Ever.

A strong culture of innovation across all our business groups

In all our business groups, 2008 has been an extremely innovative year. We have released new cuvees and designed high value-added packaging for our cognacs, champagnes and whiskies. Louis Vuitton demonstrated its close involvement with the art world through the launch of two Marc Jacobs collections conceived in collaboration with the artists Richard Prince and Takashi Murakami. Another highlight was the launch of Damier Graphite, a new signature range for our male clientele. This line was remarkably successful in the second half of the year and we have great ambitions for it and its numerous incarnations. We launched new perfumes: Dior Homme Sport, Escale à Portofino by Christian Dior, Guerlain Homme, Play de Givenchy and KenzoPower. Our watch and jewelry brands have extended their iconic ranges. In Geneva, TAG Heuer won its fifth Grand Prix in six years for the Grand Carrera chronograph which was featured at Baselworld 2008. Chaumet launched a new collection of high-end jewelry and Sephora continued to affirm its status as the most innovative brand in the global beauty and perfume sector.

Financial strength, selective investments

2009 has started in a climate of considerable uncertainty for all businesses. It would be unwise to predict the length of the global economic crisis at this stage. However, whatever happens, we have prepared ourselves for a difficult environment throughout the year. We have strengthened our rigorous management by rapidly taking strict actions where necessary. I am also aware that we must be even more selective in the decisions that concern the allocation of our resources: over the coming months, these decisions will be focused exclusively on our key profitability drivers, the most important projects, the most lucrative markets and only genuinely strategic opportunities.

Beyond short-term initiatives imposed by the current climate, LVMH – and this, in my mind, is key – will continue to implement its organic growth strategy, which is founded on innovation and geographic expansion. To achieve this, our Group can count on a number of assets. In these turbulent economic and financial markets, one of the Group's most important attributes is the strength of its balance sheet. Our debt levels are modest. Having constantly focused on cash generation, we have the ability to finance our own growth and therefore can calmly anticipate with, and I repeat, great vigilance, the moment of economic recovery.

Our continuing growth strategy

I would like to highlight one other point: in troubled times, consumers have a need, more than ever, for reference points. In this regard, I believe I can say that our leading brands have strong, timeless values, which carry a true message of quality and a real promise of excellence. We will continue to support these brands so that they can once again assert their authenticity through powerful and qualitative innovation as well as creative marketing.

We will also support them as they expand geographically. In recent years, we have conquered new territories. Thanks to an early presence in the emerging countries, some of these markets are already important pillars of our growth. China, for example, has become the biggest market for Hennessy cognac and is the second largest customer base for Louis Vuitton worldwide. The Group's more recent moves are also very promising. Glenmorangie and Benefit have been hugely successful in Asia, Sephora in Eastern Europe, Marc Jacobs in Europe, Hennessy in Vietnam etc. In short, we will be on the front foot in all markets where we see strong growth potential.

During the various crises that LVMH has encountered throughout its history, our Group has always known how to concentrate on its priorities and to take advantage of the strength of its brands to reinforce its leadership of the worldwide luxury goods market. Our decentralized organization fosters a spirit of enterprise and also, therefore, reactivity - an essential quality in periods of uncertainty. I know I can count on the men and women in LVMH to meet the numerous challenges ahead and to prepare our Group to continue its growth.

5 February 2009

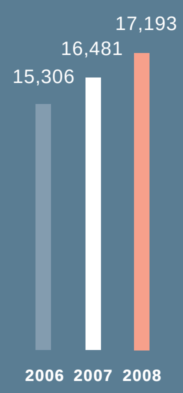
Bernard Arnault
Chairman & Chief Executive Officer

A second *Maison* in the territory:

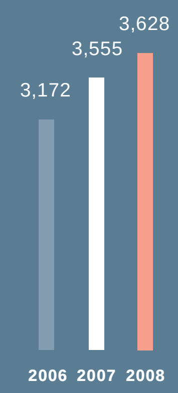
Louis Vuitton celebrates Hong Kong

The *Maison* Louis Vuitton in Canton Road, which opened its doors in March 2008, is the second largest in the world, after Paris. Louis Vuitton has another *Maison* in the territory, located in the Landmark building and renovated in 2005. To celebrate the opening of its Hong Kong Canton Road *Maison* in March 2008, Louis Vuitton invited representatives of the world's media to an artistic voyage between its two *Maisons*. It was an opportunity to offer Hong Kong a marvelous visual feast, celebrating its status as the Asian capital of luxury and high fashion.

Revenue
EUR million



Profit from recurring operations
EUR million



A solid performance

in a contrasting economic environment

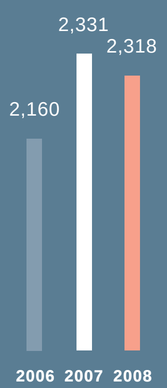
Revenue by business group
EUR million

	2006	2007	2008
Wines and Spirits	2,994	3,226	3,126
Fashion and Leather Goods	5,222	5,628	6,010
Perfumes and Cosmetics	2,519	2,731	2,868
Watches and Jewelry	737	833	879
Selective Retailing	3,877	4,164	4,376
Other activities and eliminations	(43)	(101)	(66)
Total	**15,306**	**16,481**	**17,193**

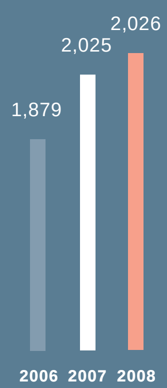
Revenue by currency
in %

Euro	32%
US Dollar	28%
Yen	10%
Hong Kong Dollar	4%
Other currencies	26%

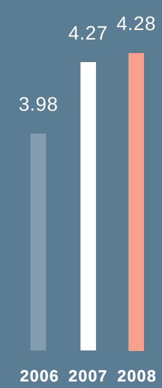
Net profit
EUR million



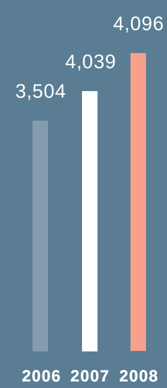
Group share of net profit
EUR million



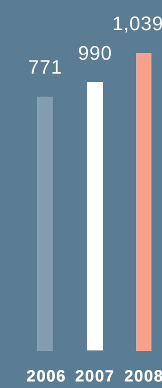
Basic group share of net profit per share
EUR



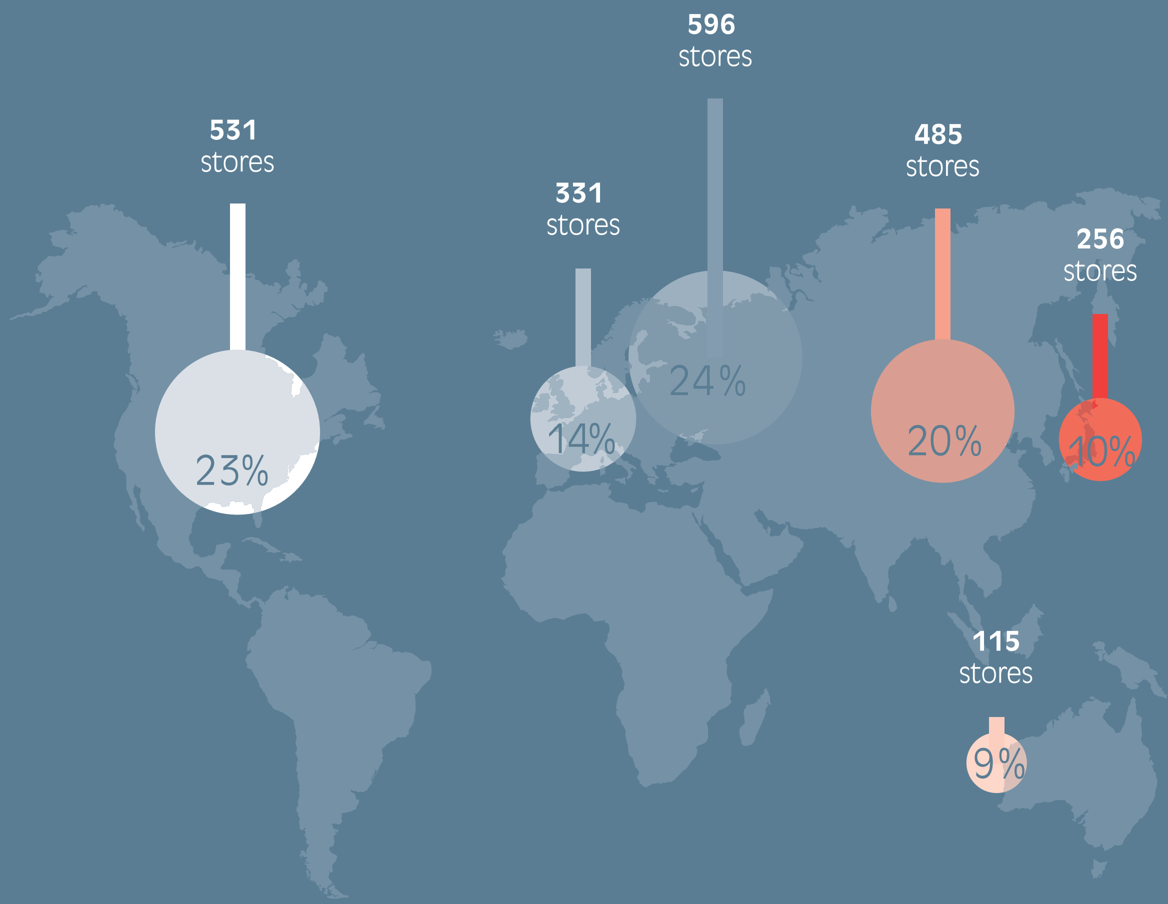
Cash flow from operations
EUR million



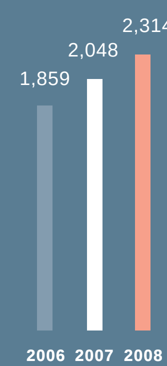
Capital expenditures[1]
EUR million



(1) Acquisitions of tangible and intangible fixed assets.



Number of stores and store network
at december 31, 2008

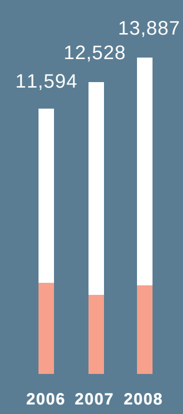


Revenue by geographic region of delivery
in %

- France
- Rest of Europe
- United States
- Japan
- Rest of Asia
- Other markets

Profit from recurring operations by business group
EUR million

	2006	2007	2008
Wines and Spirits	962	1,058	1,060
Fashion and Leather Goods	1,633	1,829	1,927
Perfumes and Cosmetics	222	256	290
Watches and Jewelry	80	141	118
Selective Retailing	387	426	388
Other activities and eliminations	(112)	(155)	(155)
Total	**3,172**	**3,555**	**3,628**



Total equity[2]

2006	2007	2008
11,594	12,528	13,887

Net financial debt to equity ratio

2006	2007	2008
29%	25%	28%

(2) Includes minority interests before appropriation of net profit

Meeting the challenges of a difficult environment to strengthen our

long-term leadership

An interview with Antonio Belloni, LVMH Group Managing Director

How is the Group approaching 2009 in the current highly uncertain climate?

Antonio Belloni: It is not easy to predict the duration of the crisis that is affecting the world's economies. However long it lasts, prudence is the watchword everywhere. We are maintaining our strategic course: growing our brands and markets and strengthening our organization. At the same time, we are adapting our approach to the economic environment by focusing on cost control, selective investments, and cash generation.

Can you talk a little more about the major strategic goals?

A. B.: In the coming months, internal growth is clearly our priority. We are going to capitalize on our core business. During periods like the one we are now seeing, our customers are turning more than ever to sure value. The exceptional character of our brands, and the creativity and quality of our products are our best assets to strengthen our positions. For example, we are going to support the innovation and communications of our flagship brands, the emblematic lines that are such a success with our customers. New stores will be targeted in the markets with the best growth potential. We will be particularly aggressive wherever there are opportunities for gaining market share. Generally, this means raising the bar for all our projects. Meeting the challenges of a difficult environment to make it a springboard and strengthen the Group's leadership over the long term. During previous crises, LVMH has always been able to take this path and rebound more rapidly than its competitors when economic conditions improve.

What are the efforts made to adapt in the short term?

A. B.: We have already proven our ability to react by taking cost-cutting measures in 2008. These efforts to adapt to the economic conditions will be continued. Our teams are heavily mobilized to achieve gains in productivity. They are also extremely vigilant in the allocation of our resources. We have to devote those resources first to the most profitable brand-market combinations and to the initiatives that offer the best prospects for a return on investment. More than ever, our managers are working to choose between key projects and those which are secondary. In each House of the Group, in each commercial subsidiary, we have to focus on what is key, on what will truly be profitable and move us forward.

So this depends on each individual situation?

A. B.: In effect, the market is not monolithic. Our businesses have different cycles, our portfolio of brands is very diversified, and we are present in all regions of the world. This is a traditional factor in the solid performance of LVMH, an asset that gives us regular benefits, even more so during turbulent periods. Each of our brands has its strong points, certain markets continue to grow while others stagnate, customers react in different ways. We have to develop a very subtle approach to each situation and, to do so, we are placing the accent on our proximity to the field. This is facilitated by our decentralized organization. In an environment that fluctuates as rapidly as this one, the ability to react and the ability to make quick decisions are crucial.

Aren't the aspects related to sustainable development also new challenges?

A. B.: This dimension is a strong commitment for us. It is inseparable from the long-term growth of our brands. The social and environmental aspects of their activities have long been taken into consideration in our Houses, and they offer many examples that demonstrate their desire for excellence in all these issues. At Group level, our efforts are targeted at coordinating the approaches of the Houses, ensuring consistency of principles, dissemination of knowledge, and the leverage effect of replicating these initiatives on a large scale. In 2001, we adopted an environmental charter, which inspires increasingly strategic and measurable efforts in all our businesses. In 2008, we established a supplier code of conduct. We based it on the charters that already existed in certain Houses to identify common ethical principles. With this impetus, all the companies of the Group today have a consistent code and requirements for their suppliers, and the sharing of experience has accelerated significantly. The next initiative will be an online Intranet. It should allow each person to enhance his or her culture of sustainable development and allow all employees to share best practices. Just as we intend to be the benchmark in the management of luxury brands, we want to be exemplary in the area of sustainable development.


SEPHORA

Corporate governance

The priority objectives of the Board of Directors, the strategic body of LVMH, are to increase the value of the company and defend its social interest. Its principal missions are to adopt the major strategies of the company and the Group, monitor the implementation of those strategies, verify the fair and accurate presentation of information about the company and the Group, and protect its corporate assets.

The Board of Directors of LVMH Moët Hennessy-Louis Vuitton guarantees respect for the rights of each shareholder of its company and ensures that they respect all their duties.

As part of its mission, it supports the major goal of the LVMH management which remains, as always, to ensure the continued growth of the Group and the continuing enhancement of shareholder value.

At its meeting of October 23, 2008, the Board of Directors adopted the AFEP/MEDEF recommendations of October 8, 2008 concerning the compensation for corporate officers of publicly traded companies, and decided that the reference for the Company will be the AFEP-MEDEF "Corporate Governance Code for Traded Companies". This code can be consulted on the website www.medef.fr.

The Board of Directors has adopted a Charter that spells out the membership, mission, operations and responsibilities of the Board.

The Board of Directors has two Committees, the membership, role and missions of which are defined by internal procedural rules.

The Board of Directors' Charter and the internal rules of the Committees are provided to every candidate for the position of Director, and to the permanent representative of any legal entity, before he assumes his duties.

Board of Directors

The Board of Directors is made up of 18 members, 6 of whom are independent and free of any interests with respect to the company.
Members of the Board of Directors must, in accordance with the regulations, personally and directly own at least 500 shares of LVMH.
The Board of Directors met four times in 2008, on a written notice of meeting from the Chairman sent to each of the Directors at least one week before the date of the meeting. The attendance rate of the members at meetings averaged 74%.

The Board approved the annual and interim financial statements and reviewed the Group's major strategic guidelines, budget, the implementation of a stock option plan and the allotment of bonus shares, authorization for third party guarantees, as well as various agreements with affiliated companies, and the Company's compliance with the AFEP/MEDEF recommendations on the compensation of corporate officers and the Corporate Governance Code for Traded Companies prepared by these organizations.

Executive Management

The Board of Directors has decided not to separate the offices of Chairman of the Board and Chief Executive Officer and has placed no limits on the power of the Chief Executive Officer.

On the recommendation of the Chairman and Chief Executive Officer, the Board of Directors has appointed a Managing Director who has the same powers as the Chief Executive Officer.

Performance Audit Committee

The Performance Audit Committee is primarily responsible for ensuring that the accounting principles followed by the company and by the Group comply with the standards in force, reviewing the corporate and consolidated financial statements before they are submitted to the Board of Directors, and ensuring the effective implementation of the Group's internal control.

It is composed of at least three members (at least two thirds of whom are independent) appointed by the Board of Directors.

The Audit Performance Committee met four times in 2008. All meetings were attended by all members of the Committee, with the exception of one meeting which one Committee member was unable to attend. The meetings were also attended by the Auditors, the Chief Operating Officer, the Chief Financial Officer, the Management Control Director, the Internal Audit Director, the Accounting Director, the General Counsel and, depending on the issues discussed, the Director of Financing, the Treasurer, and the Tax Director.

In addition to reviewing the corporate and consolidated annual and interim financial statements, the work of the Committee focused primarily on the work of Internal Audit, the currency hedging policy, and the tax position of the Group.

Nominations and Compensation Committee

The primary responsibilities of the Nominations and Compensation Committee are to issue:

– recommendations on the compensation, in-kind benefits and stock options granted to the Chairman of the Board of Directors, the Chief Executive Officer and the Managing Director(s) of the company, and on the distribution of the directors' fees paid by the company;
– opinions on candidates for the positions of Director and Advisor to the Board or membership on the Executive Committee of the Group or the Management of its principal subsidiaries.

The Committee has at least 3 members, a majority of whom are independent, appointed by the Board of Directors.

The Committee met twice in 2008 with all members in attendance. It issued recommendations on compensation and the awarding of stock options to the Chairman & CEO and the Group Managing Director, and issued an opinion on the compensation, stock options and benefits in-kind awarded to some Directors by the company or its subsidiaries. It also issued an opinion on the candidacy of Charles de Croisset for a position on the Board of Directors, and on the terms of office of Directors expiring in 2008.

In addition, the Committee reviewed all the terms of office expiring at the time of the Annual General Meeting called to approve the consolidated financial statements for the fiscal year ending December 31, 2008.

Advisory Board

The Shareholders' Meeting may, on the recommendation of the Board of Directors, appoint a maximum of nine Advisors, selected from among the shareholders on the basis of their expertise.

They are appointed for a three-year term.

Advisors are invited to attend Board of Directors' meetings and participate in the deliberations in an advisory capacity; their absence does not affect the validity of these proceedings.

Compensation Policy

Part of the compensation paid to members of the Executive Committee and key operations personnel is based on the generation of cash, operating profit, and return on capital employed for the business groups and companies headed by the respective executives, as well as on their individual performance.

Board of Directors and General Management

Board of Directors

Bernard Arnault
Chairman & Chief Executive Officer

Antoine Bernheim (1)
Vice Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault
Delphine Arnault-Gancia
Jean Arnault
Nicolas Bazire
Nicholas Clive Worms (1)
Charles de Croisset (1)
Diego Della Valle (1)
Albert Frère
Pierre Godé
Gilles Hennessy
Patrick Houël
Lord Powell of Bayswater
Felix G. Rohatyn
Yves-Thibault de Silguy (1)(2)
Hubert Védrine (1)

Advisory Board Member

Kilian Hennessy (1)

Performance Audit Committee

Antoine Bernheim (1)
Chairman

Nicholas Clive Worms (1)
Gilles Hennessy

Nominations and Compensation Committee

Antoine Bernheim (1)
Chairman

Albert Frère
Charles de Croisset (1)

(1) Independent Director
(2) Nominated at the Annual Shareholders' Meeting of May 14,2009

Executive Committee

Bernard Arnault
Chairman & Chief Executive Officer

Antonio Belloni
Group Managing Director

Nicolas Bazire
Development & Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion & Leather Goods

Chantal Gaemperle
Human Resources

Pierre Godé
Advisor to the Chairman

Jean-Jacques Guiony
Finance

Christophe Navarre
Wines & Spirits

Philippe Pascal
Watches & Jewelry

Daniel Piette
Investment funds

Bernard Rolley
Operations

Pierre-Yves Roussel
Fashion

Mark Weber
Donna Karan, LVMH Inc.

General Secretary
Marc-Antoine Jamet

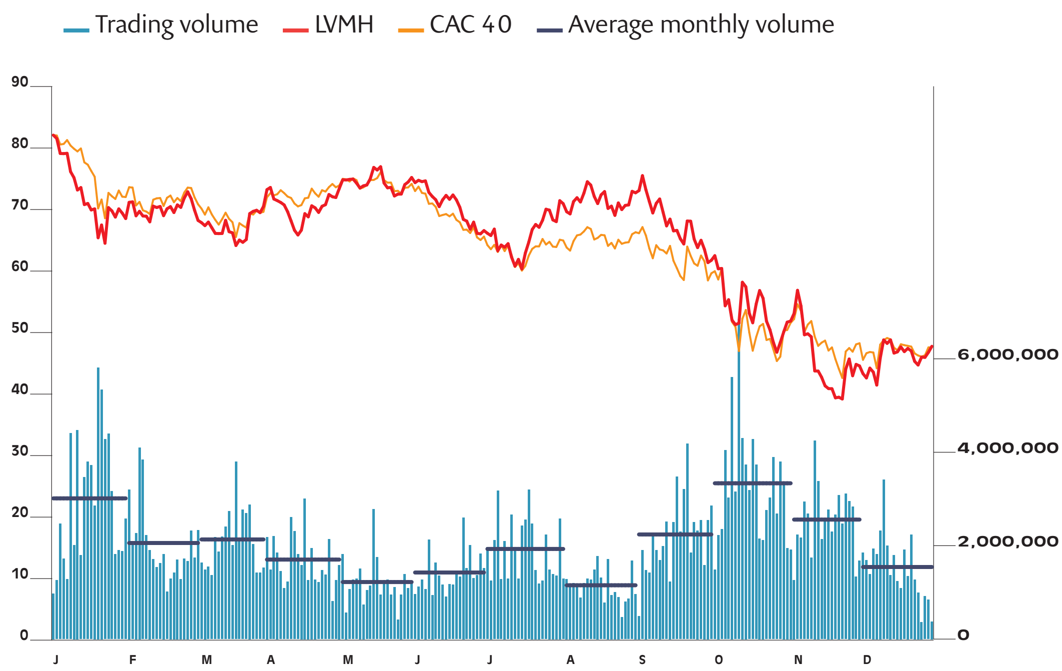
Statutory Auditors

ERNST & YOUNG AUDIT
represented by Jeanne Boillet
and Olivier Breillot

DELOITTE & ASSOCIÉS
represented by Alain Pons

The LVMH share

Comparison of the LVMH share price and the CAC 40 since January 1, 2008



Changes in LVMH share price

The financial crisis that began at the end of the first half of 2007 continued and intensified in 2008. Primarily affecting the credit markets and banks first, the problems grew in dimension and type following the bankruptcy of Lehman Brothers bank in September. This bankruptcy, in an already difficult environment, led to a general loss of confidence and paralysis on the financial markets, with certain classes of investors then having to make forced asset sales. Share prices, along with consumer and business behavior, were heavily impacted. Economic activity deteriorated tangibly in the United States, Europe and Japan, and even in the emerging countries. In this context, the equity markets, after several consecutive years of growth (five in Europe), recorded one of their most significant declines last year.

Against this difficult backdrop, the LVMH share price, after more than doubling in five years, closed 2008 down 42%. In comparison, the European CAC 40 and Eurostoxx 50 indices recorded declines of 43% and 44% respectively over the period, while the American Dow Jones Industrials index lost 34%.

The LVMH share price closed at 47.77 euros on December 31. LVMH's market capitalization was 23 billion euros, making it eleventh in the Paris market.

LVMH is included in the major French and European indices used by fund managers: CAC 40, DJ-EuroStoxx 50, MSCI Euro and FTSE-Eurotop 100. LVMH is also included in the Global Dow, a new index that lists the most innovative, dynamic and influential companies.

The LVMH share is listed for trading on the Euronext Paris Eurolist (Reuters Code: LVMH.PA, Bloomberg Code: MC FP, ISIN Code: FR0000121014). In addition, negotiable options on LVMH shares are traded on Euronext.liffe.

AGENDA

Thursday, February 5, 2009
publication of 2008 revenue and annual results

April 2009
publication of 2009 first quarter revenue

Thursday, May 14, 2009
Annual Shareholders' Meeting

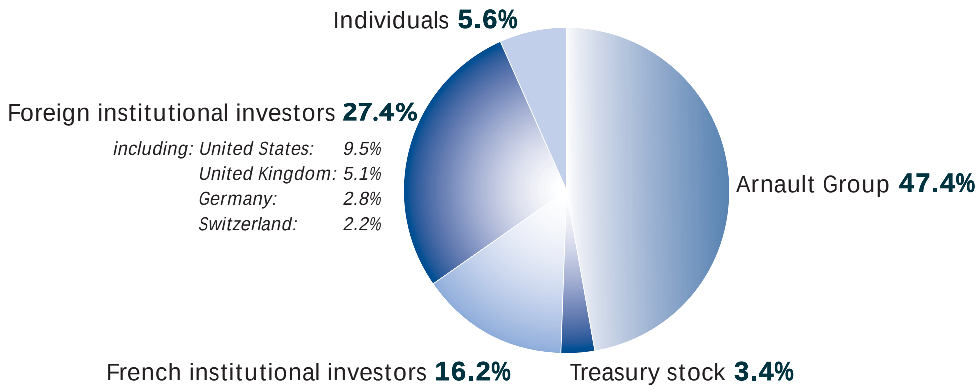
Monday, May 25, 2009
Payment of the balance of the dividend for 2008
(last trading day with dividend rights: May 19, 2009)

July 2009
Publication of 2009 half year revenue and results

October 2009
Publication of 2009 third quarter revenue

Capital structure

(Euroclear France survey on bearer shares at mid-December 2008)



Market capitalization

Million of euros	
December 31, 2006	**39,170**
December 31, 2007	**40,508**
December 31, 2008	**23,404**

Change in the dividend

	2008	2007	2006
Net dividend (€)	1.60	1.60	1.40
Growth for the year	–	*14.3%*	*21.7%*
Payout ratio*	39%	39%	36%

** as a percentage of Group share of net profit.*

Breakdown of capital and voting rights

as of December 31, 2008

	Number of shares	Number of voting rights (1)	% of capital	% of voting rights
Arnault Group	232,333,190	454,143,600	47.42%	63.40%
Other	257,604,220	262,207,652	52.58%	36.60%
Total	**489,937,410**	**716,351,252**	**100.00%**	**100.00%**

(1) Total number of theoretical voting rights. As of December 31, 2008, the total number of voting rights net of shares deprived of voting rights amounted to 699 475 061. As of December 31, 2008, there were 16 876 191 treasury shares without voting rights.

Contacts

Investor and Shareholder Relations
+ 33 1 44 13 27 27 - Fax: + 33 1 44 13 21 19

Shareholders' club +33 1 44 13 21 50

www.lvmh.com

The French Shareholders' Club – An Initiative to Strengthen Ties

Dedicated to individual French shareholders who show a special interest in the life of the Group, the LVMH Shareholders' Club gives its members a better understanding of the Group, its businesses and its brands.

The magazine "*Apartés*," published in French for Club members, lets them order products to be delivered to addresses in France, subscribe to *Les Echos*, *Investir*, *Connaissance des Arts* and *Le Monde de la Musique* at special rates and be special guests on certain sites adapted for tours (cellars and storehouses) as well as benefit from special priority tickets for exhibits funded by LVMH (Picasso and the Masters in 2008).

Wines & Spirits

Fashion & Leather Goods

Perfumes &

32
Cosmetics

40
Watches & Jewelry

46
Selective Retailing

WINES & SPIRITS

Exceptional products for

customers who are passionate about quality

Global ambassadors of luxury, the LVMH Wines and Spirits brands market exceptional products in keeping with a consumption trend with good long-term prospects. These brands make our Group the world leader in prestigious wines and spirits.

Highlights of 2008

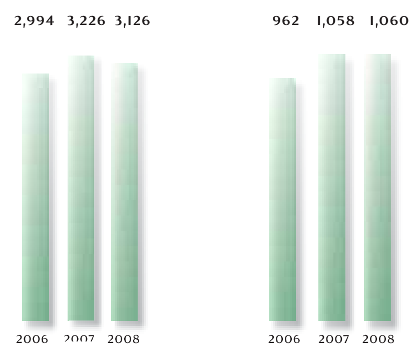
LVMH expanded its portfolio of brands. Early in 2008, Moët Hennessy acquired the Spanish wine company Numanthia Termes, which develops one of the best wines in Spain, in the heart of the Toro appellation. In December, Moët Hennessy announced the acquisition of the Montaudon Champagne House, a transaction that will in particular expand its supplies. For the first time in the history of the Hennessy brand, China ranked first among its markets. Creation of Krug Clos d'Ambonnay, a new vintage from a unique vineyard. Château d'Yquem offered a limited series of Nebuchadnezzars for the first time in its history. These large bottles which are equivalent to 20 normal bottles hold the 2005 vintage. Hennessy introduced the *Diptyque* box and redesigned the packaging for its rarest cognacs, *Richard Hennessy* and *Paradis*. Glenmorangie focused its strategy on its key brands Glenmorangie and Ardbeg and launched Glenmorangie *Signet*. Moët Hennessy adopted a new Code of Conduct setting out clearly the ethical principles which govern the various aspects of the company's business. A new grape pressing centre opened in Mailly-Champagne. It is designed and used by the different brands according to a High Environmental Quality standard.

"Invest in our primary growth drivers"

In our historic markets as in the emerging countries, more and more consumers are looking for quality and selecting international brands. Our goal has always been to serve those aspirations and it is based on a value strategy. In the difficult environment that will dominate 2009, we hold many assets: the prestige of our brands and the way they complement each other in terms of positioning within each market segment; the solid distribution of our activities between established markets and emerging countries; our decentralized organization, close to the field and in direct contact with each market; our powerful distribution network. In the coming months, our investments will be rigorously focused on our principal growth and profitability drivers. Innovation will play a key role and will help us to reinforce our position as the global leader in high-end wines and spirits.

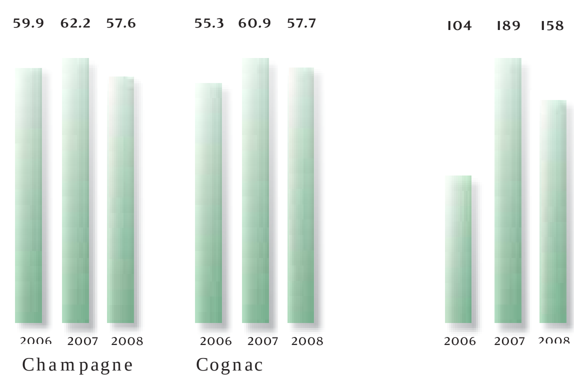
Revenue
EUR million

Profit from recurring operations
EUR million

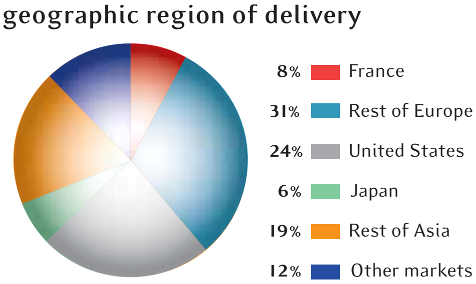


Sales volumes
million of bottles

Investments
EUR million



Revenue by geographic region of delivery
in %



The LVMH Wines and Spirits business group focuses its growth on the high-end segments of the market. The world leader in champagne, LVMH also holds sparkling and still wines from the world's most famous wine-growing regions. The Group is also the world leader in cognac with Hennessy and, as a means of complementing that historic business, is expanding its presence in the luxury spirits segment. The portfolio of brands is backed by a powerful international distribution network.

The Diptyque box evokes the art of blending cognac and invites us into the very private work-setting of Hennessy's cellar master. The two bottles suggest the "roller bottles" that Hennessy traditionally uses during its tastings. They hold two of the brand's rarest eaux-de-vie which form the basic pillars for some of the most prestigious Hennessy cognacs.


Champagne
Dom Pérignon
Rosé
KRUG

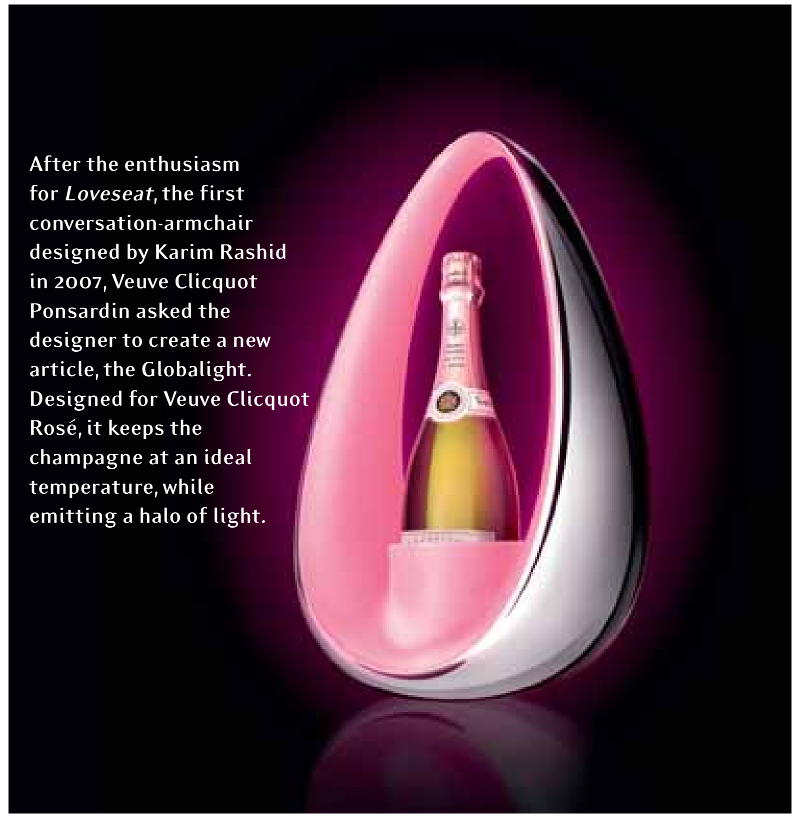
CHAMPAGNE AND WINES

In the difficult economic conditions of 2008, **Moët & Chandon** demonstrates the strength of its brand, resisting the sluggishness of its historic markets and achieving high growth rates in the emerging markets, particularly in Central Europe, Africa, the Middle East and China.

The brand continued its strategy of moving upscale. The Rosé champagnes, a category that offers strong growth potential, recorded the most dynamic performances. To implement its policy of ongoing improvement in the quality of its distribution channels, Moët & Chandon expanded its international presence by developing very high-end points of sale, like the Moët bar in Macao, a space designed to immerse visitors in the brand experience. Another innovation was the "Ateliers Moët", temporary stores where buyers can personalize their bottles. The brand strengthened its historical ties with the stars and celebrities who embody the spirit of celebration and with the major events of the film world such as the Cannes International Film Festival.

Dom Pérignon continued its value creation strategy in its traditional markets and strengthened its volume growth in its new markets – Middle East, Central Europe and China. The brand resolutely highlighted its luxury status which continues to stand the test of time. Helped greatly by spectacular programs and events such as the launch of the symbolic Dom Pérignon Vintage 2000, this dimension was enhanced by important artistic collaborations: the "Bol-Sein", created in a limited edition for Dom Pérignon Vintage 1995 in the *Œnothèque* collection, is Karl Lagerfeld's reinterpretation of an item that belonged to Marie-Antoinette; the Dom Pérignon Rosé as envisioned by Sylvie Fleury is a limited edition of 999 boxes of two glasses signed and numbered along with a bottle of Dom Pérignon Rosé 1998.

Ruinart recorded a new record year in 2008. This growth was the result of the strategy of developing value, giving priority to the premium qualities, Ruinart Blanc de Blancs, Ruinart Rosé and the prestigious Dom Ruinart vintage. France, its historic market, was the leader among the markets that played a key role in this growth, followed by Russia, Germany and Switzerland. Ruinart also achieved solid performance in relatively new markets. The year 2008 was marked by major events that evoked the brand's relationship with art and culture, the launching of new products like the luxurious *Malle Escapade 2008* and, at the end of the year, the unveiling of a sculpture by artist Maarten Baas to honor Dom Ruinart, a sumptuous and unconventional evocation of the Century of Lights.



After the enthusiasm for *Loveseat*, the first conversation-armchair designed by Karim Rashid in 2007, Veuve Clicquot Ponsardin asked the designer to create a new article, the Globalight. Designed for Veuve Clicquot Rosé, it keeps the champagne at an ideal temperature, while emitting a halo of light.

In 2008, **Mercier** celebrated its 150th anniversary with a luxurious dinner given to mark the release of its Guide to the *Lieux de Toujours*. A synonym for friendship and authenticity, the brand continues to be a sure value in the French market.

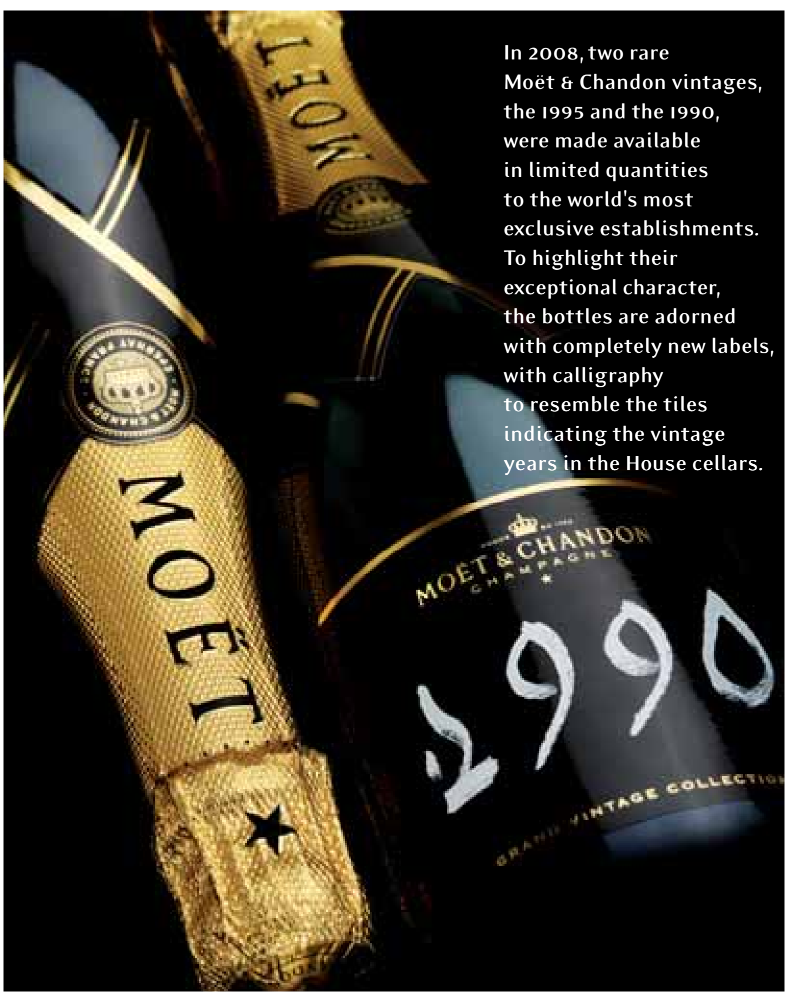
The strategy implemented by **Veuve Clicquot Ponsardin**, an expression of continuing creativity with an emphasis on its oenological excellence, intensified brand loyalty, enabling the company to withstand better than some of its direct competitors the difficult economic environment of 2008 in the major champagne markets. In the emerging countries, the results recompense the efforts made in recent years to establish a presence there. Veuve Clicquot recorded solid growth in China, Latin America and in the Persian Gulf.

The year was rich in innovation and marked notably by the commercial success of *Clicquot Traveller* for the Brut Carte Jaune and the creation of *Globalight*, a new article designed by designer Karim Rashid for Veuve Clicquot Rosé. In response to collector interest in exceptional limited series, the brand partnered with Riva to design luxury articles signed *La Grande Dame by Riva*.

In 2008, **Krug** continued to implement its value strategy and its targeted investments in its key markets, as well as its policy of growth in areas with strong potential (Hong Kong, Spain). The brand consolidated its positions in the luxury champagne segment. The year was highlighted by a series of events, which included the creation of Krug Clos d'Ambonnay 1995. The latest product from the brand, the exceptional fruit of a single piece of land in the heart of the village of Ambonnay, it expresses with intensity and elegance the very essence of this vineyard and reinforces Krug's position in the market of collectible wines. In order to reaffirm its philosophy of personalized luxury, the brand offered wine lovers a case of Krug Grande Cuvée stamped with their initials for the end of the year celebrations, an offer that was highly successful worldwide.

Estates & Wines, the entity that holds the sparkling and still wines of Moët Hennessy, generated continued organic growth in all regions of the world, with the exception of the United States and Japan. Chandon sparkling wines consolidated their leadership position in the super premium category in their domestic markets. Still wines also recorded growth, particularly the Cloudy Bay (New Zealand), Newton (California) and Terrazas de los Andes (Argentina) brands.

Château d'Yquem achieved another record year, marked by the success of its latest vintage, the 2007. Praised by the national and international press, the 2007 new wine won over those who love excellent wines and was enthusiastically received in all markets. For the first time in its history, Château d'Yquem offered brand enthusiasts a limited series of Nebuchadnezzars (large containers equivalent to 20 bottles) from the fabled 2005 vintage.



In 2008, two rare Moët & Chandon vintages, the 1995 and the 1990, were made available in limited quantities to the world's most exclusive establishments. To highlight their exceptional character, the bottles are adorned with completely new labels, with calligraphy to resemble the tiles indicating the vintage years in the House cellars.

COGNAC AND SPIRITS

Hennessy, the undisputed world leader in cognac, continued to grow and consolidated its market share in 2008.

For the first time in the history of the brand, China ranked first among its markets. Hennessy is strengthening its leadership in the world of premium spirits with the dynamic performance of its V.S.O.P and X.O. categories. A new advertizing campaign on the theme "Dare to pursue your dream" was very successfully launched.

Hennessy recorded very strong performances in the other Asian markets. The brand has reinforced its positions in the highly competitive Taiwan market and, thanks to in-depth work initiated several years ago, it is achieving outstanding growth in Vietnam.

In the United States, its second market, Hennessy, still the category leader, continued its value creation strategy, backed by the advertising campaign "Flaunt Your Taste." The brand reaffirmed its historic ties with the African American and Hispanic communities. It became the official partner of the *Latin Grammy Awards*, enhancing its relationship with the world of music in line with its international communication platform *Hennessy Artistry*. This program of events deployed in more than thirty countries brings together a broad variety of musical genres and the different ways of drinking Hennessy cognacs. It gives new consumers an opportunity to discover and appreciate the vitality of the brand.

Russia confirmed its position as the third pillar of Hennessy growth. In the European countries, Hennessy maintained its exceptional market share in Ireland. The brand is also growing rapidly in Central and Eastern Europe and in certain countries of Africa and the Middle East.

As part of its policy of innovation, Hennessy benefited in 2008 from the launch of *Diptyque*, a limited edition box intended for the travel retail segment, and from the measures taken to modernize the packaging of its prestige products, *Richard Hennessy* and *Paradis*, and to highlight their exceptional character.

Belvedere vodka, thanks to its communications efforts, won market shares in the United States in a difficult economic environment. Confirming its strong potential, it continued its vigorous growth in other countries as well. Canada, the United Kingdom, Australia, Mexico and continental Europe were its most dynamic markets.

10 Cane rum continued its expansion in America although Florida, its leading market, was particularly impacted by the economic situation. 10 Cane maintained a high growth rate in other regions of the United States and was successfully placed in high-end establishments in Europe and Australia.

Glenmorangie strengthened its strategy designed to make it the world leader in single malt whiskies based on the Glenmorangie and Ardbeg brands. This strategy led the company to sell the Glen Moray distillery along with other non-strategic assets. A key highlight of 2008 was the very successful introduction of the new line and the new visual identity for the Glenmorangie brand. The brand grew rapidly in Asia, extended its presence in Northern and Central Europe and laid down the foundations for growth

in North America. The launch of *Glenmorangie Signet*, designed as the brand's ultimate in luxury, was greeted with enthusiastic reviews. The many distinctions bestowed on Glenmorangie in 2008 included the title of Innovator of the Year awarded by the prestigious *Whisky Magazine*. **Ardbeg**, the famous single malt produced on the island of Islay, continued to win new enthusiasts around the world. Limited editions and innovative products, allied with original advertizing, drove strong growth for the brand, which was named "World Whisky of the Year 2008" by the *Bible of Whisky*.

During its first full year as part of the LVMH Group, **Wenjun** benefited from a reworking of its communications strategy to capitalize on the essential elements of its identity and its history, which dates back more than 2,000 years to the Han dynasty in China. The first product launched at the end of 2007 in Beijing is now widely distributed in southern China and has received a very encouraging welcome. A new ultra premium product, now in the final development phase, will be launched in 2009.

Outlook The strength of the brands of the Wines and Spirits business group, the excellence of their products and the powerful distribution network of Moët Hennessy will be major assets in 2009, in a difficult context, marked by a softness in demand and by the wish of distributors to reduce their stocks.

While it intensifies its management efforts and adapts sales strategies market by market, the Wines and Spirits business group will continue to invest in its best drivers of growth, profitability and gains in market share. Thanks to the creativity that is continually cultivated within the brands, innovation (new products, the design of added value packaging, well-targeted promotional programs and operations) will be our priority. This dynamic strategy aimed at stimulating sales in the short term will be a strong accelerator for the activities when the economic situation improves.

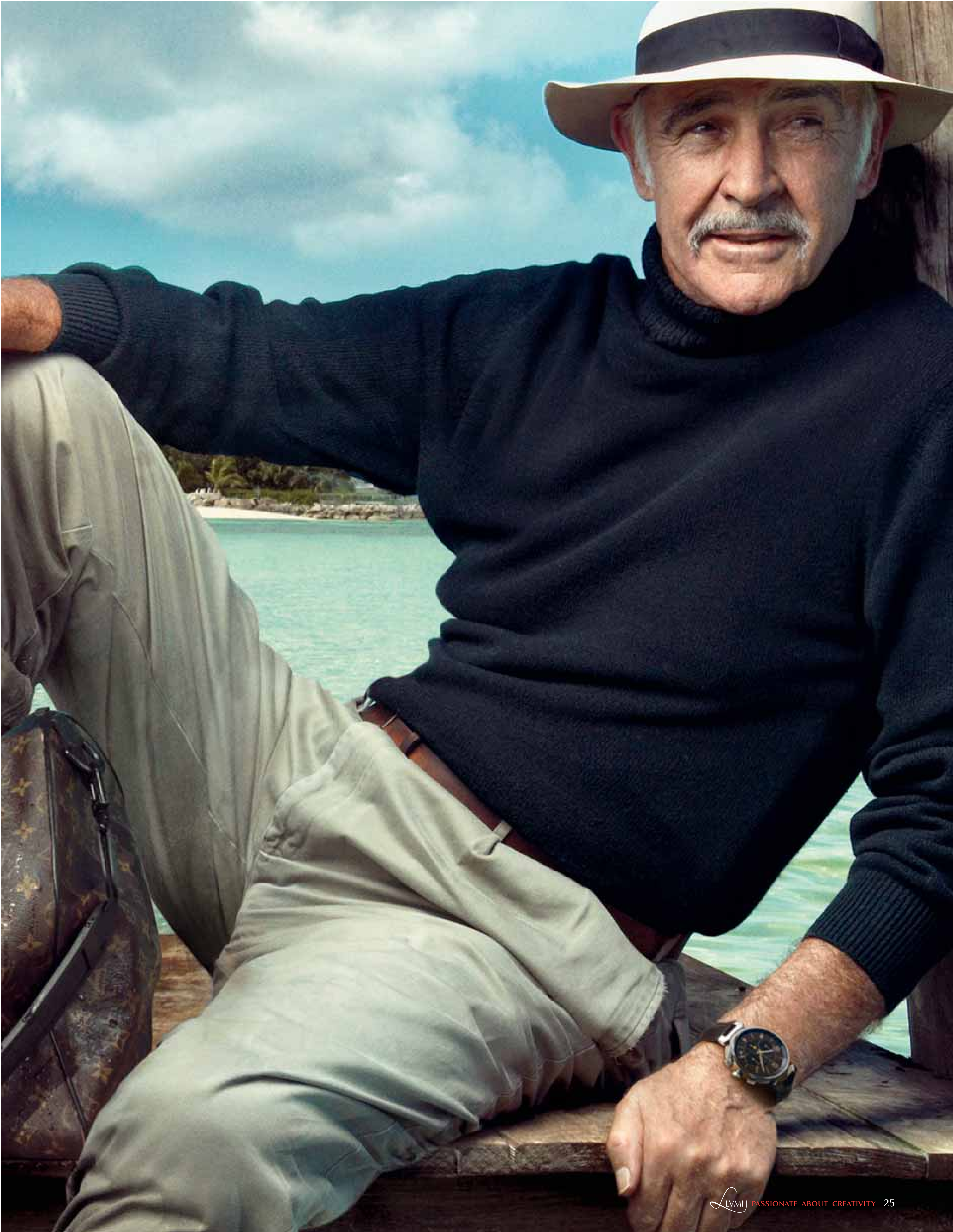

Hennessy
X.O
THE ORIGINAL X.O
X.O
COGNAC
Hennessy

A unique family of brands in the luxury market

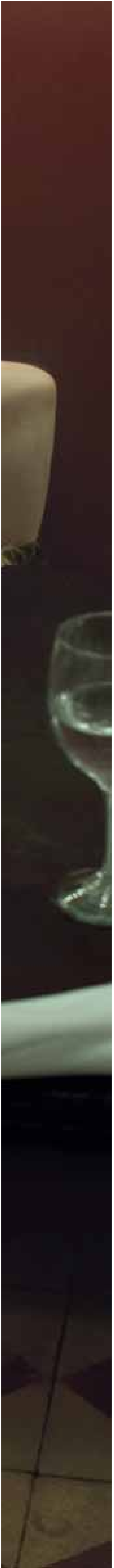
In the fashion and leather goods sector, LVMH holds a unique group of brands spearheaded by Louis Vuitton, the world's leading luxury brand.

Highlights of 2008

- China became the second largest customer base in the world for Louis Vuitton.
- Louis Vuitton established its presence in four new countries: Finland, Romania, Qatar and Bahrain.
- In the first half of the year, Louis Vuitton launched two lines of leather goods created in collaboration with artists Richard Prince and Takashi Murakami. The major initiative of the second half was the introduction of the *Damier Graphite* line, which expands the brand's product offer in the men's segment.
- Fendi celebrated the 10th anniversary of its Baguette model and opened a flagship store on Avenue Montaigne in Paris.
- Two new designers joined the Group's Houses: Phoebe Philo at Celine and Peter Dundas at Pucci.
- Louis Vuitton earned ISO 14001 certification (the international standard for environmental management systems) for its Pont-Neuf headquarters in Paris. This was the third Louis Vuitton entity to earn this certification following the Barbera workshop in Spain in 2003 and the Cergy-Pontoise warehouse in 2007.



Louis Vuitton, Fendi, Donna Karan, Loewe, Marc Jacobs, Celine, Kenzo, Givenchy, Thomas Pink, Pucci, Berluti, Stefanobi, Rossimoda and eLuxury form the Fashion and Leather Goods business group. This exceptional set of brands born on both sides of the Atlantic has 1,090 stores worldwide. While respecting the identity and creative positioning of each of the brands, LVMH supports their development by providing shared resources.



Yves Carcelle
President
of the Fashion and Leather Goods
business group

"Legitimacy and major potential in the market for men"

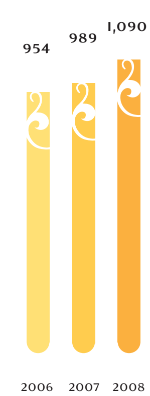
Revenue
EUR million

Profit from recurring operations
EUR million

Revenue by geographic region of delivery
in %

8% France
21% Rest of Europe
19% United Stated
20% Japan
25% Rest of Asia
7% Other markets

Number of stores

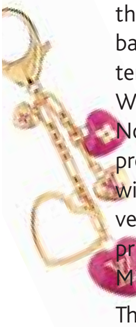


Investments
EUR million

The market for men is currently booming. In the emerging countries, for example, men are the leading customers for luxury goods. The men's segment is a market in which Louis Vuitton has historical legitimacy and major potential: legitimacy because far-off expeditions, travel in all forms, adventure, sailing races, cars, the passion for new technologies, all these values which men see reflected in themselves are part of our Company's DNA. Major potential, because we have built over time a complete product offering, from leather goods to footwear to clothing collections adapted to all the activities of the man of today. In 2008, several initiatives, such as the opening of a new store entirely dedicated to men in Japan, clearly illustrated our goals in this market. And we took a giant leap with the great success of the new Damier Graphite fabric, which is urban and cosmopolitan and is designed to appeal to a broad male public. This line, which is a new expression of our oldest historical canvas created in 1888, is a true signature line, adapted in all our businesses, including footwear and sun glasses. Unveiled at a Men's fashion show and greeted by rave reviews in the press, Damier Graphite led to a real first: all our windows around the world were devoted to men for two weeks. A tribute that we really owed to our male customer base which has grown significantly in numbers over the last two years!

Louis Vuitton amplifies its lead

In an unfavorable economic and monetary context, Louis Vuitton recorded a good year, marked by strong momentum in the Asian markets (China, Hong Kong, Macao, Korea and others), in the countries of Eastern Europe and in the Middle East. A phenomenon reflecting the enthusiasm generated by the brand in the Chinese markets, China became the brand's second largest customer base in 2008. The year was also characterized by an excellent performance in Western Europe and steady growth in North America. Louis Vuitton based its progress both on the growth achieved with its local customers and on the development of new tourist customers, primarily from China, Russia and the Middle East.



The brand actively continued to expand its retail network, which totaled 425 stores as of December 31, 2008. New stores were opened in all regions of the world, and at a very steady rate in China and Korea based on the brand's rapid success in those countries. Louis Vuitton established a presence in Finland, Qatar, Romania and Bahrain. As it does every year, the company also completed several exceptional renovations, particularly at its Hong Kong *Maison* at 5 Canton Road.

Strong dynamic design and communication

2008 was a year with a wealth of new designs, including the launch of the *Mahina* and *Tahitienne* leather goods lines and the creation of *Damier Graphite*, a new emblematic color dedicated to men, which was an immediate success. In addition, several new high-performing models were added to the permanent lines, including *Galliera*, *Tivoli* and *Palermo*. Other initiatives highlighted Louis Vuitton's longstanding ties to the art world: the leather goods collection designed in collaboration with Richard Prince, the launch of *Monogramouflage*, a new design from Takashi Murakami for the *Monogram* line, a new boutique at Brooklyn Museum, and the video work produced by Italy's Fabrizio Plessi for the Hong Kong *Maison*.

Louis Vuitton expanded its media communications and presence with a number of major initiatives: the release of an emblematic film on the travel theme; new iconic faces added to its institutional campaign (Keith Richards, Sofia and Francis Ford Coppola, Sean Connery); the exhibits organized in the Cultural Space at the Champs-Élysées *Maison*; the continuation of major architectural programs for its stores and store façades which give Louis Vuitton extraordinary visibility while highlighting the cities and streets in which they are located.

Fendi

In 2008, Fendi continued to record strong and profitable organic revenue growth. The excitement generated by the memorable fashion show on the Great Wall of China in October 2007 continued in 2008, helping to strengthen the image of the Italian brand. Targeted events such as the participation of a fashion house for the first time in the Miami Design trade show also continued throughout the year.

The brand emphasized its historic leather goods lines by celebrating the 10th anniversary of the mythic *Baguette* model and by putting the spotlight on its *Selleria* line. The introduction of the *Doctor B* line was another of the year's highlights. Furs had a record year, while the success of ready-to-wear and footwear continued apace.

Fendi continued to expand its retail network. The opening of a flagship store on Avenue Montaigne in Paris and sites in two new counties, Qatar and Mexico, were the principal highlights of this growth. As of December 31, 2008, the Fendi network had 180 stores around the world. The growth in business was particularly strong in Europe, China and the Middle East. Steady growth was also initiated in the countries of Eastern Europe via a network of independent customers.

Trends for the other brands in the business group

Demonstrating the effectiveness of the growth model defined by its new management team, **Donna Karan** achieved a record year despite a year-end impacted by the economic conditions. The brand clearly reaped the benefits of the in-depth work performed to focus its strategy and creative teams on the historical values that have made it a cult brand and to improve the coherence of its different collections. The luxury *Donna Karan Collection* line significantly boosted revenue and profitability between 2006 and 2008. The *DKNY* line also maintained regular growth in terms of revenue and profitability in all segments in which it is deployed: ready-to-wear, footwear and accessories. In August 2008, a new *DKNYC* line was launched and was well received by retailers. All these elements helped to increase the solid status of the brand as it faces a very uncertain environment in 2009, and promise the company good prospects for medium-term growth.

In line with its strategic plan, **Loewe** spent 2008 establishing solid bases for future years by conducting major work on its brand identity, renewing products and renovating its boutique concept. The boutique project was entrusted to architect Peter Marino. New Artistic Director Stuart Vevers introduced his first collection. While the emblematic leather goods lines *Amazona* and *Nappa Aire* continued to be successful, the designs of Stuart Vevers proved to be highly promising. Loewe's new communications campaign highlights the modernity and desirability of the brand while at the same time strengthening the reference to its Spanish roots and its unique expertise in leatherworking. The Loewe retail network consisted of 133 stores as of December 31, 2008. The first store designed with the new concept will open in Valencia, Spain in March 2009. (

Marc Jacobs continued to record solid revenue growth. The improvement of its profitability confirmed the remarkable vitality of the brand. The success of the *Marc by Marc Jacobs* line in both ready-to-wear and leather goods was one of the main factors driving this growth. A line of *Marc by Marc Jacobs* fantasy jewelry was launched in 2008. In this rapidly expanding segment, the brand is already taking excellent competitive positions. The new leather products in the *Collection* line were well received by both customers and the press. Watches and eyewear also posted strong


Marc Jacobs

Givenchy

Kenzo

growth, while the children's line *Little Marc* entered the market. The perfume *Daisy* introduced in 2007 continued to be a success worldwide. Marc Jacobs continued its expansion, bringing its global network to 187 stores, including franchises.

For **Celine**, 2008 was a year of transition, marked by the arrival at year-end of a new management team and the appointment as Artistic Director of Phoebe Philo, one of the most talented stylists in the fashion world.

Kenzo continued the improvement in its profitability. The company steadily continued the global deployment of its new store concept. The opening of a flagship store on Avenue George V in Paris, very close to the Champs-Élysées, was one of the high points of the year, as was the extension of the responsibilities of Antonio Marras who is now Artistic Director for the entire Kenzo universe. Antonio Marras will present his first collection of ready-to-wear men's wear in January 2009. Kenzo also developed partnerships in order to expand its universe, particularly in the world of home furnishings.

Givenchy confirmed the pertinence of its repositioning and its commercial success. Women's ready-to-wear recorded strong growth in Europe and the United States. The success of the *Nightingale* line launched in 2006 continued to fuel the growth in accessories. After being named artistic director for men's ready-to-wear, Riccardo Tisci now supervises all Givenchy's creative activities. His first men's collection was enormously successful, both in the press and with customers. In February, Givenchy opened a flagship store on Rue du Faubourg Saint-Honoré in Paris with a new concept that is being progressively rolled out in France and abroad. The brand also expanded its presence in the Chinese market.

Thomas Pink continued to expand its retail network in all the regions in which the brand is present and entered Mexico. At the same time, revenue from its online boutique grew substantially. The brand benefited from excellent growth in its *Informal* shirt line and from the success of the *White Shirt Bar* launched at its Jermyn Street store in London and the Madison Avenue store in New York.

Pucci continued to generate a solid performance driven by ready-to-wear revenue, growth in accessories, and the major success of the new line of eyewear designed in partnership. In 2008, Peter Dundas, one of the most promising designers of his generation, was appointed Artistic Director. The brand continued to expand its retail network selectively and launched an online sales boutique.

Berluti continued to expand, opening five stores, owned and franchise, which raised its points of sale worldwide to 34 at year end 2008. The creations by Olga Berluti, a new footwear collection, *L'empreinte du Loup*, and the *Cervo* leather goods line, were launched during 2008.

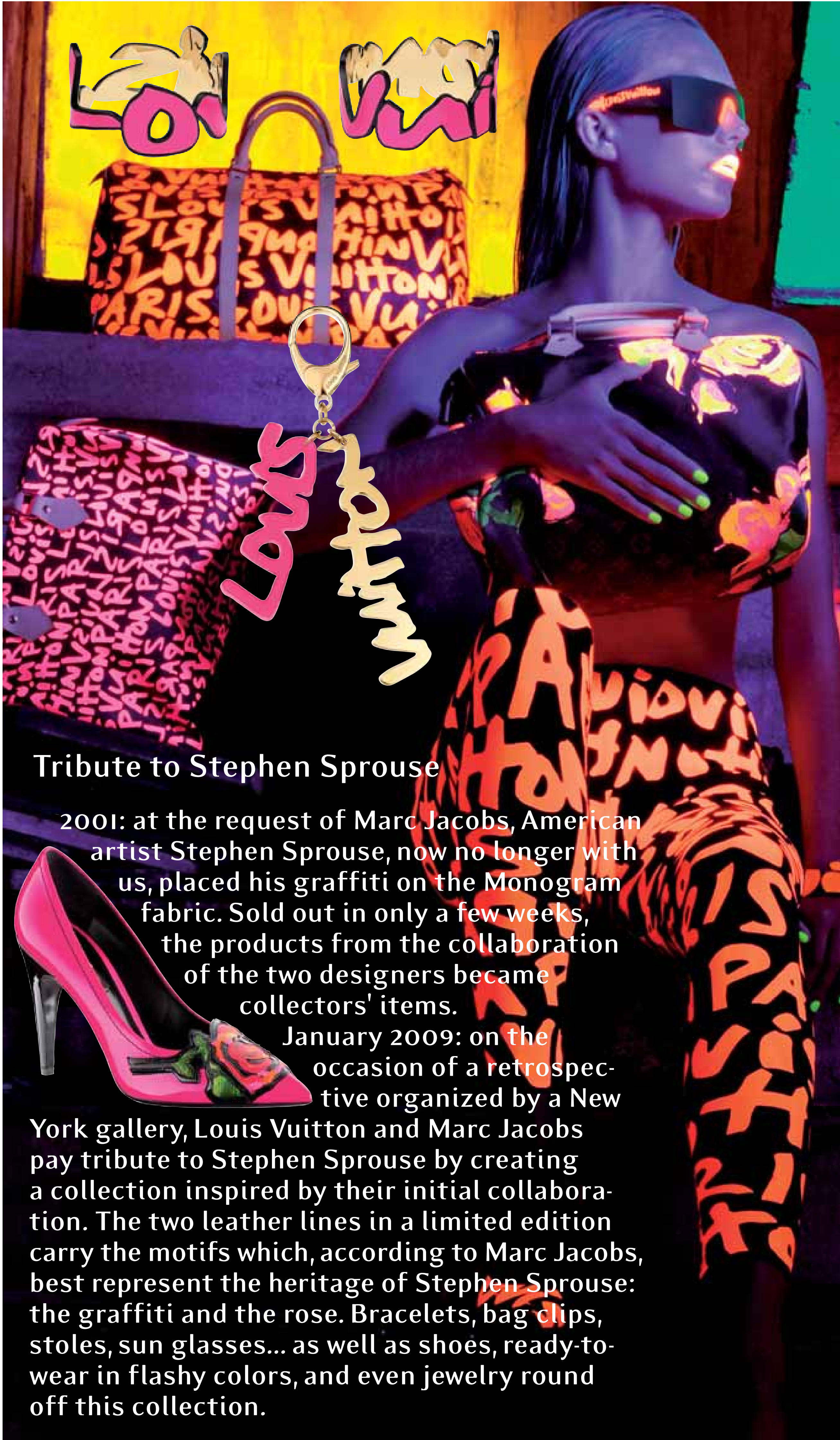
Outlook In 2009, **Louis Vuitton** will implement a dynamic program to develop and introduce new products. In January, a collection in tribute to Stephen Sprouse, the first artist to collaborate with Marc Jacobs, appeared in stores. This collection, which should be a landmark, is expressed in leather goods with the *Monogram Graffiti* and *Monogram Roses* lines for several of the brand's iconic models. As a cross-product collection, it is reflected in footwear, ready-to-wear and various accessories.

The many creative developments will be supported by an ambitious communications policy. Madonna will be the face of the fashion campaign early in the year. The institutional campaign using iconic celebrities will continue, and a number of events to highlight Louis Vuitton's ties to the art world will be organized. The brand will continue to expand its retail network to strengthen its presence in the most promising markets. A number of new stores are planned in all regions, with particular emphasis on China and Korea. A high-potential store will open in Dubai.

Fendi will continue to capitalize on its heritage in leather goods by launching a new line that should be extremely successful. The brand will enhance its offer in accessories and continue to expand its store network selectively to meet its profit objectives.

Capitalizing on **Donna Karan's** genuine talent for understanding the aspirations and lifestyle of the woman of today and translating them into her fashion, the brand will focus in its collections on its iconic models and best-sellers.

All the fashion brands, based on the objectives and various stages in their individual strategic plans, will continue more than ever to focus on improving fundamentals. **Pucci** and **Celine** will introduce the first collections from their new designers.



Tribute to Stephen Sprouse

2001: at the request of Marc Jacobs, American artist Stephen Sprouse, now no longer with us, placed his graffiti on the Monogram fabric. Sold out in only a few weeks, the products from the collaboration of the two designers became collectors' items.

January 2009: on the occasion of a retrospective organized by a New York gallery, Louis Vuitton and Marc Jacobs pay tribute to Stephen Sprouse by creating a collection inspired by their initial collaboration. The two leather lines in a limited edition carry the motifs which, according to Marc Jacobs, best represent the heritage of Stephen Sprouse: the graffiti and the rose. Bracelets, bag clips, stoles, sun glasses... as well as shoes, ready-to-wear in flashy colors, and even jewelry round off this collection.


HYPNOTIC
POISON
Dior

Perfumes & Cosmetics

Sure values and innovations with strong potential

The exceptional image of Parfums Christian Dior, the star brand of the business group, the dynamic performance of all the perfume and cosmetic companies within the division, the vitality of their iconic product lines, and the deployment of exceptional creativity ensure growth in the LVMH market share year after year.

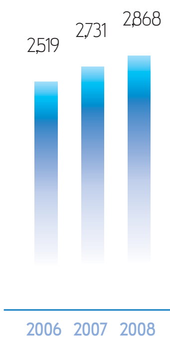
Highlights of 2008

Parfums Christian Dior demonstrated its creativity in all product categories. The main successes for the year were *Dior Homme Sport*, *Escale à Portofino*, *J'adore L'absolu*, the mascara *Diorshow Iconic*, the lipstick *Dior Addict High Shine*, and the skincare *Capture Totale Haute Nutrition*. Guerlain celebrated 180 years with the launch of the new men's fragrance *Guerlain Homme*, and the *Le 2* mascara. A new icon, Natalia Vodianova, now personifies *Shalimar* for her first collaboration with the brand. Parfums Givenchy launched the perfume *Play*, represented by Justin Timberlake, and the mascara *Phenomen'Eye* and *Soin Noir*. Parfums Kenzo rolled out the *Kenzo-Power* perfume and *Belle de Jour* in its KenzoKi skincare line. Parfums Christian Dior set up a Department of Quality and Sustainable Development. Under the leadership of Parfums Christian Dior, Guerlain, Parfums Kenzo and Parfums Givenchy are working together to develop a tool to assess environmental performance in packaging.

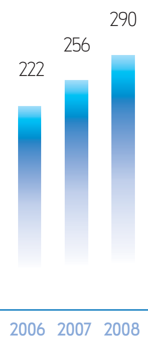
LVMH is a major global player in the select perfumes and cosmetics sector with the leading French houses of **Christian Dior**, **Guerlain**, **Givenchy** and **Kenzo**. Completing this group of internationally established brands are **Benefit Cosmetics** and **Fresh**, two young, highly innovative and high-growth American companies, the prestigious Italian brand **Acqua di Parma**, Parfums **Loewe** and **Make Up For Ever**, a French brand specializing in professional makeup products that has successfully begun to expand its customer base to consumers. Since 2007, the business group has also included **Fendi** and **Pucci** perfumes.

Offering customers a pledge of excellence

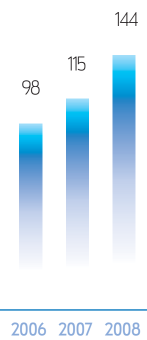
In 2008, by cultivating their specific assets and the values that differentiate them in the market, the LVMH brands again recorded notable growth in a fiercely competitive market. In order to continue to enhance their positions in 2009, they will pay unprecedented attention to each market and will more than ever adhere to the goal that drives them – offering a pledge of excellence and a promise of exceptional quality to consumers looking for benchmarks and sure values as well as a sense of dream. They will rely on their best sellers which extend their success over time and illustrate their formidable capacity for renewal with each new product variation, as well as on innovations that have the potential to become classics in the future.



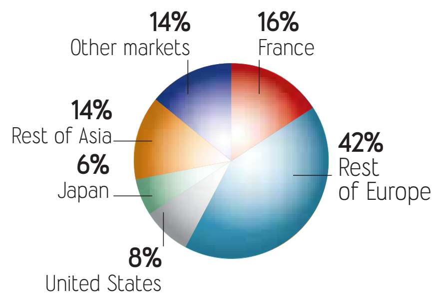
Revenue
EUR million



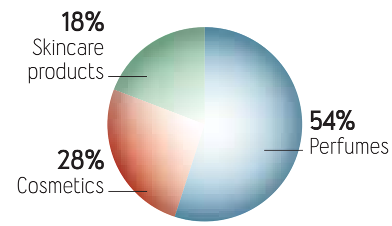
Profit from recurring operations
EUR million



Investments
EUR million



Revenue by geographic region of delivery
in %



Breakdown of revenue by product category
in %

Parfums Christian Dior: exceptional image and high-quality growth

With significant revenue growth and new improvement in its profitability in 2008 for the fifth consecutive year, Parfums Christian Dior again illustrated its exceptional image, the soundness of its strategy, and the quality of the resulting growth. The brand's growth, again greater than the market average, was well distributed among its different geographic regions. The leader in Europe, its first market, Parfums Christian Dior expanded its position there with advances into Russia. The brand also achieved solid growth in Asia and recorded the best growth among its competitors in the United States. China and the Middle East also confirmed their potential.

Dior's growth, another balancing factor, is driven by all product categories and, within each category, by the brand pillars, the strategic lines developed over time and supported by a large number of initiatives. The dynamic performance of the perfume segment was driven by the exceptional vitality of the great classic *J'adore*, and by new variations of *Miss Dior* and the success of two new products launched during the year, *Dior Homme Sport* and *Escale à Portofino*, which inaugurated a new fragrance collection. The

Invitation to travel

Escale à Portofino: its name evokes a mythical location adored by Christian Dior. The cane motif so dear to the fashion house decorates the bottle. The perfume is a fresh, modern cologne, for which François Demachy, the House perfumer-designer, has combined special natural materials like Italian citron, Calabrian bergamot and Sicilian Petigrain.

make-up segment, up sharply, was primarily carried by the *Dior Addict*, *Rouge Dior*, and *Diorshow* product lines. This line of mascara inspired by the techniques used during haute couture fashion shows was boosted in 2008 by the extraordinary success of the new *Diorshow Iconic*, the sixth mascara in the line. The *Capture* product line and the more recent *L'Or de Vie* premium skin care products recorded excellent performances.

Through all its creations and with the contribution of the famous celebrities who personify those products, Dior continues to affirm its aura as a star brand anchored in the world of high fashion as well as its expertise as a designer perfumer. The opening, within the prestigious Hôtel Plaza Athénée in Paris, of an Institute whose ultra-refined universe is designed to be the natural extension of the fashion House is part of the same philosophy. Thanks to the beauty care offered there, Dior Institute is also a privileged showcase for the brand's high level of expertise in beauty and skin care.

Guerlain confirms its profitable growth trend

180 years of creating products dedicated to beauty. This was the theme of Guerlain's anniversary celebrated in 2008. As another illustration of its vitality, the company born in 1828 recorded double-digit organic revenue growth for the third consecutive year, along with a new and solid improvement in its profitability.

The brand confirmed its momentum in all geographic zones, particularly in its priority markets – France, Russia, Japan and China. Relying on a strategy that has been implemented for several years and is founded on high-end innovation, it generated revenue growth in all product categories. The new men's fragrance *Guerlain Homme* was favorably received, while the House's great classic *Shalimar*, supported by a new promotional campaign with Natalia Vodianova, achieved excellent performance. The make-up segment carried by the flagship brands *Terracotta* and *Parure* and by the success of the new *Le 2* mascara, confirmed the trend. And its premium skin care line *Orchidée Impériale* continued to win market share.

Continuing the tradition of a perfume house, the House hired the extremely talented designer Thierry Wasser to work with Jean-Paul Guerlain. Guerlain equally continued its commitment to luxury perfumes with new editions of mythic fragrances and exclusive creations, which marked the 180th anniversary year and once again demonstrated its unique expertise.

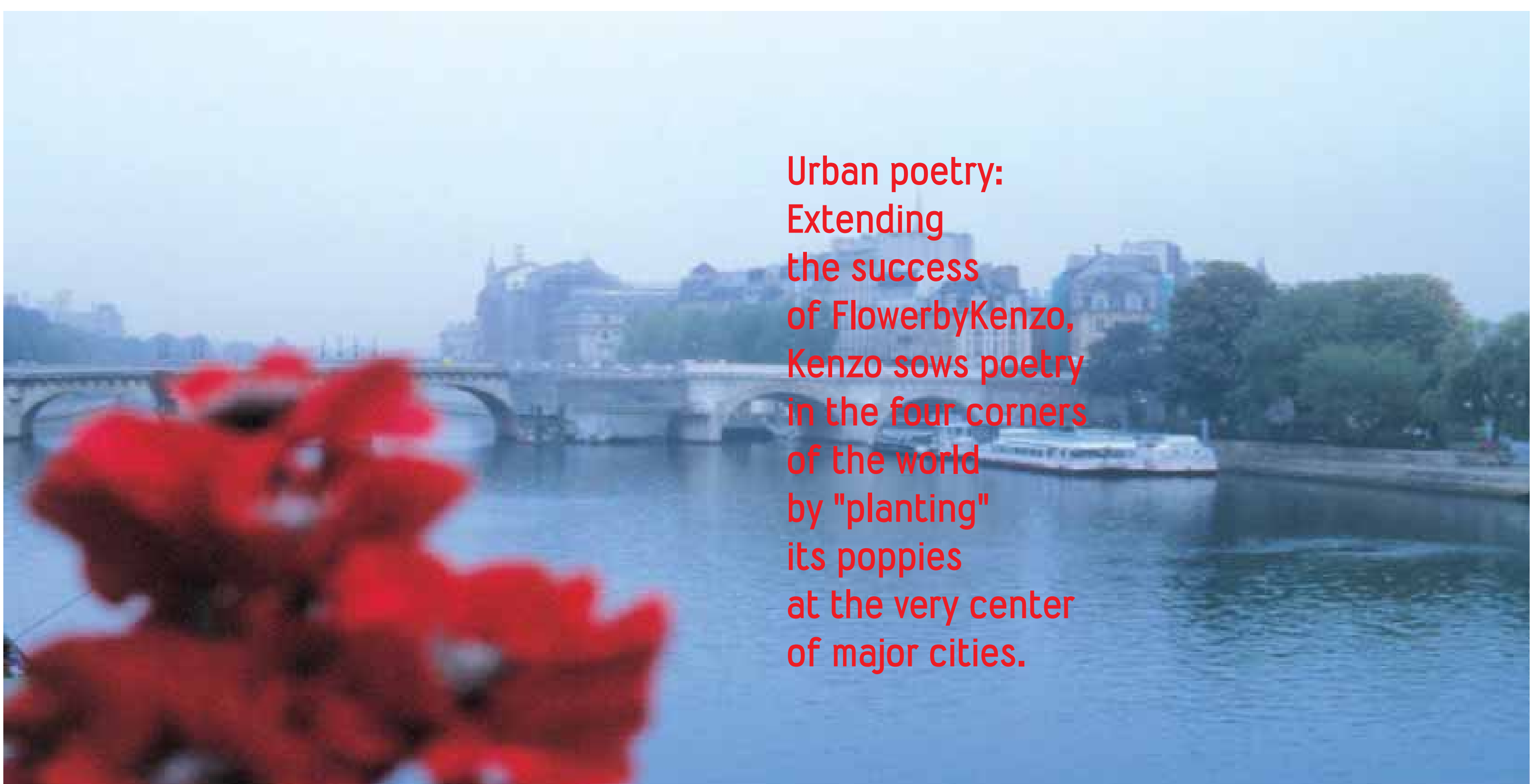
After the remarkable renovation of 68 Champs-Élysées and the opening of a boutique in the prestigious Tsum store in Moscow, Guerlain continued to strengthen its luxury selective retail network by remodeling its Paris boutique on rue Tronchet and opening a boutique in Las Vegas.

Trends for the business group's other brands

Parfums Givenchy recorded a substantial revenue growth and a sharp increase in its profit from recurring operations. These very positive results were driven by brand growth in almost all regions of the world, with particularly satisfactory performances in France, the Middle East, and China.

All product lines grew significantly. The women's perfumes making the strongest contributions were Very *Irresistible Givenchy*, thanks to the successful introduction of the variant *Absolutely Irresistible*, and *Ange ou Démon*. The men's portfolio recorded exceptional growth in the second half thanks to the very strong startup of the new *Play* line represented by Justin Timberlake, which was launched in only ten countries, and the variant *π Neo* launched in the rest of the world. For the cosmetics segment, Parfums Givenchy benefited from the very solid success of the new mascara *Phenomen'Eye* and the launch of the surprising *Soin Noir*.

In 2008, **Parfums Kenzo** celebrated its 20th anniversary, marked by the creation of limited editions in its iconic lines. The brand continued in its communications to focus on the poetic and emotional world that distinguishes it in the perfume universe. Its iconic perfume *FlowerbyKenzo*, launched in 2000, continued its strong performance and is now established as a great perfume classic. The introduction of the promising new fragrance for men *KenzoPower* was a solid new offering in the men's fragrance segment. The *KenzoKi* skincare line continued to grow with the introduction of *Belle de Jour*, a total care produce for the face that was launched successfully in France and Russia.



By combining a sophisticated technology with precious ingredients, the new Diorskin Nude foundation line reproduces the illusion of naturally perfect, luminous bare skin. Monica Belluci is the perfect incarnation of this new product.

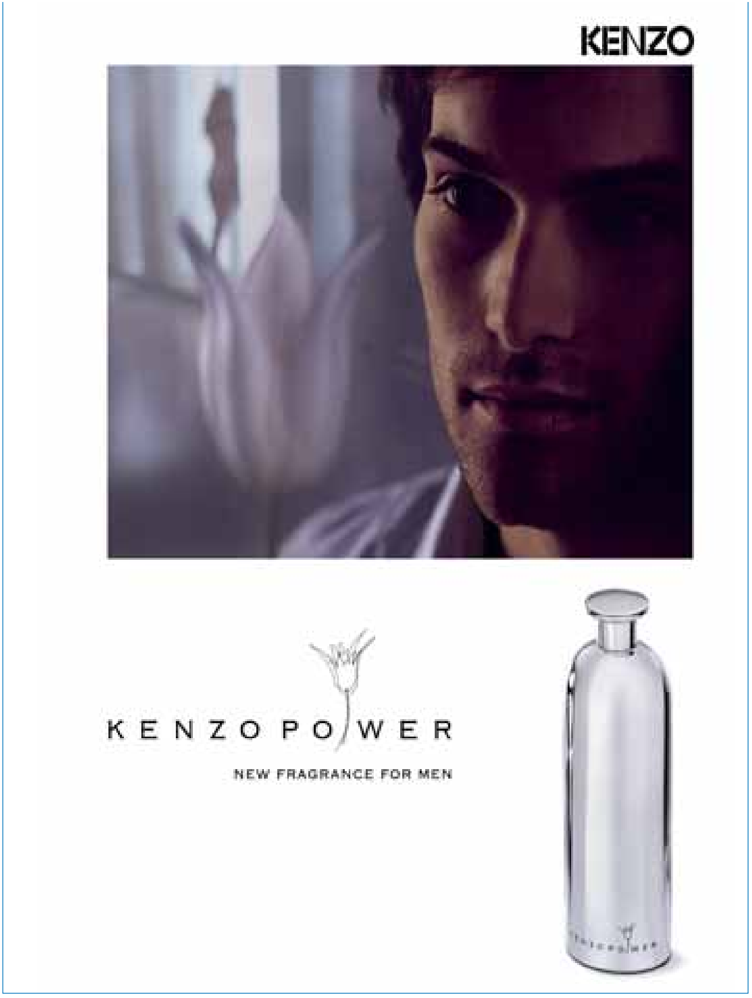
Benefit continued its rapid development in all its markets, maintaining high profitability. Its original positioning, which highlights a playful style, gives the brand a strong personality and makes it extremely attractive. One of the make-up leaders in the United States and the United Kingdom, it confirmed its success in the countries it has entered more recently, with considerable success in China for its first full year of operations in the market. *Erase Paste*, a complexion brightener appreciated for its innovative shades, and *Posie Tint*, a product for cheeks and lips, which is taking its place alongside best-seller *Rosie Tint*, were two of the most promising new products last year. The international line of its "Brow Bars", a concept born in the United States, is another major asset for Benefit.

Make Up For Ever capitalized on its brand identity as a company originally specializing in professional make-up which is now offering its unique expertise to the public. In 2008, the brand generated exceptional performance, with very strong organic revenue growth in all its territories, particularly in France and the United States, two markets developed in partnership with Sephora. The revenue growth went along with a new improvement in profit from recurring operations. Launched on the Russian market in mid-2008, Make Up For Ever recorded initial encouraging results. The foundation line *HD Complexion* (high definition), specially designed to meet the perfect image requirements of movie and television digital film was introduced in 2008 and was extremely well received by both the professionals and the public. *HD* foundation and powder received two prestigious "Allure Beauty Awards" in the United States.

Acqua di Parma Parma recorded a solid year marked by the success of its newest products *Colonia Intensa* and *Mirto di Panarea* in the *Blu Mediterraneo* collection. The opening of a very upscale spa in Porto Cervo, Sardinia, enhanced the image and recognition of the brand that is a symbol of Italian elegance. In a difficult market environment in Spain, its original territory, **Parfums Loewe** benefited from the international success of its *Solo* and *Quizas Quizas Quizas* fragrances.

After the launch at year-end 2007 of **Fendi's**, *Palazzo* perfume, the line was expanded in the second half of 2008 with an eau de toilette, an initiative enhanced by a new promotional campaign. *Vivara*, which signaled **Pucci's** return to the perfume world in 2007, expanded its international presence in 2008. Development will continue in 2009.

Inspired by the artistic environment, Smoky Lash, the new Make Up For Ever mascara, is designed to offer a deep black shade, with exceptional intensity and holding power.



Outlook Throughout 2009, the brands of the Perfumes and Cosmetics business group will give priority to the development of the flagship lines that make a major contribution to their results and will focus on their most profitable markets. In order to prepare for future successes, the business group will continue to roll out high potential products with memorable initiatives throughout the coming months.

Parfums Christian Dior will strengthen the pillars of its perfume segment *J'adore*, *Poison*, *Miss Dior*, *Eau Sauvage*, will deploy a number of creative innovations in make-up, particularly with the introduction of a new foundation *Diorskin Nude*, and will continue to enhance its *Capture* skincare line.

Guerlain will reinforce its strategic *Shalimar*, *Guerlain Homme*, *Terracotta* and *Orchidée Impériale* lines, coupled with two major new product launches in make-up and perfume.

Parfums Givenchy will benefit from the launch of *Play* throughout its international distribution network and from a new major initiative in the women's perfume segment, which will be backed by a promotional campaign highlighting a world famous star.

New products will be launched by **Parfums Kenzo** to enhance its major *FlowerbyKenzo*, *KenzoAmour* and *Les Eaux par Kenzo* lines.

Make Up For Ever will base its growth particularly on its two star products lines, *HD Complexion* and *Aqua Eyes*. **Benefit** will enter Russia.

Watches & Jewelry

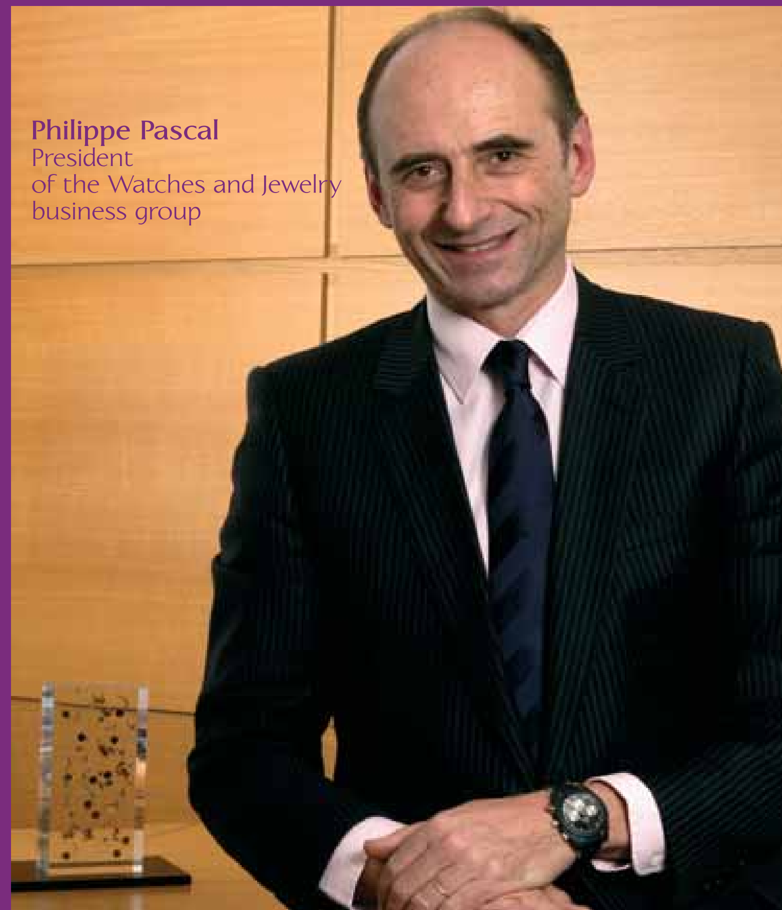
nsolidated positions— trategic acquisition

The year 2008 was marked by the acquisition of Hublot whose upscale positioning was an ideal addition to the portfolio of LVMH watch and jewelry brands. The business group relies on the iconic lines and the original designs deployed in each of its companies to stimulate demand for its brands. In a market sometimes saturated with slow-turnover competing products, this strategy consolidated the positions achieved and the spectacular turnaround made in the last four years, which have made LVMH a dynamic and high-performance player in the watch and jewelry sectors.

Highlights of 2008

● LVMH acquired Hublot Genève, a young high-end watchmaker with steady and profitable growth. ● TAG Heuer received two highly-prized awards and joined the very selective circle of "la Fondation de la Haute Horlogerie". ● TAG Heuer launched its first line of Meridiist cell phones in collaboration with Modelabs. ● Zenith sold the first models of Tourbillon Zero G designed by the Manufacture. ● Sophie Marceau became the face of Chaumet, symbolizing the brand in its new advertising campaign. ● Montres Dior became a joint-venture between LVMH and Dior Couture. ● Fred successfully relaunched its mythical Force 10 line and renovated its flagship store on the Place Vendôme in Paris. ● LVMH Watches and Jewelry strengthened its control over its distribution in China and India. ● LVMH Watches and Jewelry endorsed the actions led by the CRPJ, "Council for Responsible Jewelry Practices", throughout its gold and diamond channels and initiated SA8000 social audits on suppliers.

The newest of the LVMH business groups, joined by **Hublot** in 2008, holds a portfolio of leading brands with very complementary positioning. **TAG Heuer**, the star brand within LVMH and Swiss watchmaking, strengthens its position as the world leader in prestigious watches and sports chronographs. **Zenith** firmly establishes its identity in the restricted circle of true Swiss watchmakers. **Christian Dior** confirms the success of its *Christal* watch collection. **Chaumet**, the prestige jeweler on Place Vendôme in Paris, continues its targeted global expansion. **Fred** enhances its identity as a contemporary jewelry designer and **De Beers** affirms its positioning as a diamond jeweler.

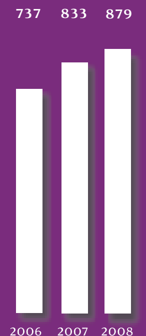


Philippe Pascal
President
of the Watches and Jewelry
business group

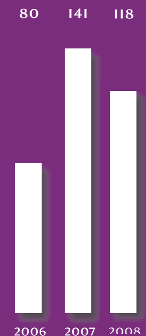
Our momentum is driven by the strong commitment of our executive teams in the companies and in the markets. It continues to be based on the global performance of TAG Heuer and the progress made by the other brands in a difficult economic environment. The acquisition of the very innovative Hublot brand, which carries a powerful concept in its Big Bang icon and whose very experienced teams share our values, is in keeping with a true logic of complementarity. The deterioration in the economy in the second half of 2008, for which we were prepared, meant that we were careful to target our investments even more and cut operating expenses. Despite the consequences of the economic slowdown, we were able to protect our operating profitability and prepare for the challenges to come.

A strong commitment from our teams

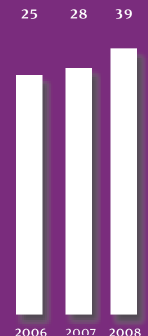
Revenue
EUR million



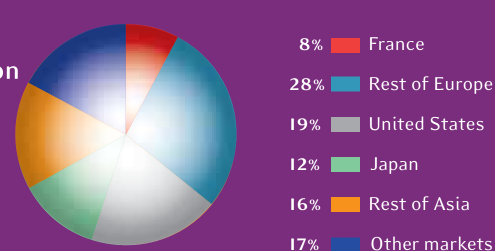
Profit from recurring operations
EUR million



Investments
EUR million



Revenue by geographic region of delivery
in %



Two new awards for TAG Heuer

**After winning four prestigious Geneva Watchmaking Grands Prix (in 2002, 2004, 2005 and 2006), TAG Heuer added a fifth honor to its list of awards on November 13, 2008: the Grand Carrera Calibre 36 RS Caliper chronograph won the Jury Prize in the Sports category.
TAG Heuer also won a Silmo Golden Award in Paris, the most coveted prize in the optical industry for its C-Flex collection of avant-garde eyewear.**

In 2008, after four years of strong growth and a remarkable turnaround in its profitability, the Watches and Jewelry business group consolidated the positions it had achieved. The year was characterized by a sluggish American market and by a decline in demand in Japan. All the brands increased their revenue in Europe and Asia and recorded significant growth in the Middle East and Russia, despite a clear slowdown in the last quarter. The business group maintained its overall market share. By taking appropriate measures in the second half of the year, it has made effective preparations for 2009, which will be marked by difficult economic conditions and retail overstocking by a number of competing brands.

TAG Heuer: recognized watchmaker and diversification

After the highly targeted 2007 launch, 2008 was for TAG Heuer the year when the *Grand Carrera* collections were rolled out worldwide. Affected by the US economy, the brand continued to grow in many markets. By strengthening its offer of watches and automatic chronographs, and by maintaining an extremely high-quality entry-level to its offer, represented particularly by the *F1* line, TAG Heuer again increased its global market share in the retail price segment of 400 to 4,000 euros.

2008 was also the year of the highly reported launch of *Meridiist*, the first line of cell phones directly inspired by the leading-edge materials and technologies controlled by TAG Heuer and designed in collaboration with Modelabs. This diversification, positioned at the high-end of a high-growth market, was sold very selectively in the network of TAG Heuer boutiques and only a few points of sale within watch stores and department stores.

In 2008, TAG Heuer won its fifth Geneva Watchmaking Grand Prix. This high honor was awarded to the *Grand Carrera Calibre 36 RS Caliper* chronograph, the flagship model of the *Grand Carrera* line, the crowning point of its design and concept. This model, with a 43 mm case, is covered with black titanium carbide and offers an unprecedented direct reading accurate to a tenth of a second. It is equipped with an El Primero movement designed by Manufacture Zenith.

TAG Heuer also earned the Silmo d'Or in Paris for its collection of C-Flex eyewear developed in partnership with Logo. This diversification into eyewear and sun glasses has expanded strongly in the last three years.

In October 2008, TAG Heuer joined the very selective circle of "la Fondation de la Haute Horlogerie", an association that works to promote the culture and skills of watchmaking, transmit its values of authenticity and promulgate its ethics.

Hublot, the rising star of Swiss watchmaking

The acquisition of the watchmaker Hublot, announced in April 2008, gives LVMH a new high-end brand with strong growth potential. Founded in 1980, Hublot was innovative right from the start by creating the first watch in watchmaking history with a band made of natural rubber. Hublot Genève has a management team with acknowledged expertise and exceptional watchmaking skills. The brand is known for its concept of combining precious and high-tech materials and for its iconic *Big Bang* model. It has achieved steady growth and benefits from a highly selective distribution network.

Since its acquisition by LVMH, Hublot has maintained strong momentum and continued its industrial integration plan with the construction of its manufacturing plant in Nyon. The brand opened its first boutiques as part of a highly selective strategy in Geneva, Shanghai and Kuala Lumpur and successfully relaunched its classic line along with several limited series of *Big Bang* chronographs, which rapidly sold out, as well as a *Baby Bang* collection of women's watches. Its revenue and profitability have increased in line with projections, despite the deterioration in economic conditions.

The Hublot operations were consolidated in LVMH's results as of May 1, 2008.

Manufacture Zenith continues to move its positioning upscale

Founded on the classic models in the *Chronomaster* and *Class* collections, Zenith's revenue growth in 2008 was also driven by amazing complexities in the watch movement such as the Minute Repetition and the Zero G Tourbillon, which illustrate the extraordinary expertise of the watchmaker. It works equally on developing the specific needs of other Group brands.

Its El Primero movement continues to be an icon of Swiss watchmaking and allows Zenith to regularly offer for retail safe value and reliable innovations desired by those who love fine watches.

Chaumet: targeted growth

In 2008, Chaumet expanded its presence in several of its key markets – Hong Kong, China and the Middle East – and streamlined its operations in Korea. The brand recorded steady growth in France and gained market share in Japan.

Its jewelry collection *Attrape-Moi si tu m'aimes*, to which new designs were added, contributed to further sales for high-end jewelry. The emblematic *Liens* jewelry line from Chaumet was expanded with the addition of the *Premiers Liens* ring, and generated substantial growth. A new jewelry collection, *Le Grand Frisson*, was introduced in 2008.

International star Sophie Marceau became the embodiment of the brand in a new advertising campaign with six visuals titled "L'Empire des Sentiments".

Sophie Marceau interprets « L'Empire des Sentiments »

Sophie Marceau, the face of Chaumet, is the heroine of its new ad campaign "L'Empire des Sentiments", the story of a lovers' meeting. The campaign unfolds like a story board, with movie staging and continuity of place. Six scenes express six states of love portrayed by Sophie Marceau who wears different jewelry collections from Chaumet. Seduction, head over heels, addiction… the story orchestrated by photographers Jannis Tsipoulanis and René Habermacher reminds the viewer that jewelry for lovers – the Emperor Napoleon gave jewelry to the women in his life – made Chaumet famous ever since it was founded in 1780.

De Beers affirms its diamond positioning

De Beers continued to expand its international presence in the United States, Asia and the Middle East. The company opened a flagship store in Tokyo in the Ginza district and a boutique in Galeries Lafayette in Paris.

Throughout the year, De Beers focused strongly on its positioning: the classic diamond collections and engagement rings were expanded steadily in a highly competitive environment as customers looked for safe values and high quality diamonds.

Montres Dior: expansion of the Christal line

Montres Dior continued to move more high-end and to streamline their global retail business. The *Christal* collection, the brand icon, benefited in 2008 from the launch of its first automatic models and a Tourbillon.

In order to promote synergies with Dior Couture and Joaillerie, the activity of Montres Dior is now managed in the form of a joint-venture between the Watches and Jewelry business group and the Dior Couture company.

Fred relaunches Force 10

Fred recorded steady growth in France with its *Force 10* jewelry collection, which was successfully relaunched at the end of 2007. This legendary line inspired by the world of sailing brings together steel cable and precious metals. A symbol of the latest in jewelry, it appeals to both men and women. Fred also renewed its watch line and offered fine sets of jewelry to meet demand from a very exclusive customer base.

The flagship store on Place Vendôme was renovated and generated steady growth. A new advertising campaign embodied by Kate Moss was launched in December.

Outlook In a watch and jewelry market that will be difficult in 2009 because of the economic environment, the objective of the Watches and Jewelry business group is to continue to gain market share while consolidating the profitability which has improved significantly in the last five years.

At the end of 2008, all the companies and sales subsidiaries committed to cost-cutting plans in order to improve the productivity of the entire business group.

Investments will be very focused on strategic developments, particularly the continued industrial integration of the TAG Heuer and Hublot brands. The marketing investments will be maintained to support market share gains in strategic markets.

The networks of boutiques will be expanded even more selectively to benefit the more profitable brands and markets, with improved productivity in the existing stores being the clear priority.

Selective Retailing

Present in the four corners of the world, the teams developing the LVMH Selective Retailing operations are working, each in their own area, to offer consumers a unique shopping experience in terms of product offer and service. Thanks to their talents and efforts, our concepts achieve increasingly solid leadership positions every year.

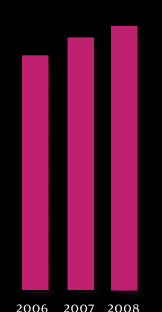
Highlights of 2008

DFS opened the Macao Galleria at the Four Seasons Shopping Mall and inaugurated its presence in the Middle East at the Abu Dhabi airport. Buoyed by the global success of its concept, Sephora expanded its network in all of its existing markets, entered four new countries (the Netherlands, Kuwait, Hong Kong and Singapore) and expanded its presence in Russia by purchasing a 45% stake in the country's second largest perfume chain in the third quarter. Le Bon Marché continued the work to redecorate its store and launched its new Internet site treeslbm.com. Sephora welcomed new exclusive brands and launched its bio-product line Sephora *Green Connection.* DFS launched a climate change campaign in its stores. Among other actions as part of a human resources development program, Sephora opened in Paris its University aimed at strengthening the expertise of its personnel.

GLOBAL GROWTH

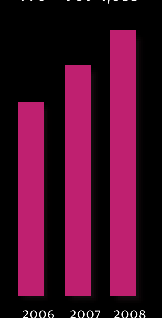
The Selective Retailing companies of LVMH operate in Europe, North America, Asia and the Middle East in two segments: retailing designed for international travelers ("travel retail"), the business of DFS and Miami Cruiseline, the leaders in their market segments; and the selective retailing concepts represented by Sephora, the most innovative company in the beauty market, and Le Bon Marché, the only department store on the Paris Left Bank.

Revenue
EUR million



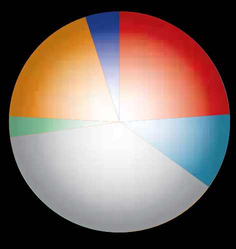
Profit from recurring operations
EUR million

Number of stores



Investments
EUR million

Revenue by geographic region of delivery
in %



24% France
11% Rest of Europe
38% United States
3% Japan
19% Rest of Asia
5% Other markets

Invest in the best growth opportunities

The companies of the Selective Retailing business group continued to affirm their difference and strengthen the added value offered to their customers. Their ability to offer a unique experience is the key to their success. DFS established a strong position in Macao by creating an unequaled environment combined with an exceptional quality of service. Sephora, the only global player in the distribution of perfumes and cosmetics, has become the undeniable beauty expert brand worldwide. Le Bon Marché is enhancing all the elements that give it additional soul and make it unique in the Paris commercial landscape. In 2009, in a difficult environment, our companies will keep on their strategic course. As they intensify rigorous management measures and adopt a very selective approach in their short-term investment policy, our teams will work even harder to attract, surprise and retain their customers. Focusing our resources on the best opportunities for growth will strengthen our positions around the world and build the foundation for tomorrow's successes.

DFS :
strategic developments

Despite the impact of the economic difficulties in the second half of 2008, DFS recorded solid revenue performance. The slowdown in the markets related to Japanese tourism was offset by the dynamic trends in destinations visited by other Asian customers, particularly from China. Because it anticipated early the rapid growth in these new customers and designed a very attractive offer, DFS is now in a strong position to benefit from their development, even if the investments weigh on the profitability.

The year 2008 was marked by the opening of the Macao *Galleria*. Within this high-potential business and resort destination, this *Galleria* has an exceptional location on the site of the Four Seasons Shopping Mall. Today it is the DFS flagship store, offering a unique range of luxury brands and paying close attention to the excellence of the service rendered to a demanding customer base. During the year, DFS also began operating in the Middle East at the Abu Dhabi international airport. This location is the first step in the expansion planned by DFS in this region of the world.

The opening of a new concession in Terminal 3 of the Singapore airport, as well as the start of operations at the Mumbai (Bombay) airport in India were other highlights of the year.

Miami Cruiseline

The business of Miami Cruiseline, with a customer base that is primarily American, was impacted by the slowdown in the cruise market and the softness in travellers spending. To meet this situation, the company took a number of cost-cutting measures. In order to stimulate sales in 2009 and to remain faithful to the strategy that has been implemented for the last several years, Miami Cruiseline has also continued to differentiate its product offer depending on the ship and the passenger profile, with particular emphasis on the sale of exclusive products offering excellent value.

Sephora:
still a leading-edge beauty

Following on from the strong performance achieved in the last four years, Sephora continued to grow at a steady pace in 2008; it achieved revenue growth and market share gains in all regions, and maintained its good level of profitability. Revenue growth was driven by growth on a same-store basis and by a number of new stores. In this context of steady investments in order to expand its network, Sephora's profit from recurring operations rose in line with revenue.

Development of the global network

More than 140 new stores were opened in 2008 in all regions where Sephora is present (Europe, North America, Asia and the Middle East). This number reflects the global success of its concept and its ability to finance its growth from its own resources. Sephora expanded within its key markets and entered four new countries: the Netherlands, Kuwait, Hong Kong and Singapore. In addition to new stores, the policy of renovating the network actively continued, particularly in France.

As of December 31, 2008, Sephora's global network represented 898 stores in 23 countries. Europe had 603 stores, North America 227 (including 215 in the United States and 12 in Canada), Asia had 52 stores, and the Middle East, entered for the first time in 2007, 16 stores. In October 2008, in order to expand its presence in the high-potential Russian market, Sephora acquired an interest in the second largest local operation in perfume and cosmetics retail, which holds nearly 100 stores under the Ile de Beauté brand name. This stake is consolidated using the equity method.

Revenue from the shopping websites sephora.com (United States and Canada), sephora.fr (France) and sephora.cn (China) continued to grow significantly. These sites are among the leaders in their reference market.

Ongoing innovation

By focusing on its policy of differentiation, Sephora continued to develop its image as the most dynamic name in beauty. Ongoing innovations in its product offer and merchandising, the quality of the events organized at its stores, and the services offered to customers are the key components of this policy.

In 2008, Sephora resolutely continued to carry innovative skincare and make-up brands offered exclusively to its customers, such as *Tri-Aktiline*, *Rexaline*, *OPI for Sephora*, *L'Herboriste*... After discovering in the United States a number of these brands and promoting their development, Sephora also turned to other countries in the world and is now offering exclusive products from India and Korea, for example.

The Sephora brand products recorded very steady growth on all continents. Sales of these products, which offer excellent quality at an attractive price, were driven by the ongoing renewal of product lines and the conquest of new market segments like bio products (Sephora Green Connection).

The range of innovative services and skincare products offered in the stores (express make-up, flash skin care, make-up lessons, Beauty Bars etc.) was enhanced with hair care services related to the launch of "trendy" new hair care brands.

The other priority performance drivers, the increasingly sophisticated loyalty programs implemented by Sephora in Europe and the United States in order to promote direct contacts with customers, continued to grow.

Sephora in Hong Kong

Le Bon Marché enhances its unique character

2008 was a transition year for Le Bon Marché, characterized by the continued renovation work that is preparing for future trends and will open new growth possibilities. This work is intended to highlight the architecture of the department store and its interior decor. Year after year, this work enhances the unique atmosphere of Le Bon Marché and its unique character among the great Paris department stores. In 2008, the work focused on the home and living sector.

In a difficult commercial context at year-end, the store recorded slightly slower activity and maintained solid profitability. The second-half launch of the new website treeslbm.com was well received. The public's interest in the site was confirmed by the number of visitors and pages viewed and, since December 2008, by revenue generated via this new channel.

La Grande Epicerie de Paris expanded its "deli" activity and obtained a new catering concession on site.

Outlook In the very uncertain environment of 2009, the Abu Dhabi business over a full year and the opening of a new site in Macao will be positive elements for the activity of DFS. In the short term, the "travel retail" leader should also benefit from a series of adjustments made to its organization in the fourth quarter of 2008 in order to simplify it, boost its efficiency and improve the productivity of its stores. In the medium and long term, DFS will remain focused on the growth opportunities related to high-potential Asian customers and the expansion of its presence in the Middle East.

Sephora will continue to gain market share by maintaining the major vectors of its strategy. In particular, the brand will rely on the introduction of a new wave of exclusive products, on the innovations in its own brand products, and on growth in its loyalty programs. Particular attention will be paid to the efficiency of its organization in order to continue the trend of profitable growth. New stores will be concentrated in markets offering the greatest profitability in order to ensure a rapid return on investment and in new high-potential territories like China.

Le Bon Marché has initiated very rigorous management measures, while maintaining its investments in sales productivity. The architectural focus of the store will strengthen its identity and unique positioning and allow it to take full advantage of the return to a better buying trend when the time comes.

Authenticity, creativity, excellence, craftsmanship… Luxury is born from invention and the hand of man. It works to exalt nature in its purest and most beautiful form. Sustainable development is inseparable from LVMH's strategy. It is therefore presented in the annual report.

Social Policy

To encourage all our employees to reach their full career potential and achieve their aspirations, develop the diversity and the wealth of human resources in our companies in all the countries where we operate, and encourage initiatives in these areas. Outside our own company, to contribute to the knowledge and preservation of our businesses and our know-how as artisans and designers.

A Commitment to Citizenship

To implement a patronage program for the benefit of the largest number, the components of which reflect and transmit our fundamental values. To provide active support for major causes, fund humanitarian projects and public health challenges, and develop initiatives for young people.

Sustainable Development

Environment

To work together to preserve the resources of the planet, to design and develop products that respect the environment, to report on our policies and projects and the progress achieved in meeting our objectives.
To contribute to environmental protection above and beyond the factors directly related to our operations, by entering into active partnerships with cooperating business groups, local authorities and associations.

Economic Performance

To combine economic growth and respect for sustainability criteria, which are represented for our luxury businesses by the values of creativity and excellence. To apply our creative passion to a genuine art de vivre to which our customers aspire. To strengthen our position as a global leader, and to be the benchmark in the management and development of luxury brands.

Human resources

The values of LVMH

Innovation and creativity

Because our future success will come from the renewal of our product offering while respecting the roots of our Houses.

Excellence

Because we embody what is most noble and accomplished in the artisan world.

Brand image enhancement

Because they represent an extraordinary asset, a source of dreams and ambitions.

Entrepreneurship

Because this guarantees our ability to react and our motivation to create and seize opportunities.

Leadership – Be the best

because it is through continually excelling that we accomplish the best and achieve the best results.

A professional adventure unique in the creative world

They come from around the world. They use their exceptional talents and are backed by a wealth of experiences and expertise. The women and men who join the LVMH group or who are developing it on a daily basis share this ambition to experience a unique professional adventure with passion.

LVMH's Human Resources policy is meant to attract and retain the best in design, management and expertise within the Group. It is also intended to allow LVMH employees to develop professionally in order to meet the new challenges facing the Houses, which continue to strengthen the demands of their creative ambition. Finally, the duty of this policy is to meet the expectations for values and responsibility which form the basis for employee motivation and pride in belonging to the Group.

Recruiting the best candidates at all levels, ensuring career development that meets employee expectations and benefits the Group's companies, and giving meaning to their action are the three primary components of the Human Resources policy, by promoting a culture of performance, creativity and entrepreneurial spirit, as well as the pooling of expertise.

Investing one's talent with passion

Recruitment is an encounter. The attraction of an international, ambitious group rich in expertise calls for professionalism and personal investment. From this encounter come the talents who will contribute to the Group's future success.

Experience a professional career within a variety of businesses and activities

LVMH is an unrivaled group of prestigious companies which guarantee the identity and development of a heritage of brands that are unique in the world. The Group offers not only a wide variety through the six LVMH business groups (Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, Selective Retailing and Media), which are well-established on all continents, but also an incredible mosaic of businesses in which each and every talent can flourish.

Working with the design, production design and distribution-sales teams, the management of the Houses' direct teams is composed of specialists from all areas, from the supply chain to communications, financial teams and lawyers... all talented men and women who give the Group its power and modernity. The sales and distribution teams, who are the Houses' ambassadors to their customers, ensure that attention is paid at all times to customer expectations and desires. The designers and artisans, wine-makers, cellar masters, leather workers, watchmakers, and jewelry setters are the soul of the LVMH companies and magnify their creativity and their historic expertise.

Participating in the success of a Group motivated by its values

The success of the Group, combined with this diversity of products, attracts a large number of talented men and women. The success of the "LVMH recruits" page on the Group's institutional site is proof of this: over 12 months, more than 140,000 applications were submitted for more than 2,800 jobs.

In addition to the richness of the professional environment, the five values of LVMH give each person, whatever his or her job or level of responsibility, the opportunity of living in an environment in which passion co-exists with rigor, and where high standards go hand in hand with commitment. Creativity and innovation, the systematic search for excellence in products, dynamic work to enhance our brands, an entrepreneurial culture, and a continual desire to be the best form the foundation for personal and collective development that ensures professional growth every day and in the medium term.

The size of the Group, the scope of its businesses and its career opportunities are well known. The UNIVERSUM survey conducted in 2008 with 13,600 students from 105 major French schools and universities attests to that fact. For the third consecutive year, it ranked LVMH first among the companies preferred by young graduates of business schools.

This desire to reaffirm its position as the employer of choice in its sector is reflected in a number of programs to position and create value for the "LVMH employer brand name". For instance, the Human Resources teams have been looking at a new communications framework in order to strengthen the Group's appeal in employment markets that are becoming ever tighter, particularly outside the historical areas. This means international expansion of the name and the desire to join the LVMH group, where the professional environment as an exceptional living space (both multi-faceted and unique at the same time) embodies a certain "Art of living together".

Ensuring the rich diversity of our teams

LVMH implements a large number of initiatives to make direct contact with men and women from a variety of locations with a variety of qualifications. As a player grounded in the world of design, LVMH set up the LVMH Prize for Young Designers and provides active support to the International Festival of the Arts and Fashion and the Hyères Photography Festival. Group managers also maintain close ties with the French Institute of Fashion in Paris and the Central Saint Martins College of Art & Design in London, participating in educational and recruitment programs, and offering periodic assignments.

In order to present the opportunities offered by the Group, the LVMH teams participated in about a hundred events, particularly on the campuses of major prestigious schools and universities in France and abroad.

Particular attention was paid to programs offering internationally recognized MBA degrees, in Europe (IMD, London Business School, INSEAD, HEC etc.), in the United States (Harvard, Columbia, Wharton, Stanford and others) and increasingly in Asia (Tsinghua, Fudan, NUS, Hong Kong University, Waseda, Keiko, Tokyo University etc.). In addition to these encounters, the solid commitment of the LVMH group is embodied in the ESSEC Chair luxury brand partnership and the LVMH scholarships for Asia.

To support its steady growth for the past several years, LVMH has developed targeted programs to identify and accelerate the development of its future executives. The "FuturA" initiative, for instance, is designed to recruit and develop employees who, after initial solid, successful experience, succeed in expressing their entrepreneurial spirit within the LVMH group. In 2008, LVMH attracted and selected more than 80 people for this "FuturA" initiative from among thousands of very good candidates. These men and women join the group of high-potential in-house staff who are carefully monitored with a expanded effort to ensure professional exposure (rapid career progression, a wide variety of the challenges to be met, international prospects etc.) and personal development (individual development plans regularly reviewed at Group level, meeting with executives, training and more).

Becoming immersed in a unique culture

The steps taken to attract and select new talent are monitored with particular attention paid to the integration of new employees. In addition to handling the position, which is assisted by the direct managers, discovery and awareness actions are implemented.

The importance and specific nature of the culture and the unique skills of each of the Houses are elements that are crucial to the success of LVMH. Knowledge and assimilation of these differentiating factors are therefore key in the integration process. As a result, the career of each new employee begins with orientation seminars within the hiring entity. These sessions may take very different forms depending on the business of the House in question, and generally last several days (from traditional training to field sales experience). After 6 to 12 months in the House, the integration of managers continues with 2 days at the level of the LVMH group. At that time, participants are given an overview of the Group's businesses, its values, exercises to improve understanding of the concept of "luxury", sharing of best practices, the management policy of the HR departments, corporate responsibility programs and more. These days also provide an opportunity to meet and share with managers from the other Houses in the Group. Thousands of new employees from around the world benefited from these seminars in 2008.

"Recruitment Days": greater requirement for professionalism

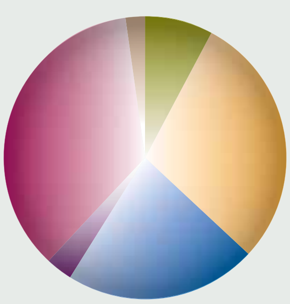
Special full-day recruitment sessions were developed in 2008 as part of the "FuturA" initiative. They are based on higher requirements for professionalism in the evaluation and selection methods, while offering candidates a unique experience that gives them useful feedback for their professional development. Not only are technical skills assessed, but also the ability to produce and communicate results, the ability to work in a group, the ability to have a strategic vision while knowing how to make a daily commitment and, finally, the potential to become an enterprising leader motivated by a desire for ongoing improvement. Assessment of these aspects is made by LVMH group managers through interviews as well as individual and group role plays. At the end of this intensive day, whatever the result, each candidate receives several in-depth analyses to assist him or her in understanding how he or she was perceived and the contents of the assessment.

A Job-Creating Group

Sustained development of all LVMH activities enabled multiple jobs to be created in 2008 across the Group's companies and brands: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, and Selective Retailing. LVMH has 77,087 employees worldwide, with the average number of employees over the fiscal year up 9.5% compared to the previous year.

Through its policy of selling products with the “made in France” label, LVMH ensures that industrial jobs are maintained in France. The breakdown of the Group's workforce by geographical region is stable and balanced. 74% of the workforce is employed abroad, essentially in the distribution networks of Europe, the Asia-Pacific region, and North and South America.

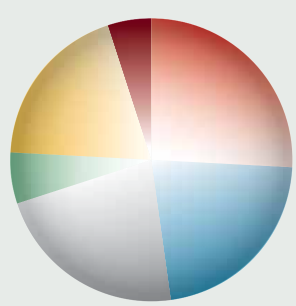
Workforce* by business group



8%	Wines & Spirits	6,438
29%	Fashion & Leather Goods	22,467
22%	Perfumes & Cosmetics	17,163
3%	Watches & Jewelry	2,261
36%	Selective Retailing	27,347
2%	Other activities	1,411
	Total	77,087

* *Total workforce (regular and temporary personnel) as at December 31, 2008*

Workforce* by geographic region



26%	France	19,737
22%	Rest of Europe	17,226
22%	United States	16,723
6%	Japan	4,929
19%	Rest of Asia	14,831
5%	Other markets	3,641
	Total	77,087

* *Total workforce (regular and temporary personnel) as at December 31, 2008*

Developing in a dynamic professional environment

The development of women and men in high-performance teams around the world is a key objective of the Human Resources policy. The interest of each employee exactly matches the interest of the Group when it comes to ensuring the development of individual talents, validating personal ambitions and preparing for the future.

Building career paths

The key mechanism of the Human Resources development policy is an annual review of the organizations and a systematic inventory of internal resources in order to identify future needs. The positions critical to the long-term future of the Group are therefore identified, succession plans are prepared, and individual development plans are established to form the road map for the Human Resources teams.

This approach, which involves all the entities of the Group around the world, allows LVMH to identify the critical skills and specific talents that will be vital for the strategic plans and, thanks to anticipating these needs, allows the Group to take any corrective measures that may be necessary.

This process also identifies the high-potential employees who could in time hold the top positions in the Group. As a result, true professional career paths are built for these employees, which are designed to add to their knowledge, skills and managerial abilities.

Internal mobility is, naturally, the priority career-building tool. The Group encourages and organizes this in an effort to offer a very broad variety of paths among its different companies, their subsidiaries, the holding structures, or even between business segments.

Frequent periodic career committees, at different levels, are intended to consider vacant positions and the employees who could occupy them. Today, about 40% out of the managerial positions are filled through internal transfers, including 30% to other Group companies and 28% to other countries.

The other highlight of career development in the Group is an annual performance interview organized for each employee with his direct supervisor. During this interview, the achievements of the past year are reviewed, the objectives for the coming year are defined and future prospects are discussed. The vectors for individual development are considered: personal goals, training needs, participation in group-wide projects or inter-House networks.

Sharing knowledge

The objective is to make LVMH a "learning organization" in which each employee can give and receive the capital of experience and knowledge constituted by the individual and collective expertise that exists in the Group. This exchange is perceived as a competitive advantage that should be used in the interest of all.

The Group companies offer a wide range of training courses designed to develop the professional skills of their employees, perpetuate the "business" expertise of their artisans and designers, and share their common cultural heritage. In accordance with the Group's organizational philosophy, the companies take all the specific initiatives in this area which are more particularly adapted to their businesses.

In addition to orientation seminars, the Group also offers an extended range of training sessions in management, sales or negotiating techniques, marketing, project management, foreign languages, etc. These training courses are organized in-house or outside the company with training professionals, including well-known professors and Group managers considered to be experts in their field of expertise.

An international conference on Human Resources

In October 2008, an international conference was held in Paris for about one hundred Human Resources Directors from the Group's principal entities. The purpose of this initiative — which had a very specific dimension to it this year — was to discuss current projects, analyze the summary of our annual review of talent, and align the entire organization with clear, shared objectives.
It was also a demonstration of the eminently international nature of the network formed by the LVMH Human Resources Directors working around the world.



Finally, LVMH House, created in London in 1999 and dedicated to the development of senior executives, benefited from new momentum in 2008 with record participation of 360 people in 16 Forums. The mission of this center, an opportunity for sharing and discussion, is to bring together managers from around the world and offer them forums focusing on strategic issues such as leadership, building luxury brands, knowledge of luxury customers, innovation and creativity.

Involving employees in success

In addition to the special appeal of LVMH and the prospects for open careers, the policy of the Group's companies is to offer compensation that compares favorably with the market. In order to maintain this positioning, salary surveys are conducted every year with specific analyses, as needed, on the situation of certain businesses or sectors in local or regional markets.

Most of the Group Houses in France pay all their personnel substantial profit-sharing and incentives that are significantly higher than the market average.

Variable compensation portions are established for managers, which tie a portion of their compensation to their performance and the performance of the Group.

In 2008, in order to retain its highest-performing contributors, LVMH continued a program of Stock Options and bonus share allotments.

Prestigious forums

Several new initiatives took place in 2008, evidence of the desire to form a true "learning organization."
LVMH House launched two new Forums on strategic questions at the very center of the challenges facing the Group: first, Luxury Consumers, or how to get to know the customer better in order to serve him or her better? Second, Leadership, or what human and managerial qualities are required to lead?
A conference was organized in October 2008, the first of a cycle titled "LVMH eyes on the world", during which Professor Stéphane Garelli, the former executive director of the Davos World Economic Forum, professor at the University of Lausanne HEC Business School and the Lausanne IMD Business School, spoke to Group managers on the theme: "Competitiveness in the World Today and Tomorrow".

Personal development within a professional, responsible team

Identifying with the values of a company is a major element in attracting and motivating the men and women who join LVMH and invest themselves in the Group.
The Group presents its corporate responsibility policy during the initial contact with candidates, for example during recruitment forums. The explanation of this policy is part of the integration process. A number of the Group Houses have incorporated the principles of non-discrimination and the prevention of psycho-social risks in their orientation manuals or employee manuals, like DFS Group, Fendi or Glenmorangie. Through regular satisfaction surveys, Donna Karan, Bodegas Chandon in Argentina or Louis Vuitton collect and take into consideration the expectations and motivation of the teams.

The wealth of diversity

LVMH is a signatory of the International Global Pact, the French Diversity Charter, and the French Charter of Corporate Commitment for equal opportunity in Education.

These commitments have been implemented with concrete measures by the Human Resources Departments of the Houses through a systematic review of recruitment practices in order to make the process more objective. In order to complete the measures taken by the Human Resources teams, training sessions have been organized to increase executive awareness of these aspects when they are formalizing their recruitment needs and job descriptions.

In 2008, the Group initiated a self-evaluation operation ("testing") of its recruiting efforts for all the Houses in France and Switzerland. Two independent firms were charged with testing the responses of the recruiters to applications that expressed individual characteristics that could potentially generate discrimination, particularly related to origin. This operation, conducted in accordance with the ethics rules in force, was also monitored by an internal committee responsible for ensuring the confidentiality of the processing and compliance with ethics rules.

Through a partnership with Our Neighborhoods Have Talent (Nos Quartiers ont des Talents), the leading business network promoting equal opportunity, the Houses of the Group increased their sponsorship of young graduates from poor neighborhoods. As a signatory of the Apprenticeship Charter, LVMH has significantly expanded apprenticeships, which gives young people greater access to a degree, by working with 514 apprentices in France in 2008.

July 8, 2008: Chantal Gaemperle and Yves Carcelle signed the LVMH group and Louis Vuitton AGEFIPH agreements. Through these agreements the Houses of the Group make concrete commitments to encourage the recruitment, training and professional development of disabled workers.

Access and continued employment for older employees is also a constant concern, consistent both with the Group's policy on diversity and with its search for continuity in terms of expertise and skills. For example, Parfums Givenchy has just signed an enterprise agreement with the unions which organizes and develops the career prospects for seniors.

The LVMH Handicap Mission, involving 24 Group Houses, has become a powerful lever in the policy to support disabled workers.

The Human Resources teams have been trained to recruit and manage disabled workers. Training sessions are organized on a regular basis to facilitate the hiring of disabled workers in all business areas. For example, Hennessy has trained its managers in the integration of disabled employees and DFS Group has developed a program to guarantee equal treatment. All the staff at the Spa Guerlain on the Champs-Élysées has been trained in serving disabled customers.

In recruitment, 15 Houses participated last year in specific promotional operations for disabled candidates: Speed-recruitment, “Salon de l'Adapt”, “HandiChat”, the use of the Video CVs etc. Several partnerships with specialized establishments have been developed to give disabled candidates more access to the businesses of our Houses: TAG Heuer (Switzerland) with centers for professional reclassification in watchmaking, Louis Vuitton and Parfums Givenchy with the “Cap Emploi” centers, among others. A digital accessibility audit was conducted on the Group's Internet site in order to guarantee equal access to job offers, whatever navigation methods are used by the web user.

Prior to recruitment, LVMH has conducted several actions to increase the qualification of disabled workers: the development of two professionalization mechanisms for disabled job seekers in the sales and office automation businesses, and the creation of ARPEJEH (Assist the Study Projects of Young and Disabled Students), which LVMH helped to found and which is intended to direct and welcome disabled high school students.

LVMH is particularly attentive to retaining employees who have become disabled, as illustrated by the workshops set up at Moët & Chandon or Parfums Christian Dior, which allow employees with medical restrictions to keep their jobs under appropriate conditions.

In addition, the Houses of LVMH support a number of specialized institutions (for example, in France, subcontracting to the appropriate protected work sector amounted to 4.5 million euros, equivalent to the actual work of more than 100 employees). Through the Delta Insertion project, the Group also helps disabled individuals to join these establishments if they want to.

LVMH also participates in communications programs designed to increase public awareness of the problem of disabilities, for example by sending a journalist to the Beijing Paralympics.

A human enterprise

Working groups composed of the Human Resources Directors from the Houses have defined and implemented training modules intended to prevent stress in the workplace. These working groups have been enhanced by presentations from psychologists, victimologists and specialized physicians. In particular, modules to prevent harassment have been designed for the Human Resources teams and operational executives.

Working together with the unions in France, the Group has initiated a process to improve coverage terms for the risks of illness, disability and death. Standards that take into account the specific characteristics of the business sectors have been established and are deliberately intended to make the Group's companies some of the best in their market environment.

Corporate responsibility reporting, which is considered to be a true management tool, is performed annually. It covers 90% of the Group's employees in all the countries in which LVMH is present. Structured on the basis of the indicators of the Global Reporting Initiative (GRI), it measures on an ongoing basis the efforts of the companies in the areas of social relations, fundamental rights, health and safety, and the fight against discrimination.

Responsible collaboration

Applied by all the Houses of the Group, compliance with the supplier code of conduct is a requested condition for any collaboration. It sets specific ethical rules in the areas of corporate responsibility (freedom of work, discrimination, harassment, child labor, compensation, working hours, union freedom, health and safety, etc.), the environment (reduction of environmental impact, use of technologies that protect the environment, reduction of waste, compliance with regulations and standards), and the fight against corruption.
This code of conduct also stipulates the principle and procedures for the inspection and auditing of compliance with these rules.

An approach extended to our partners

In 2008, the Group implemented a code of conduct for its suppliers.

The Group's production activities are mainly located in France, Spain and Italy, and the majority of its subcontractors are in Europe.

However, it seemed crucial that in addition to the codes and charters developed by the companies of the Group for their suppliers, LVMH should guarantee a standard policy extending its values to all its suppliers and subcontractors.

Regular coordination of the Purchasing managers also ensures consistent practices for auditing suppliers in order to ensure the correct application of the ethical principles defined in the code of conduct.

Women in the Group

In 2008, LVMH wanted very specifically to mark its commitment to diversity, a source of wealth and a competitive factor, by making a particular commitment to placing women in key positions.
At the International Women's Day on March 8, two symbolic initiatives were organized:
— A lunch for the Presidents of the Group Houses based in France (Veuve Clicquot Ponsardin, Fred, Montres Dior, Parfums Kenzo), Delphine Arnault-Gancia, a member of the LVMH Board of Directors, and Chantal Gaemperle, Director of Human Resources and Synergies for the Group, each accompanied by a female employee from their entity. It was an opportunity in a social context to share good practices and the keys to success in career management for women.
— The completion of a photographic campaign highlighting the women employees in the Group, designed to pay tribute and show the richness and diversity of their businesses.
Known as "EllesVMH", this initiative was conducted in France and Switzerland to be the subject of an exhibit at the headquarters of LVMH on the avenue Montaigne in Paris.
These portraits are a nod in the direction of and pay homage to the talents of women in the Group's success: four out of five of our customers and two out of three employees are women.
For the first time in 2008, LVMH offered its support to the "HEC Women's Career Prize", which honors and rewards the exceptional success of female graduates of HEC.

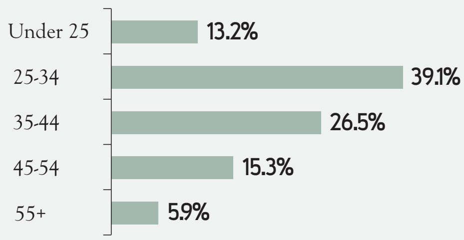
Employment Data

The data below includes all employment data, including LVMH's share of the joint-ventures.

77,087 employees

12,809 managers

Median age of **34**

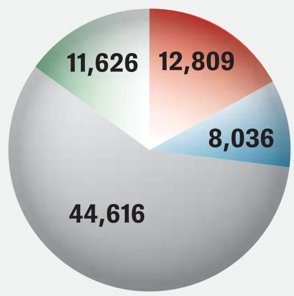


The total workforce under regular and temporary employment contracts at December 31, 2008 was 77,087 employees, including 12,161 part-time employees, i.e., 16% of the total. This represented an average headcount of 69,479 employees on a full-time equivalent basis.

The total workforce at December 31, 2008 included 69,957 regular employees and 7,130 temporary employees.

Workforce as at December 31 by Professional Category

(includes both regular and temporary personnel)



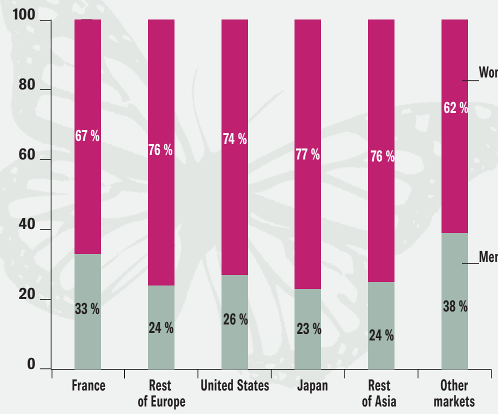
	2006	2007	2008	
Managers	10,335	11,233	12,809	17%
Technicians and supervisors	6,282	7,050	8,036	10%
Administrative and sales employees	39,106	43,667	44,616	58%
Production workers	8,530	9,935	11,626	15%
Total	64,253	71,885	77,087	100%

73% women

Managers	59%
Technicians and supervisors	69%
Administrative and sales employees	81%
Production workers	63%

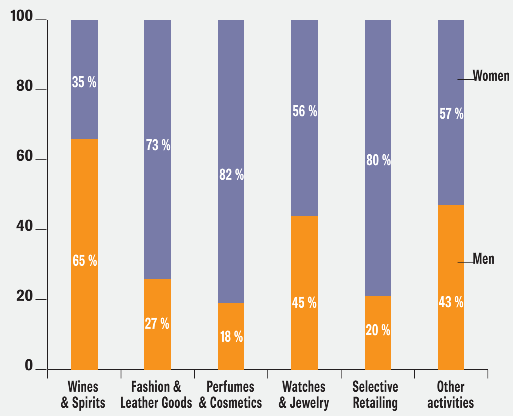
Breakdown of women/men by geographic region

(regular employees)



Breakdown of women/men by business group

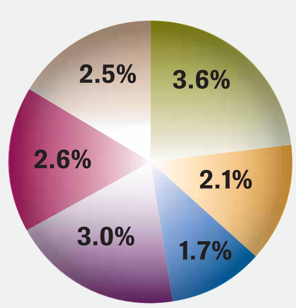
(regular employees)



€ 57,9 million
invested in training

2.6% of payroll costs

- Training investment totaled 57.9 million euros, representing an average of 751 euros per employee or 2.6% of payroll costs excluding incentives and profit-sharing worldwide.
- 63.5% of our employees (46,800) received at least a training session in 2008.
- Training per employee averaged 2.7 days.
- In 2008, LVMH offered a total of 210,400 days of training, the equivalent of 950 persons in full-time training over the year.



	Training investment (million euros)	% of payroll
France	26.3	3.6
Rest of Europe	9.8	2.1
United States	8.4	1.7
Japan	5.1	3.0
Rest of Asia	6.7	2.6
Other markets	1.5	2.5
Total	57.9	2.[illegible]

Corporate sponsorship to support culture, youth and humanitarian action

Implementing, for the benefit of the greatest number of people, a dynamic and innovative corporate sponsorship program whose various components express and transmit the values of all our Houses: this is the general thrust of the approach taken by LVMH for nearly two decades.

Since 1990, the success of LVMH has allowed it to develop a global institutional communications plan built on an innovative and original corporate sponsorship program. This is a legitimate approach because it expresses the values that bind LVMH Houses together and form the basis for their success, and at the same time respects their individual communications and sponsorship projects. It is also a useful approach, because LVMH intends to demonstrate its active commitment to protecting historical and artistic heritage, promoting contemporary design, assisting young people and supporting great humanitarian causes, through initiatives designed to help the greatest number of people.

Culture, heritage and contemporary design

The first component of the LVMH corporate sponsorship program is to preserve artistic heritage in France and throughout the world by supporting the restoration of historic monuments, expanding the collections of leading museums, contributing to major national exhibits and encouraging contemporary design. The support provided to 32 national exhibitions has given millions of French and international visitors the chance to discover major artists from the history of art, artists whose talent has built our vision and nourished our sensitivity. After the art work of Anselm Kiefer for Monumenta 2007 under the nave of the Grand Palais in Paris, LVMH supported the “Promenade” of artist Richard Serra for the 2008 edition.
In the fall of 2008, LVMH also supported the “Picasso and the Masters” exhibit at the Grand Palais. This new tribute paid by the Group to the major artist of the 20th century followed the “Picasso and the Portrait” exhibit in 1996 and “Matisse and Picasso” in 2002. An exceptional event which brought together for the first time the national museums, the National Picasso Museum, the Louvre and the Musée d'Orsay, the exhibition welcomed a record number of visitors and received unprecedented press coverage in France and around the world. The LVMH corporate giving program gave a broad audience the opportunity to discover, or rediscover, how Pablo Picasso took his inspiration from the great classical tradition to bring it to life again through a body of work that is extraordinarily modern.
Finally, in the spring of 2009, LVMH will support “The Great World of Andy Warhol” exhibit, to be held at the Grand Palais, which will offer a new look at the work of this mythic modern artist of the late 20th century.
Our support for contemporary design has been particularly illustrated in recent years through our order and exhibit of the works of internationally recognized artists (Richard Serra, Matthew Barney, Ange Leccia, Nan Goldin, Gary Hill, Michal Rovner, Takashi Murakami) in the LVMH corporate headquarters and by our continued support for the French Pavillon at the Venice Biennale.
Finally, 2009 will be the year in which construction begins on the magnificent building designed by Frank Gehry for the Louis Vuitton Foundation for Creation in the Jardin d'Acclimatation in Paris. The Louis Vuitton Foundation, the natural continuation of LVMH's commitment to art and culture, will give a new, permanent dimension to the group's commitment.

Initiatives to support youth

Various initiatives to assist young people represent the second component of the LVMH corporate sponsorship program. Children in elementary and high schools as well as art students benefit from educational programs designed and initiated by the Group to give them greater access to the best of culture, particularly in the areas of music and the plastic arts. LVMH’s “Discovery and Learning” classes organized during exhibits supported by the Group have reached over 20,000 children to date.
Another goal is to encourage the talent of the future, which led to the creation of the LVMH Prize for Young Designers, awarded every year during exhibits sponsored by the Group. This program has awarded nearly 120 scholarships to students in art schools in France and around the world to complete their training.
Finally, the Stradivarius instruments loaned from the LVMH collection every year have given young virtuosos (including Maxim Vengerov, Laurent Korcia, Kirill Troussov, Tatjana Vassilieva, Raphael Pidoux) the opportunity to display the full measure of their talents.

A commitment to community through medical research and social programs

Since 1990, LVMH has provided continuing support to humanitarian, and scientific and medical research projects in France and around the world.

Our Group supports a number of institutions that work for children, in particular the Foundation for Hospitals in Paris – Hospitals in France, the “Pont-Neuf” association, and the Save the Children Foundation in Japan. LVMH has also made a commitment to the Claude Pompidou Foundation which serves the elderly and disabled, the Universal Fraternity Foundation, the Robin Hood Foundation in New York, and others.

Finally, LVMH has chosen to support several foundations or scientific teams engaged in public health research, including the Pasteur Institute (LVMH contributed to the creation of the Pasteur Institute in Shanghai), the American Foundation for AIDS Research, cancer research at the Paul Brousse and Henri Mondor hospitals and the Curie Institute, and the Parkinson’s Disease Foundation in New York.

Protecting the environment

Protecting the environment is a long-standing goal for LVMH. It became strategic in 2001 when Bernard Arnault signed the Environmental Charter and it was renewed in 2003 with the signature of the Global Pact initiated by Kofi Annan. In 2008, the Companies launched concrete measures: the setting of environmental objectives, ISO 14001 certification, the construction of green buildings, completion of Carbon Footprints, and deployment of eco-design.

Motivated employees

Since 1992, the date the environmental department and the first LVMH environmental committee were created, the Group has worked to promote a group-wide approach. The Environmental Charter is intended to be adopted by the various Group companies, which are to make it specific within each company based on their own operations. Not only have the companies all made a commitment to an environmental management system, but many have formed their own environmental committee in order to deploy the approach internally. This was the case in 2008 at Domaine Chandon California, which formed its "Green Team" in January to relay the Group's measures to all its employees and combine information on the company's efforts in this area. Celine also created its own environmental committee, known as "CIEL", which promotes and reports on the progress of the action plan that it is applying at its two corporate offices and at its production center in Florence. In June, Le Bon Marché launched an environmental committee, which includes no fewer than fourteen representatives from the various store sectors. Known as Cosmos, this committee developed an action plan for 2009. The House had already conducted an energy audit, and used the results to set a target to reduce energy consumption by 20%. Guerlain is also working under its new sustainable development committee, focusing on four priorities: eco-design, relations with suppliers, eco-citizenship and transport. Objectives and tools to track measures have been established for each of these priorities.

Increased awareness also included conferences, training and the creation of specific tools. For example, Parfums Kenzo has organized theme lunches or discussed the issue during breakfast orientation sessions for new employees. The company has also placed on its Intranet site its sustainable development charter or the results of the Carbon Footprint, and a questionnaire encouraging employees to make a personal commitment to an improvement or to express their opinions on the issue.

After sharing its Environmental Charter with all its employees at its 2007 annual convention, Parfums Christian Dior in September 2008 organized a mobilizing event: Environment Week. On this occasion, all 1,400 employees were able to participate in a discovery-circuit and confe-

rence-debates illustrating consideration of the environment in Parfums Christian Dior businesses, as well as entertaining workshops on biodiversity, natural raw materials, sorting waste, or eco-driving. Each quarter the projects and progress are shared in the in-house newsletter *My Dior*.

On April 22, 2008, Earth Day, DFS launched a major campaign aimed at increasing awareness of climate changes. Each store had a display counter with more than one hundred ways of reducing one's carbon footprint. Each employee and each customer could write down their own commitment on a special medium. All were displayed on the counters to symbolize the need for a collective commitment.

Other companies, like Louis Vuitton, conducted internal communication campaigns based on natural or international events. A theme exhibit and a card game in the form of a quiz were created for Sustainable Development Week. Posters on sustainable mobility and on the good practices of the company were designed for European Mobility Week, which was also the opportunity for launching a call for commitment to select two noteworthy actions for promotion in the workshop or store. As it does every year, the holding company also participated in Sustainable Development Week, by basing its action this time on cotton, particularly organic cotton, distributing the film by Erik Orsenna "Voyage au pays du coton" widely and calling on experts in conference-debates.

Since 2004, the LVMH Environment Department has published "Matières à Penser, eco-material handbook" in order to increase awareness of eco-design among the designers and the marketing teams of the different companies. The fifth edition marks a significant change, as the document now groups together materials with less impact on the environment, and puts more emphasis on the applications for each business: textiles, packaging, boutique furnishings, etc. An electronic version of the document and a materials library will be available on the Group's environment intranet. This initiative is being supported by the Houses. All the marketing teams at Moët & Chandon, Dom Pérignon and Ruinart have been trained in eco-design, good communications practices and the eco-design tool developed in 2007 by the company.

Reducing our energy consumption

LVMH Perfumes and Cosmetics has prepared a Guide to Good Environmental Practices and has distributed it to all employees to encourage them to limit their energy consumption (lighting, transport, etc.)

Tangible results

More certifications for the companies

The Group is asking all the companies to implement an environmental management system. Following the certifications earned and already renewed by Hennessy, Veuve Clicquot and Moët & Chandon, as well as the certification of Belvedere, the Louis Vuitton logistics hub and its Barbera factory, the movement is underway and the other companies in the Group are addressing the issue. Continuing its progress, Louis Vuitton earned ISO 14001 certification in June for its Paris offices on Pont Neuf and is preparing for certification of its central warehouse and production shops. Other companies, like Parfums Christian Dior, Guerlain and Glenmorangie, are also initiating the certification process.

In 2008, Veuve Clicquot and Moët & Chandon earned ISO 22000 certification, the standard specific to food safety management. Covering all activities in the food chain, the ISO 22000 standard is intended to harmonize food safety management practices in order to guarantee maximum safety.

Priority given to energy control and combating greenhouse gases

LVMH is continuing its efforts to reduce and optimize its energy consumption. As the first crucial step in the fight against climate change, the Carbon Footprint tool is used to evaluate the direct or indirect greenhouse gas emissions caused by its operations in order to implement priority reduction and improvement measures. A trailblazer in this area, the LVMH group has already been using it for several years now: Hennessy, Parfums Christian Dior, Louis Vuitton, Moët & Chandon and Veuve Clicquot were the pioneers.

In 2008, Parfums Kenzo, Guerlain and Domaine Chandon Australia completed their own Carbon Footprints. Others are in progress at Parfums Givenchy and Le Bon Marché. Several Houses have also set targets for reducing emissions, like Guerlain which has an ambitious target of a 12% reduction between 2007 and 2010.
The Carbon Footprint is a powerful internal communication and decision-making tool, just like the energy diagnostics, which are often associated with it. Guerlain, for example, conducted an energy audit on all its sites, which allowed the company to estimate investment projections for the coming years: improving boutique lighting, a study on renewable energies, and more. Likewise, Le Bon Marché and Parfums Christian Dior prepared a plan to improve equipment based on the results of their audit. The perfume company, for example, has already set ambitious targets for reducing consumption from 2007: an 11% reduction for electricity, by optimizing lighting and air conditioning on sites, and a 30% reduction for gas, due primarily to recovering heat from the processes used to produce hot water.
For its part, Moët & Chandon has mapped energy consumption and identified the savings potential for the Ruinart site in Reims and has completed an aerial infrared thermograph of all its buildings in Epernay in partnership with that town.
With regard to shipping, one of the fundamental action levers for the Group, Louis Vuitton, Veuve Clicquot and Moët & Chandon decided to give priority to shipping by inland waterways as an alternative to trucks for the routes from Gennevilliers to Le Havre prior to export. For the Group's champagnes, the potential for reduction has already been estimated at 500 tons equivalent CO_2. Passenger transportation is also affected. The launch of the Business Travel Plan for Parfums Christian Dior has been widely accepted: over 70% of the employees have responded to the questionnaire initiating the search for alternatives to private cars.

Solar energy

Louis Vuitton is moving to solar energy at its Barbera factory in Spain: a solar water heater has already been installed and photovoltaic panels will run the IT system.

Eco-construction for new and old projects is spreading

For the Group, taking the environment into consideration must be part and parcel of the construction or renovation of a building, with the goal of certification whenever possible. After its High Environmental Quality "Eole" (god of the winds) logistics hub in 2006, Louis Vuitton is going even further: automated energy management and environmentally friendly materials for the renovation of the 4th floor of the headquarters in Pont Neuf, the use of photovoltaic energy and natural lighting at its two future storage warehouses in Cergy and Shanghai, the choice of a new "Leed Certified" center on the west coast of the United States, heating and hot water production using geothermal and solar energy, and rain water recovery at the Fiesso factory in Italy.

Moët & Chandon opened its new pressing center in Mailly-Champagne, which was designed and is operated using a High Environmental Quality (HQE) approach with particularly noteworthy work on water consumption and the treatment of waste water: recovery of rain water for non-food uses and the use of technologies to reduce the volumes of water used by 60%. The plan to expand the Moët & Chandon industrial site in Oiry includes an HQE certification approach with five priority targets: energy, water, service and maintenance, the integration of the building in its environment, and acoustic comfort.

Already firmly committed to its HQE approach for renovating the Hôtel du Marc, which will eventually cover 70% of its heating needs using geothermy and solar, Veuve Clicquot has just had its project to expand the Crayères site (bottle packaging building) selected as the pilot site for the "HQE Approach—Industrial Buildings". Glenmorangie and Domaine Chandon California - Newton are also taking steps to build green buildings.

Integrated grape-growing and biodiversity: efforts continue

The major challenge for the Wines and Spirits and Perfumes and Cosmetics companies is the preservation and restoration of biodiversity, which is the focus of all our efforts. Moët & Chandon, for instance, using equipment that permits very localized applications, continues to reduce the use of herbicides and pesticides (-34% in herbicides in 2008 from 2005). The deployment of grassed over areas and experiments with sowing winter grains are also contributing to the reduction in the use of herbicides. Cloudy Bay, which has cut its water effluents per ton of grapes produced by 30%, continues to work on biological viticulture by planting eucalyptus to develop the byproducts from the vine and fix the carbon and by the placement at its Omaka Valley site of falcon nests, the natural predators of insects that are particularly harmful to ripe grapes.

For Veuve Clicquot, partial or controlled vegetation in 2008 covered 70% of the surface area of its vineyard. In 2009, 80% of the vineyard will be covered, and further work on the soil underneath the row begun. The use of sexual confusion (an alternative to the use of insecticides) is also being performed on 70% of the surfaces. The deployment of Sustainable Viticulture with grape growers and suppliers continues and to date involves 90% of the grapes provided.

Aware of the major challenge of biodiversity for its activities, LVMH has expanded its international actions in ethnobotany. The Group participates in local economic development and contributes to the preservation of certain plant species, for example, in Madagascar or Vietnam. After the first successful event, the second Africa and Beauty Forum in Burkina Faso was an opportunity to share the results of research work, discuss practices (the planting of seedlings, water management, etc.) and visit the village of Tiébélé with which LVMH Research has been collaborating for several years.

Common concerns

Formalizing requirements for suppliers

In March 2008, the Group adopted a Supplier Code of Conduct applicable by all companies. It completes all the programs already implemented and requires our partners, like the Group's companies, to adopt the best environmental and social practices. Any failure may involve a review, or even a break in the commercial relationship.

Louis Vuitton continues the approach it began years ago. After inserting environmental clauses into the contracts with its suppliers, surveys and environmental and social SA 8000 audits are conducted every year. A number of Houses, including Guerlain, Donna Karan and Hennessy, have also initiated environmental audit campaigns. Veuve Clicquot organized a technical day in Beaune to train nearly 200 grape growers and suppliers in the challenges of climate change for their industry and in ways to correct them. A special awareness program on personal safety, food safety and the environmental impacts of the activities was completed for outside service providers working on site. Moët & Chandon adopted the Code of Conduct and launched a vast program of audits including environment and food safety. They have already been conducted at more than thirty pressing centers and about ten suppliers and service providers. REACH is also a central element during exchanges with our suppliers. In fact, the European Regulation for recording and evaluating chemical substances to check whether or not they are authorized involves all Group companies. The companies have completed the compliance work and are anticipating future requirements. For example, Sephora has eliminated phthalates from its products, and other companies have eliminated certain suppliers.

Responsible marketing

The health of consumers is a constant concern of the Group. In the Wines and Spirits segment, LVMH recommends responsible consumption: drinking less but better. As a founding member of Business and Prevention, an association created fifteen years ago, the Group is a force for making recommendations to public authorities to encourage responsible consumption. Also involved in the European Alcohol and Health Forum created by the European Commission, Moët Hennessy participates in defining the future alcohol policies that will be established in the Member States. The Wines and Spirits companies practice a responsible marketing policy in accordance with the Moët Hennessy marketing code. Believing in the effectiveness of work that is specifically targeted, Moët Hennessy is developing many initiatives for its personnel and even for those who visit the sites where the Group's wines and spirits are prepared. Finally, the adoption of a Charter on Responsible Alcohol Consumption is the Group's expression of its strong convictions in this area and an invitation to its partners to follow it in this vision of the future.

Cosmetic products offer the very best safety guarantees. LVMH does not use any ingredients the complete safety of which cannot be guaranteed. The Perfumes and Cosmetics Houses are not content with applying the most stringent international regulations in force; they anticipate and implement future regulations in advance. As a result, for example, Group Houses do not develop products containing triclosan, phthalates or preservatives that generate formaldehyde. In addition, following the example of Parfums Christian Dior which publicly announced its decision in 1989, the various Perfume and Cosmetics brands of LVMH no longer conduct animal testing to evaluate the safety of the cosmetics and are together investing heavily in the search for alternative tests, particularly in the area of allergies, along with basic research partners, and in the area of systemic toxicity within Colipa, the European federation of cosmetics manufacturers.

Packaging, leather goods, cosmetics eco-design is gaining ground

Taking the environment into consideration in designing our products is gaining ground. After “Ecopublicité” in 2007 and the Moët & Chandon eco-design tool, other systems have been established to measure the environmental impact of the decisions made. Under the leadership of Parfums Christian Dior, Guerlain, Parfums Kenzo and Parfums Givenchy have together developed a tool for assessing the environmental performance of the packaging. Beginning with development, the following elements are taken into account: separability of materials, volume, weight, use of refills, and the use of more environmentally friendly materials. While it continues to maintain the excellent quality of its products, Loewe has significantly increased the rate of use of the raw material like leather for the manufacture of its bags; this rate is now close to 70% while it could be 50% in some cases. Louis Vuitton continues its program to replace solvent-based products with water-based products, as in patent leather or the glues used in leather goods. Energy audits and a life cycle analysis of the store concept have also been completed. They identified the next steps for improvements in lighting, air conditioning, or the design of furnishings. The "sac de plage extraordinaire" from the Louis Vuitton 2008 men's spring-summer collection was designed from recycled horsehair and fish scales, two materials presented in the LVMH materials specifications. These specifications, which are sent every year to all the Houses, present environmental quality materials and the principle for an eco-design approach. A 5th edition is currently in preparation. In another area, Grande Epicerie has developed a partnership with the Bilum company, which manufactures bags by recycling advertising banners. The company sells unique carrier bags fabricated with its own advertising banners, recycling that benefits everyone. Finally, in 2008, Sephora launched its Ecocert certified bioline, Green Connection. It has been highly successful and will be expanded.

All these examples show the commitment of the Group and its Houses to combating climate change and greenhouse gases. This commitment has also earned LVMH first place in the French rankings for the Carbon Disclosure Project (CDP), which evaluates the major groups based on their programs to fight climate change and reduce greenhouse gases. LVMH was also named in the 2008 Sustainability Yearbook by the SAM ratings agency.

Actions expanded to society in general

As part of its guiding principle of sharing with the greatest number of people, LVMH continues to conduct programs with the community and the academic world. For example, with Orée, a French association of businesses and local authorities specializing in the environment, the Group has contributed to the completion of the guide entitled "Integrating Biodiversity in Business Strategies." In a dedicated chapter, LVMH presents its approach, its implications and the feedback it has received. The Group continues to work with the Responsible Jewellery Council, an international association that promotes responsible practices in the entire jewelry segment, from the extraction of gold and diamonds right through to the stores. Louis Vuitton has expanded its support for Al Gore's Climate Project through a new institutional advertising campaign. Its Japanese division organized a charity gala to benefit Take Action! 2008, an association founded by soccer player Hidetoshi Nakata to increase environmental awareness and also to fight malaria. Moët & Chandon has made a commitment to a project with the Interprofessional Committee on Champagne and the Center for Glucide Recycling that works to expand the scope of application of pyrogasification to the by-products from the Champagne segment. This new technology recovers the energy produced during the elimination of by-products (vine shoots, vine stocks and old stems and grape pomace) and provides natural enrichment.

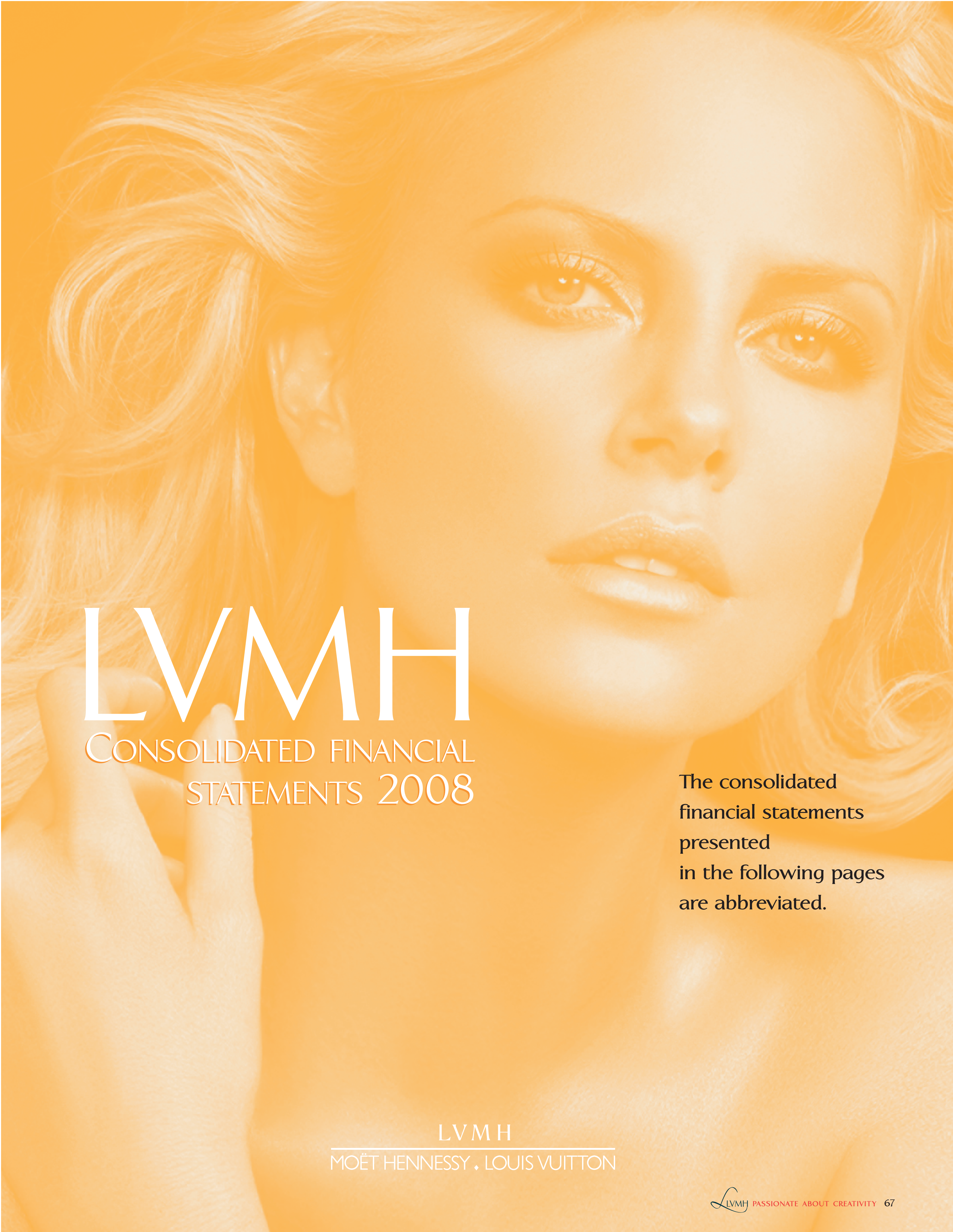
At the same time, the Group and its Houses once again worked in the educational environment. This was particularly true for Moët & Chandon, which organized and directed a series of conferences on sustainable development at the Reims Ecole de Commerce and at the Eco-Management unit of the Reims Economics Department. Youth awareness programs are also designed. As an example, Bodegas Chandon completed a tree planting operation "Educar Forestando" with children from local Chilean schools as part of a special social responsibility program.

In external communications, Hennessy has prepared a PR brochure which emphasizes the environment and food safety. Other companies, like Veuve Clicquot and Louis Vuitton, organized visits to their sites to present the best environmental practices. Finally, to facilitate exchanges in ethno-botanical areas, LVMH Research repeated the Africa Beauty Forum which it had organized in 2004. Held in Burkina Faso with other West African countries, this second edition shared ideas on research and recycling, identified complementary areas and established nurseries of different tree oils.

Moët & Chandon —a partner of associations

Moët & Chandon organized and directed conferences on sustainable development during the technical days of the Union des Oenologues of France (Winemakers Union). A partnership was also established with Club Business 51 to complete a dedicated car-pooling site in the department of Marne. The site was presented to all Moët & Chandon employees.

More information, including the guidelines of the Global Reporting Initiative and the requirements resulting from the New Economic Regulations, as well as indicators on environmental impacts, is provided in the LVMH registration document and in the LVMH environmental report available on the Group's website. Any individual or group with questions for the Group may do so and is guaranteed to receive a reply by writing to: environnement@lvmh.fr



LVMH

Consolidated financial statements 2008

The consolidated financial statements presented in the following pages are abbreviated.

LVMH
MOËT HENNESSY . LOUIS VUITTON

Consolidated balance sheet at December 31, 2008

ASSETS

EUR millions	2008	2007	2006
Brands and other intangible assets - net	8,536	7,999	8,227
Goodwill - net	4,417	4,818	4,537
Property, plant and equipment - net	6,088	5,419	5,173
Investments in associates	216	129	126
Non-current available for sale financial assets	375	823	504
Other non-current assets	841	586	658
Deferred tax	630	492	395
NON-CURRENT ASSETS	**21,103**	**20,266**	**19,620**
Inventories and work in progress	5,767	4,812	4,383
Trade accounts receivable	1,650	1,595	1,461
Income taxes(1)	229	151	98
Other current assets	1,815	2,001	1,587
Cash and cash equivalents	1,013	1,559	1,222
CURRENT ASSETS	**10,474**	**10,118**	**8,751**
TOTAL ASSETS	**31,577**	**30,384**	**28,371**

(1) As of December 31, 2008, the Group's income tax liability with respect to the French tax consolidation structure is presented after offsetting advance tax payments. The balance sheets for the years ended December 31, 2007 and December 31, 2006 were restated for comparability purposes.

LIABILITIES AND EQUITY

EUR millions	2008	2007	2006
Share capital	147	147	147
Share premium account	1,737	1,736	1,736
Treasury shares and LVMH-share settled derivatives	(983)	(877)	(1,019)
Revaluation reserves	818	976	917
Other reserves	9,523	8,191	7,062
Cumulative translation adjustment	(371)	(608)	(119)
Group share of net profit	2,026	2,025	1,879
Equity - Group share	12,897	11,590	10,603
Minority interests	990	938	991
TOTAL EQUITY	**13,887**	**12,528**	**11,594**
Long term borrowings	3,738	2,477	3,235
Provisions	971	976	983
Deferred tax	3,113	2,843	2,862
Other non-current liabilities	3,253	4,147	3,755
NON-CURRENT LIABILITIES	**11,075**	**10,443**	**10,835**
Short term borrowings	1,847	3,138	2,100
Trade accounts payable	2,292	2,095	1,899
Income taxes[1]	304	332	278
Provisions	306	296	255
Other current liabilities	1,866	1,552	1,410
CURRENT LIABILITIES	**6,615**	**7,413**	**5,942**
TOTAL LIABILITIES AND EQUITY	**31,577**	**30,384**	**28,371**

Comments on the consolidated balance sheet

LVMH's consolidated balance sheet, which is shown on page 68, totaled 31.6 billion euros as of December 31, 2008, representing a year-on-year increase of 4.0%.

Non-current assets amounted to 21.1 billion euros, compared to 20.3 billion at year-end 2007, thus corresponding to 67% of total assets, a proportion equivalent to that recorded a year earlier.

Tangible and intangible fixed assets (including goodwill) increased slightly to 19.0 billion euros from 18.2 billion euros at year-end 2007. Brands and other intangible assets amounted to 8.5 billion euros, from 8.0 billion euros as of December 31, 2007. This change is primarily attributable to the acquisition of the Swiss watchmaker Hublot, the initial consolidation as of January 1, 2008 of the media group Les Echos, acquired at the very end of 2007, and the effects of exchange rate fluctuations on brands and other intangible assets recognized in US dollars, such as the DFS trade name, or in Swiss francs, such as the TAG Heuer brand.

Goodwill decreased to 4.4 billion euros, from 4.8 billion euros a year earlier. The positive impact of the goodwill recognized on the initial consolidation of Les Echos, Hublot, and the Dutch yacht builder Royal Van Lent did not fully offset the decline in goodwill recognized in relation to commitments to buy back minority interests.

Property, plant and equipment amounted to 6.1 billion euros, up from 5.4 billion euros at year-end 2007. This growth is chiefly attributable to the levels of operating investments made by Louis Vuitton, Sephora and DFS in their retail networks and those of Hennessy and Moët & Chandon in their production equipment as well as the impact of exchange rate fluctuations, which together exceeded depreciation charges during the year.

Investments in associates, non-current available-for-sale financial assets, other non-current assets and deferred tax amounted to 2.0 billion euros and are thus stable compared to 2007. This stability results principally from the acquisition of a 45% stake in the Russian perfume retail chain Ile de Beauté and the increase in deferred tax assets, offset by the consolidation of the investment in Les Echos and the disposal of a minority stake in the company Micromania.

Inventories and work in progress amounted to 5.8 billion euros, compared to 4.8 billion euros at year-end 2007, reflecting business growth, the continued replenishment of distilled alcohol inventories for cognac, acquisitions made in 2008, and the impact of exchange rate fluctuations.

Trade accounts receivable reached 1.7 billion euros, up from 1.6 billion euros at year-end 2007, mirroring revenue growth.

Cash and cash equivalents, excluding current available-for-sale financial assets, decreased from 1.6 billion euros as of December 31, 2007 to 1.0 billion euros.

The Group share of equity before appropriation of profit increased to 12.9 billion euros from 11.6 billion euros at year-end 2007. This improvement is due to the significant net profit for the year and the positive change in the cumulative translation adjustment resulting from the rise in the US dollar against the euro, despite the payment of dividends in the amount of 0.8 billion euros.

Minority interests advanced slightly, from 0.9 billion euros as of December 31, 2007 to 1.0 billion euros, due to the share of minority interests in net profit for 2008 after the distribution of dividends, combined with the impact of the rise in the US dollar on minority interests in DFS.

Total equity thus amounted to 13.9 billion euros and represented 44% of the balance sheet total, compared to 41% a year earlier.

Non-current liabilities amounted to 11.1 billion euros as of December 31, 2008, including 3.7 billion euros in long-term borrowings. This compares to 10.4 billion euros at year-end 2007, including 2.5 billion euros in long-term borrowings. This increase was primarily due to the increase in long-term borrowings, partially offset by the decrease in share purchase commitments, which comprise the bulk of other non-current liabilities. The proportion of non-current liabilities in the balance sheet total increased to 35%, up from 34% a year earlier.

Equity and non-current liabilities thus amounted to 25.0 billion euros, and exceeded total non-current assets.

Current liabilities amounted to 6.6 billion euros as of December 31, 2008, compared to 7.4 billion euros a year earlier, due to the repayment of a significant portion of short-term borrowings, this despite the acquisitions made and the rise in trade accounts payable resulting from the increase in purchases of distilled alcohol for cognac. Their relative weight in the balance sheet total decreased to 21%.

Long-term and short-term borrowings, including the market value of interest rate derivatives, and net of cash, cash equivalents and current available-for-sale financial assets, amounted to 3.9 billion euros as of December 31, 2008, compared to 3.1 billion euros a year earlier, representing a gearing of 28%, compared to 25% at year-end 2007.

Long-term borrowings represented more than 80% of total net debt.

As of December 31, 2008, confirmed credit facilities amounted to more than 3.8 billion euros, of which only 0.4 billion euros were drawn, which means that the undrawn amount available was 3.4 billion euros. The Group's undrawn confirmed credit lines substantially exceeded the outstanding portion of its commercial paper program, which amounted to 0.7 billion euros as of December 31, 2008.

Consolidated income statement

EUR millions, except for earnings per share	2008	2007	2006
REVENUE	**17,193**	**16,481**	**15,306**
Cost of sales	(6,012)	(5,786)	(5,481)
GROSS MARGIN	**11,181**	**10,695**	**9,825**
Marketing and selling expenses	(6,104)	(5,752)	(5,364)
General and administrative expenses	(1,449)	(1,388)	(1,289)
PROFIT FROM RECURRING OPERATIONS	**3,628**	**3,555**	**3,172**
Other operating income and expenses	(143)	(126)	(120)
OPERATING PROFIT	**3,485**	**3,429**	**3,052**
Cost of net financial debt	(257)	(207)	(173)
Other financial income and expenses	(24)	(45)	120
NET FINANCIAL INCOME (EXPENSE)	**(281)**	**(252)**	**(53)**
Income taxes	(893)	(853)	(847)
Income (loss) from investments in associates	7	7	8
NET PROFIT BEFORE MINORITY INTERESTS	**2,318**	**2,331**	**2,160**
Minority interests	(292)	(306)	(281)
NET PROFIT - GROUP SHARE	**2,026**	**2,025**	**1,879**
BASIC GROUP SHARE OF NET EARNINGS PER SHARE *(in euros)*	**4.28**	**4.27**	**3.98**
Number of shares on which the calculation is based	473,554,813	474,327,943	471,901,820
DILUTED GROUP SHARE OF NET EARNINGS PER SHARE *(in euros)*	**4.26**	**4.22**	**3.94**
Number of shares on which the calculation is based	475,610,672	479,891,713	477,471,955

Comments on the consolidated income statement

Consolidated revenue for the year ended December 31, 2008 was 17,193 million euros, up 4% from the previous year. It was affected by the depreciation of the main invoicing currencies against the euro, in particular the US dollar, which fell by 7%. On a constant currency basis, revenue for the year increased by 8%.

Since January 1, 2007, the following changes were made in the Group's scope of consolidation: in Wines and Spirits, the stake in the Chinese distiller Wen Jun Spirits, acquired in May 2007, was consolidated for the first time in the second half of 2007; in Watches and Jewelry, the Swiss watchmaker Hublot was consolidated for the first time in the second half of 2008 and the Italian penmaker Omas was sold and deconsolidated in the second half of 2007; in Other activities, the media group Les Echos was consolidated for the first time in the first half of 2008, the business of the financial daily La Tribune, which was sold in early 2008, was deconsolidated, and the Dutch yacht builder Royal Van Lent was consolidated for the first time in the fourth quarter of 2008. These changes in the scope of consolidation contributed 1 point to revenue growth for the year.

At constant structure and exchange rates, organic revenue growth was 7%.

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro increased by 1 point to 32%, that of the US dollar dropped by 2 points to 28%, yen-denominated revenue fell by 1 point to 10%, while the contribution of all other currencies rose by 2 points to 30%.

By geographic region of delivery, the year saw a drop in the relative contribution of both the United States and Japan to Group revenue, falling from 25% to 23% and 11% to 10%, respectively. France remained stable at 14% whereas Europe (excluding France), Asia (excluding Japan) and other markets (principally the Middle East) each advanced by 1 point, respectively to 24%, 20% and 9%.

The decline in the contribution of the US dollar and the United States to Group revenue is mainly attributable to the adverse impact of the appreciation of the euro against the US dollar. At constant exchange rates, US dollar-denominated revenue increased by 5% and revenue generated in the United States increased by 2%.

It is worth noting the exceptionally robust performance of new regions such as China, Russia and the Middle East, resulting in considerable increases in invoicing for the corresponding currencies.

By business group, the breakdown of Group revenue remained nearly stable. The contribution of Wines and Spirits fell by 2 points to 18%, while that of Fashion and Leather Goods rose by 1 point to 35%. The contribution of all other business groups remained unchanged, with Perfumes and Cosmetics at 17%, Selective Retailing at 25%, and Watches and Jewelry at 5%. In Other activities and eliminations, the increase in revenue for the Media division resulting from the acquisition of the media group Les Echos was partially offset by an increase in consolidation eliminations arising from the strong revenue performance achieved by the brands of the Perfumes and Cosmetics business group to Sephora.

Wines and Spirits saw a decline in revenue of 3% based on published figures. With the adverse impact of exchange rate fluctuations decreasing revenue by 4 points, organic growth was 1%. Although the start of the year was affected by a reduction in the levels of wholesale inventories, mainly in the United States and Japan, sales held up well despite the difficult economic climate. In value terms, organic growth was primarily generated by higher prices, although champagne and cognac sales volumes were down by 7% and 6%, respectively. This business group's performance varied by market. Demand was less robust in United States and in Japan due to the economic environment, thus contrasting with a generally positive trend in Europe, while expectations were exceeded in China, and in some other Asian markets such as Vietnam, as well as in Russia and the Middle East. In 2008, China became the second largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth of 10%, and 7% based on published figures. Louis Vuitton turned in a remarkable performance for the year, again recording double-digit organic revenue growth. This brand has made spectacular headway in Asia, especially China, and continues to benefit from strong momentum in Europe. Fendi, Donna Karan and Marc Jacobs also confirmed their potential, with strong increases in revenue.

Perfumes and Cosmetics posted organic revenue growth of 8%, and 5% based on published figures. This performance was spurred by both innovation and the enrichment of existing lines. All three categories of products—perfume, make-up and skincare—enjoyed positive growth. Virtually all of the brands in the portfolio contributed to this performance, from flagship brands such as Parfums Christian Dior or Guerlain to alternative and niche brands such as BeneFit Cosmetics and Make Up For Ever. The Perfumes and Cosmetics business group reaffirmed its leadership position in Europe and its brands continued their steady advances in Russia, China and the Middle East, markets that confirmed their potential for further growth.

Watches and Jewelry posted negative organic revenue growth, declining by 2%, and a rise of 6% based on published figures (negative impact of exchange rate fluctuations decreasing revenue by 2 points, combined with a positive impact due to changes in the scope of consolidation of 10 points). The positive impact related to the integration of Hublot was 10 points. The year saw a gloomy consumer market in the US and lower demand in Japan. All this business group's brands boosted their sales in Europe and Asia. They posted significant growth in the Middle East and in Russia.

Selective Retailing posted organic revenue growth of 9%, and 5% based on published figures. This growth was driven by Sephora, whose sales were very strong, not only on a same-store basis, but also due to the expansion of its retail network in Europe, North America, China and the Middle East. Despite weaker performance in tourist regions usually visited by Japanese travelers, DFS was able to record organic revenue growth overall by benefiting from the strong rise in business generated with customers from other parts of Asia, and especially Chinese tourists.

The Group posted a gross margin of 11,181 million euros, up 5% compared to the previous year. The margin on revenue was 65%, 0.1 points higher than in 2007.

This increase reflects better control of the cost of products sold, higher selling prices, efforts to move brands upmarket resulting in product mix improvements, and the effectiveness of currency hedges.

Marketing and selling expenses totaled 6,104 million euros, up 6% based on published figures, amounting to a 9% increase at constant exchange rates. Over and above robust communications expenditures by the Group's main brands, this increase is due to the continued development of distribution networks, as much for retail activities (stores) as for wholesale business. Nevertheless, the level of these marketing and selling expenses remained stable as a percentage of revenue, amounting to 35%.

General and administrative expenses totaled 1,449 million euros, up 4% based on published figures, and up 7% on a constant currency basis. They represented 8% of revenue, a level identical to that recorded in 2007.

The Group's profit from recurring operations was 3,628 million euros, 2% higher than in 2007. Operating margin as a percentage of consolidated revenue amounted to nearly 21%, 1 point lower than its level a year earlier.

Exchange rate fluctuations had a negative net impact on the Group's profit from recurring operations of 143 million euros compared with the previous year. This total comprises the following three items: the impact of changes in currency parities on export and import sales and purchases by Group companies; the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies; and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the euro zone. On a constant currency basis excluding changes in the net impact of currency hedges, the increase in the Group's profit from recurring operations would have been 6% compared to 2007.

Profit from recurring operations for Wines and Spirits was 1,060 million euros, stable compared to the previous year. The decline in sales volumes was offset by the maintenance of a pricing policy consistent with the high-end positioning of this business group's brands. These price increases, together with tight cost control, offset the adverse impact of exchange rate fluctuations, expenses relating to the reinforcement of the distribution network and advertising and promotional expenditure focused on strategic markets. Operating margin as a percentage of revenue for this business group increased by 1.1 points to 33.9%.

Fashion and Leather Goods posted profit from recurring operations of 1,927 million euros, up 5% compared to 2007. Despite the unfavorable impact of exchange rate fluctuations, Louis Vuitton once again performed remarkably well. Both Fendi and Marc Jacobs continued to show profitable growth. Other brands that are currently the focus of development or revitalization strategies posted mixed results, which led to a slight decline of 0.4 points in the operating margin as a percentage of revenue for this business group, to 32.1%.

Profit from recurring operations for Perfumes and Cosmetics was 290 million euros, an increase of 13% compared to 2007. Despite a higher level of advertising and promotional expenditure, and costs related to a fresh foray into the world of perfume by Fendi and Pucci, tight control over product costs and other operating expenses once again improved profitability. Operating margin as a percentage of revenue for this business group thus increased by 0.7 points to 10.1%.

Following four years of strong growth and a remarkable turnaround in its profitability, in 2008 the Watches and Jewelry business group recorded a decline in profit from recurring operations to 118 million euros. Against the backdrop of a slowdown in sales, operational profitability fell to 13.4%.

Profit from recurring operations for Selective Retailing was 388 million euros, down 9% compared to 2007. Sephora continued to improve its operating margin, despite expenses resulting from its rapid expansion in Europe, the United States, China and the Middle East, thus confirming its highly profitable growth momentum. Operating margin as a percentage of revenue for the Selective Retailing business group as a whole amounted to 8.9%.

The net result from recurring operations of Other activities and eliminations was a loss of 155 million euros, stable compared to the previous year. In addition to headquarters expenses, this heading includes the results of the Media division and those of the yacht builder Royal Van Lent, acquired in 2008.

Other operating income and expenses amounted to a net expense of 143 million euros, compared to a net expense of 126 million euros in 2007. In 2008, they comprised capital gains realized on the sale of various assets in the amount of 14 million euros and costs for the restructuring of industrial and commercial processes in the amount of 83 million euros. These amounts related to the discontinuation of certain product lines, the closure of retail stores considered as insufficiently profitable and the reorganization of the operations of Glenmorangie. The latter notably included the gradual withdrawal from activities performed on behalf of third parties and the disposal of certain assets, notably the industrial facility in Broxburn (Scotland) as well as the Glen Moray brand and distillery. The balance of other income and expenses consists of accelerated depreciation and asset impairment in the amount of 57 million euros, as well as various non-recurring expenses or provisions amounting to 17 million euros.

The Group's operating profit was 3,485 million euros, representing a 2% increase over 2007.

Net financial expense was 281 million euros, compared to 252 million euros in the prior year.

The cost of net financial debt was 257 million euros as of December 31, 2008, up from 207 million euros the previous year. This increase reflects the combined impact of rising market rates of interest, the higher spreads applied in financial markets, and the slight growth in average net debt during the year.

Other financial income and expenses amounted to a net expense of 24 million euros, up from a net expense of 45 million euros in 2007. The financial cost of foreign exchange operations had a negative impact of 64 million euros for 2008; it had a negative impact of 97 million euros in 2007. The net gain on current and non-current available for sale financial assets and other financial instruments amounted to 53 million euros, up from 44 million euros the previous year. In 2008, this heading included the Group's share in the capital gains realized on the sale of the French video game retailer Micromania and the recognition of impairment losses on current and non-current available for sale financial assets, made necessary by the economic climate at the balance sheet date. Other financial expenses amounted to 24 million euros, up from 21 million euros in 2007.

The Group's effective tax rate was 28% in 2008, compared to 27% in 2007, thus equivalent to its level in 2006. The 1 point decrease in 2007 was primarily attributable to the use or capitalization of tax loss carryforwards and the effect of certain income tax rate reductions in Europe on the deferred tax amounts recognized in the balance sheet.

Income from investments in associates remained stable in 2008 at 7 million euros.

Profit attributable to minority interests was 292 million euros as of December 31, 2008, compared to 306 million euros the previous year. This total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 2,026 million euros, stable compared to 2007. As in 2007, it represented 12% of revenue.

Consolidated cash flow statement

EUR millions	2008	2007	2006
I. OPERATING ACTIVITIES			
Operating profit	3,485	3,429	3,052
Net increase in depreciation, amortization and provisions, excluding tax and financial items	695	638	474
Other unrealized gains and losses, excluding financial items	(42)	(39)	(31)
Dividends received	17	33	28
Other adjustments	(59)	(22)	(19)
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**4,096**	**4,039**	**3,504**
Cost of net financial debt: interest paid	(222)	(191)	(174)
Income taxes paid	(866)	(916)	(784)
NET CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**3,008**	**2,932**	**2,546**
Change in inventories and work in progress	(826)	(565)	(351)
Change in trade accounts receivable	(29)	(197)	(146)
Change in trade accounts payable	135	222	208
Change in other receivables and payables	(10)	66	31
TOTAL CHANGE IN WORKING CAPITAL	**(730)**	**(474)**	**(258)**
NET CASH FROM OPERATING ACTIVITIES	**2,278**	**2,458**	**2,288**
II. INVESTING ACTIVITIES			
Purchase of tangible and intangible fixed assets	(1,039)	(990)	(771)
Proceeds from sale of tangible and intangible fixed assets	100	58	10
Guarantee deposits paid and other operating investments	(8)	(20)	12
OPERATING INVESTMENTS	**(947)**	**(952)**	**(749)**
Purchase of non-current available for sale financial assets	(155)	(45)	(87)
Proceeds from sale of non-current available for sale financial assets	184	33	172
Impact of purchase and sale of consolidated investments	(642)	(329)	(48)
FINANCIAL INVESTMENTS	**(613)**	**(341)**	**37**
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(1,560)**	**(1,293)**	**(712)**
III. TRANSACTIONS RELATING TO EQUITY			
Capital increases of LVMH	5	-	-
Capital increases subscribed by minority interests	4	1	6
Acquisition and diposals of treasury shares and LVMH-share settled derivatives	(143)	14	(48)
Interim and final dividends paid by LVMH	(758)	(686)	(566)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(188)	(156)	(120)
NET CASH FROM (USED IN) TRANSACTIONS RELATING TO EQUITY	**(1,080)**	**(827)**	**(728)**
IV. FINANCING ACTIVITIES			
Proceeds from borrowings	2,254	2,006	785
Repayment of borrowings	(2,301)	(1,700)	(1,757)
Purchase and proceeds from sale of current available for sale financial assets	(47)	(278)	(181)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**(94)**	**28**	**(1,153)**
V. EFFECT OF EXCHANGE RATE CHANGES	**87**	**(44)**	**(10)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	**(369)**	**322**	**(315)**
Cash and cash equivalents at beginning of period	**1,087**	**765**	**1,080**
Cash and cash equivalents at end of period	**718**	**1,087**	**765**
Transactions generating no change in cash:			
- acquisition of assets by means of finance leases	11	6	8

Comments on the consolidated cash flow statement

The consolidated cash flow statement, which is shown on the opposite page, details the main cash flows for the 2008 fiscal year.

Cash from operations before changes in working capital was 4,096 million euros, compared to 4,039 million euros a year earlier.

Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 3,008 million euros, an increase of 2.6% compared to the 2,932 million euros recorded in 2007.

Interest paid in 2008 amounted to 222 million euros, up from 191 million euros in 2007, an increase due mainly to higher euro interest rates on average over the year, combined with the increase in coporate spreads and the rise in the average amounts outstanding on financial debt.

Income tax paid in 2008 amounted to 866 million euros, as against 916 million euros in 2007.

Working capital requirements increased by 730 million euros. Changes in inventories increased cash requirements by 826 million euros, due in particular to the replenishment of distilled alcohol inventories for cognac and those of base wines for champagne. The year-on-year increase in trade accounts receivable was held in check, generating a cash requirement of 29 million euros, mainly at Parfums Christian Dior and at Hennessy, while the increase in trade accounts payable provided additional cash in the amount of 135 million euros, notably at Sephora, Hennessy and Louis Vuitton.

Overall, net cash from operating activities posted a surplus of 2,278 million euros.

Net cash used in financial and operating investment activities amounted to 1,560 million euros.

Group operating investments for the year, net of disposals, resulted in net cash outflows of 947 million euros. This amount reflects the Group's growth strategy and that of its flagship brands such as Louis Vuitton, Sephora and Parfums Christian Dior.

Disposals of non-current available for sale financial assets, net of purchases, represented a net inflow of 29 million euros. Notable events of 2008 included the acquisition of a 45% stake in the Russian perfume retail chain Ile de Beauté and the disposal of a stake in the French video game retailer Micromania. The net impact of the purchase and sale of investments in consolidated entities resulted in an outflow of 642 million euros, relating mainly to the acquisitions of the Swiss watchmaker Hublot and the Dutch luxury yacht builder Royal Van Lent.

Transactions relating to equity generated an outflow of 1,080 million euros over the year.

Acquisitions of LVMH shares and related derivatives by the Group, net of disposals, generated an outflow of 143 million euros. In particular, a total of 820,000 LVMH shares were acquired in order to be cancelled. As in previous years, LVMH call options were acquired to cover commitments for purchase options granted to employees.

In the year ended December 31, 2008, LVMH SA paid 758 million euros in dividends, excluding the amount attributable to treasury shares, of which 592 million euros were distributed in May in respect of the final dividend on 2007 profit and 166 million euros in December in respect of the interim dividend for the 2008 fiscal year. Furthermore, the minority shareholders of consolidated subsidiaries received 188 million euros in dividends, mainly corresponding to dividends paid to Diageo with respect to its 34% stake in Moët Hennessy and to minority interests in DFS.

After all operating, investing and equity-related activities, the total cash requirement amounted to 362 million euros.

Borrowings and financial debt were amortized in 2008 for an amount of 2,301 million euros, and 47 million euros were invested in current available for sale financial assets.

Conversely, bond issues and new borrowings provided an inflow of 2,254 million euros. In April 2008, LVMH SA reopened its 2005–2012 bond issue in the nominal amount of 160 million euros and in June it carried out a public bond issue denominated in Swiss francs, consisting of two tranches of 3½ years and 7 years, each in a nominal amount of 200 million Swiss francs. In addition, the Group made use of its Euro Medium Term Notes program to diversify its investor base and seize opportunities for private placements. Overall, the Group made greater use of long-term financial resources, thus decreasing its reliance on its French commercial paper program by 369 million euros.

As of December 31, 2008, cash and cash equivalents net of bank overdrafts amounted to 718 million euros.

Consolidated statement of changes in equity

	Number of shares	EUR millions						Total equity		
		Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Revaluation reserves	Cumulative translation adjustment	Net profit and other reserves	Group share	Minority interests	Total
AS OF DECEMBER 31, 2007	**489,937,410**	**147**	**1,736**	**(877)**	**976**	**(608)**	**10,216**	**11,590**	**938**	**12,528**
Translation adjustment						237		237	45	282
Income and expenses recognized directly in equity					(158)			(158)	15	(143)
Net profit							2,026	2,026	292	2,318
TOTAL RECOGNIZED INCOME AND EXPENSES		**-**	**-**	**-**	**(158)**	**237**	**2,026**	**2,105**	**352**	**2,457**
Stock option plan and similar expenses							41	41	3	44
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				(110)			24	(86)	-	(86)
Exercise of share subscription options	92,600		5					5	-	5
Retirement of LVMH shares	(92,600)		(4)	4				-	-	-
Capital increase in subsidiaries								-	4	4
Interim and final dividends paid							(758)	(758)	(188)	(946)
Changes in consolidation scope								-	20	20
Effects of purchase commitments for minority interests								-	(139)	(139)
AS OF DECEMBER 31, 2008	**489,937,410**	**147**	**1,737**	**(983)**	**818**	**(371)**	**11,549**	**12,897**	**990**	**13,887**

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