LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH RAPPORT FINANCIER ANNUEL

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This document is a free translation into English of the original French "Rapport Financier Annuel", hereafter referred to as the "Annual Financial Report". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

LVMH GROUP

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Key consolidated data

(EUR millions and percentage)	**2007**	2006	2005
Revenue	16,481	15,306	13,910
Profit from recurring operations	3,555	3,172	2,743
Net profit	2,331	2,160	1,668
Group share of net profit	2,025	1,879	1,440
Cash from operations before changes in working capital	4,039	3,504	3,089
Operating investments	990	771	707
Total equity	12,528	11,594	10,484
Net financial debt/Total equity ratio	25%	29%	41%

Data per share

(EUR)	**2007**	2006	2005
Earnings per share			
Basic Group share of net profit	4.27	3.98	3.06
Diluted Group share of net profit	4.22	3.94	3.04
Dividend per share			
Interim	0.35	0.30	0.25
Final	1.25	1.10	0.90
Total gross amount [(1)]	1.60	1.40	1.15

(1) For fiscal year 2007, amount proposed at the Ordinary Shareholders' Meeting of May 15, 2008.

Information by business group

(EUR millions)	**2007**	2006	2005
Revenue by business group			
Wines and Spirits	3,226	2,994	2,644
Fashion and Leather Goods	5,628	5,222	4,812
Perfumes and Cosmetics	2,731	2,519	2,285
Watches and Jewelry	833	737	585
Selective Retailing	4,179	3,891	3,648
Other activities and eliminations	(116)	(57)	(64)
Total	**16,481**	**15,306**	**13,910**
Profit from recurring operations by business group			
Wines and Spirits	1,058	962	869
Fashion and Leather Goods	1,829	1,633	1,467
Perfumes and Cosmetics	256	222	173
Watches and Jewelry	141	80	21
Selective Retailing	439	400	347
Other activities and eliminations	(168)	(125)	(134)
Total	**3,555**	**3,172**	**2,743**

Information by geographic region

	2007	2006	2005
Revenue by geographic region of delivery *(%)*			
France	14	15	15
Europe (excluding France)	23	22	20
United States	25	26	27
Japan	11	13	14
Asia (excluding Japan)	19	17	17
Other markets	8	7	7
Total	**100**	**100**	**100**
Revenue by invoicing currency *(%)*			
Euro	31	30	30
US dollar	30	32	32
Yen	11	13	15
Hong Kong dollar	4	3	3
Other currencies	24	22	20
Total	**100**	**100**	**100**
Number of stores			
France	306	288	278
Europe (excluding France)	523	456	422
United States	463	394	365
Japan	253	278	262
Asia (excluding Japan)	409	363	329
Other markets	94	80	67
Total	**2,048**	**1,859**	**1,723**

REPORT OF THE BOARD OF DIRECTORS ON GROUP MANAGEMENT

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REPORT OF THE BOARD OF DIRECTORS ON GROUP MANAGEMENT

1. BUSINESS REVIEW

1.1 Comments on the consolidated income statement

Revenue by business group

(EUR millions)	2007	2006	2005
Wines and Spirits	3,226	2,994	2,644
Fashion and Leather Goods	5,628	5,222	4,812
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Total	**16,481**	**15,306**	**13,910**

Profit from recurring operations by business group

(EUR millions)	2007	2006	2005
Wines and Spirits	1,058	962	869
Fashion and Leather Goods	1,829	1,633	1,467
Perfumes and Cosmetics	256	222	173
Watches and Jewelry	141	80	21
Selective Retailing	439	400	347
Other activities and eliminations	(168)	(125)	(134)
Total	**3,555**	**3,172**	**2,743**

Consolidated revenue for the year ended December 31, 2007 was 16,481 million euros, up 8% from the previous year. It was affected by the depreciation of the main invoicing currencies against the euro, in particular the US dollar (–8%) and the yen (–9%). On a constant currency basis, revenue for the year increased by 13%.

There were no changes in the Group's scope of consolidation in 2006 and 2007 that would affect the comparability of performance.

Revenue by invoicing currency

(percentage)	2007	2006	2005
Euro	31	30	30
US Dollar	30	32	32
Yen	11	13	15
Hong Kong dollar	4	3	3
Other currencies	24	22	20
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro increased by 1 point to 31% while both US dollar and yen-denominated revenue dropped by 2 points, from 32% to 30% and 13% to 11%, respectively; the contribution of all other currencies advanced 3 points from 25% to 28%.

Revenue by geographic region of delivery

(percentage)	2007	2006	2005
France	14	15	15
Europe (excluding France)	23	22	20
United States	25	26	27
Japan	11	13	14
Asia (excluding Japan)	19	17	17
Other markets	8	7	7
Total	**100**	**100**	**100**

By geographic region of delivery, the year saw a drop in the relative contribution of the United States in Group revenue from 26% to 25%, of France from 15% to 14% and of Japan from 13% to 11%; Asia (excluding Japan) increased by 2 points from 17% to 19%, Europe (excluding France) and other markets each advanced by 1 point, from 22% to 23% and from 7% to 8%, respectively.

The decline in the contribution of the US dollar and the United States in 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 10% and revenue generated in the United States increased by 12%. The reduced contribution of the yen and Japan in Group revenue is only partially explained by the poor performance of the yen against the euro. At constant exchange rates, revenue invoiced in yen increased by 3%.

It is also 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 Perfumes and Cosmetics advanced by 1 point from 16% to 17%, while the contribution of all other business groups remaining unchanged, with Wines and Spirits at 20%, Fashion and Leather Goods at 34%, Watches and Jewelry at 5% and Selective Retailing at 25%. The growth in the contribution of the Group's Perfumes and Cosmetics brands is due in particular to the strong revenue performance achieved with the Sephora retail network, which gave rise to additional consolidation eliminations.

Wines and Spirits posted revenue growth of 8% based on published figures. With the adverse impact of exchange rate fluctuations decreasing revenue by 5 points, organic growth was 13%. Revenue

was buoyed by sales volume growth for the champagne and cognac segments, which posted increases of 4% and 10% respectively, and also by higher selling prices and continuing product mix improvements. Strong sales volume growth was achieved by the champagne segment in Japan as well as in promising markets such as Spain and Russia. This segment has also been highly successful in moving its positioning upmarket, especially in Europe. Revenue growth for the cognac segment was especially strong in Asia, particularly China and Vietnam, and in Russia. The US market maintained its robust levels of growth across all of the Group's wines and spirits.

Fashion and Leather Goods posted organic growth of 14%, and 8% 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 and the United States. Fendi continued to perform well with a new sizable increase in revenue. The other brands of this business group also achieved strong results, with some experiencing very rapid growth, such as Marc Jacobs.

Perfumes and Cosmetics posted organic revenue growth of 12%, and 8% 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—benefited from robust growth. All 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. 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 organic revenue growth of 19%, and 13% based on published figures. This performance was driven by TAG Heuer, which reinforced its worldwide leadership position in prestigious sports watches and chronographs. The excellent momentum achieved by this brand is sustained by constant innovation and continued efforts to move the brand further upmarket, reflected by very strong advances in all its markets. The Group's other watch brands, Zenith and Dior Watches, turned in strong results in their respective segments. Among the brands in the Group's jewelry segment, Chaumet enjoyed sustained revenue growth across all of its markets; De Beers confirmed its potential as a diamond jeweler and is successfully expanding its retail network in the United States, Asia and the Middle East.

Selective Retailing also posted organic revenue growth of 12%, and 7% 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 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 10,695 million euros, up 9% compared to the previous year. The margin on revenue was 65%, 1 point higher than in 2006. 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 efficiency of currency hedges.

Marketing and selling expenses totaled 5,752 million euros, up 7% based on published figures, amounting to a 12% 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%.

The geographical breakdown of retail networks is as follows:

(Number)	**2007**	2006	2005
France	306	288	278
Europe (excluding France)	523	456	422
United States	463	394	365
Japan	253	278	262
Asia (excluding Japan)	409	363	329
Other markets	94	80	67
Total	**2,048**	**1,859**	**1,723**

General and administrative expenses totaled 1,388 million euros, up 8% based on published figures, and up 11% on a constant currency basis. They represented 8% of revenue, a level identical to that recorded in 2006.

The Group's profit from recurring operations was 3,555 million euros, 12% higher than in 2006. Operating margin as a percentage of consolidated revenue amounted to nearly 22%, 1 point higher than its level a year earlier. As the level of general and administrative expenses remained stable, this 1 point increase reflects the improvement in the margin on revenue mentioned above. It also results from the profitability gains posted by all business groups, and in particular Watches and Jewelry whose margin rose 6 points.

Exchange rate fluctuations had a negative net impact on the Group's profit from recurring operations of 255 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 20% compared to 2006.

Profit from recurring operations for Wines and Spirits was 1,058 million euros, up 10% compared to the previous year. This performance reflects sales volume growth, product mix improvements and higher selling prices consistent with the premium positioning of the Group's products in addition to supply constraints, notably affecting the champagne segment. 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 0.7 points to 32.8%.

Fashion and Leather Goods posted profit from recurring operations of 1,829 million euros, up 12% compared to 2006. Despite the strongly unfavorable effect of exchange rate fluctuations, Louis Vuitton once again performed remarkably well. Fendi continued to show profitable growth. The other brands in a development or revitalization phase demonstrated their strong potential and significantly enhanced their profitability. Operating margin as a percentage of revenue for this business group increased by 1.2 points to 32.5%.

Profit from recurring operations for Perfumes and Cosmetics was 256 million euros, an increase of 15% compared to 2006. Despite a higher level of advertising and promotional expenditure, and costs related to the new 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 0.6 points to 9.4%. With the exception of the new perfumes produced by Fendi and Pucci, all of the business group's brands contributed to this improvement.

After having quadrupled in 2006, profit from recurring operations for Watches and Jewelry increased by 76% in 2007 to 141 million euros. This performance was driven by TAG Heuer and by the improvement in the results of the other brands, notably Chaumet. As mentioned above, operating margin as a percentage of revenue for this business group soared 6 points to 16.9%.

Profit from recurring operations for Selective Retailing was 439 million euros, up 10% compared to 2006. Despite the weakness of the yen, which had a significant impact on the buying power of Japanese tourists for a significant portion of 2007, DFS was able to increase its revenue on a constant currency basis and its operating margin as a percentage of revenue remained high. Sephora continued to improve its operating margin, despite expenses resulting from its rapid expansion in Europe, the US, China and the Middle East, thus confirming its highly profitable growth momentum. Le Bon Marché has firmly positioned itself as the most exclusive luxury and prestigious department store in Paris and continued to post strong profits. Operating margin as a percentage of revenue for the Selective Retailing business group as a whole rose 0.2 to 10.5% points.

The net result from recurring operations of Other Activities and eliminations was a loss of 168 million euros, compared to a loss of 125 million euros in 2006. In addition to headquarters expenses, Other Activities also includes the Media division.

Other operating income and expenses amounted to a net expense of 126 million euros compared to a net expense of 120 million euros in 2006. In 2007, they comprised a net expense of 81 million euros relating to the net loss on the sale of La Tribune group, the logistics company Kami (Fashion and Leather Goods) and Omas writing instruments; the remaining expense includes 16 million euros for depreciation, amortization or accelerated depreciation of fixed assets, 25 million euros for commercial and industrial reorganization costs and 4 million euros for various non-recurring expenses and provisions.

The Group's operating profit was 3,429 million euros, representing a 12% increase over 2006.

The net financial expense was 252 million euros, compared to a net financial expense of 53 million euros for 2006.

The cost of net financial debt was 207 million euros as of December 31, 2007, up from 173 million euros the previous year. The interest expense on net debt included in this amount increased by 33 million euros to 211 million euros, reflecting two opposing trends: the decline in the amount of the net financial debt and the adverse impact of the rise in interest rates on the financial expense related to the variable-rate portion of the debt. The balance corresponds to the change in the market value of interest rate hedging instruments.

Other financial income and expenses amounted to a net expense of 45 million euros, compared to a net amount of other financial income of 120 million euros for 2006. The financial cost of foreign exchange operations had a negative impact of 97 million euros for 2007; it had a negative impact of 45 million euros in 2006. Capital gains realized on the sale of various available for sale financial assets and dividends received from unconsolidated investments amounted to 73 million euros in 2007 compared to 185 million euros in 2006.

The Group's effective tax rate was 27% as of December 31, 2007, down from 28% for 2006. This 1 point reduction is primarily attributable to the use or capitalization of tax loss carryforwards and the effect of income tax rate reductions in several European countries (Italy, UK) on the deferred tax amounts recognized in the balance sheet.

Income from investments in associates was 7 million euros as of December 31, 2007; it was 8 million euros in 2006.

Profit attributable to minority interests was 306 million euros, compared to 281 million euros for 2006. This mainly includes minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 2,025 million euros, up 8% compared to 2006 and up 41% compared to 2005. As was the case in 2006, it represented 12% of revenue.

1.2 Wines and Spirits

	2007	2006	2005
Revenue *(EUR millions)*	**3,226**	**2,994**	**2,644**
Sales volume *(millions of bottles)*			
Champagne	62.2	59.9	55.2
Cognac	60.9	55.3	50.5
Other spirits	28.8	26.6	27.9
Still and sparkling wines	38.9	34.5	31.8
Revenue by geographic region of delivery *(%)*			
France	8	8	9
Europe (excluding France)	29	28	27
United States	29	31	33
Japan	8	9	9
Asia (excluding Japan)	16	15	13
Other markets	10	9	9
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,058**	**962**	**869**
Operating margin *(%)*	**32.8**	**32.1**	**32.9**
Operating investments *(EUR millions)*	**189**	**104**	**97**

Highlights

The Wines and Spirits business group recorded organic revenue growth of 13%, driven by the increase in volumes, improved product mix, and the implementation of a policy to raise prices. Based on published figures, revenue growth was 8% and profit from recurring operations rose 10%.

Revenue for Champagne and Wines totaled 1,802 million euros, with organic growth of 11% (7% based on published figures). Profit from recurring operations was 650 million euros, up 9%. Champagne volumes rose 4%.

Revenue for Cognac and Spirits amounted to 1,424 million euros, with organic growth of 16% (9% based on published figures) and generated profit from recurring operations of 408 million euros, an increase of 12%. Volumes for Hennessy cognac rose 10%.

Moët Hennessy expanded its presence in China with the acquisition of 55% of the share capital of Wen Jun Spirits, a producer of high-end white alcohols.

As a result of an agreement with Belvedere Winery, Moët Hennessy acquired the brand and Belvedere domain name in the United States, becoming the owner of the luxury vodka brand worldwide.

Principal developments

Champagne and Wines

In 2007, **Moët & Chandon** reinforced its global leadership. The brand recorded solid performances in its traditional markets and spectacular growth in promising markets such as Russia, Central Europe, China and India. Its remarkable performance in Japan should also be noted, the result of the work to build the brand in this market that still offers great potential.

Growth was achieved by the entire line of products, but was particularly tangible in the premium rosés, again demonstrating the brand's leadership role in this promising segment. The spectacular launch of the Grand Vintage 2000, unanimously praised by the critics, allowed Moët & Chandon to create an event and accelerate its growth in the high-end segments of the market.

The brand continued its very strong international media presence through the "Be Fabulous" promotional campaign.

Dom Pérignon grew in its key markets, particularly in France and Europe, and strengthened its position as a global leader in luxury champagnes.

Pursuing its strategy to create value, the brand accelerated its development in the high-end segment with the international launch of Dom Pérignon *Oenothèque* 1993, which followed the success of Dom Pérignon Rosé in 2006. New and innovative products – Marc Newson 2 or La Belle and the Jeroboam in partnership with Chaumet – enhanced the ultra-luxury offers. The renovation of the brand's packaging generated a synergy with these initiatives. Karl Lagerfeld continued his collaboration with Dom Pérignon by designing a promotional campaign incarnated by Claudia Schiffer.

Ruinart recorded a new record year in 2007. This growth was the result of the strategy to create value for the brand by giving priority to the premium products Ruinart Blanc de Blancs and Ruinart Rosé, and to the prestigious Dom Ruinart vintage. Its three flagship countries in Europe played a key role in the growth and excellent results were recorded in Russia, Japan, and the United States. Marked by exceptionally beautiful events, the year 2007 saw, among others, the launch of the second Prestige Collection designed by Christian Biecher.

Mercier, a benchmark brand in France, confirmed its position. Basing its development on the values of friendship and authenticity, the brand remained a major partner for the traditional restaurant industry.

Veuve Clicquot Ponsardin confirmed the success of its strategy to create value. The recognized excellence of the wines, the creativity of its innovations, and the support of major promotional plans enhanced and intensified the dynamic image of the brand. The Moët Hennessy distribution network applied the planned price increases, thus strengthening its premium positioning.

The brand continued to grow in its key countries, like the United States, Great Britain, Italy and Japan, and rapidly expanded its presence in new markets in Asia, Australia and Latin America.

In one of the highlights of 2007, Veuve Clicquot Ponsardin celebrated the one hundred thirty years of its yellow label during an international event in New York, the occasion for the presentation of the "Yellowboams", a limited series of Yellow Card jeroboams completely handmade and luxuriously adorned with gold leaf and labels in rare leathers. The excitement generated by Veuve Clicquot Rosé continued in all markets. The new "couture" box for La Grande Dame beautifully represents the elegant and luxurious character of the 1998 vintage in brut and rosé.

Throughout 2007, **Krug** improved its positions and consolidated its targeted investments in its strategic markets. In the United States, Japan, Great Britain, France, and Italy, Krug recorded double-digit growth carried by the enthusiasm of champagne lovers for its inimitable taste. The release of the Krug 1996 vintage was a particular success on the international stage. Wine Spectator ranked it as exceptional, from 99 to 100 points, the highest ever awarded to a champagne.

Estates & Wines, which holds the sparkling and still wines of Moët Hennessy, recorded double-digit growth in results for the fourth consecutive year. This success confirmed the pertinence of its growth model, based on a policy of excellence and innovation, and on the super premium positioning of its brands. Growth was particularly strong in the United States, the world's leading wine market in value, and in Asia and Latin America.

Château d'Yquem, the peak of the hierarchy of Sauternes wines, achieved a superb performance in 2007. The delivery of the 2004 vintage was perfectly executed and the 2007 crop suggests a very great wine. Two Château d'Yquem tastings were held in Los Angeles in November 2007 for the greatest English-speaking and Asian critics.

Cognac and Spirits

Hennessy, the undisputed world leader in cognac, accelerated its growth in volume in 2007.

The United States confirmed its position as the primary contributing market for Hennessy, which continues to be leader there in the cognac category, both in volumes and in value. The brand focused its growth on a strategy to create value. It intensified its promotional operations in selective points of sale and with innovative programs in high-end establishments. It continued to expand its consumer base through more advertising-promotional resources. An advertising campaign – signage, press and television, titled *Flaunt Your Taste*, gave Hennessy high visibility and an enhanced image of sophistication. At the same time, *Hennessy Artistry*, an exceptional international communications program, both in concept and impact, was deployed for the second consecutive year with equal success.

In Asia, 2007 was another year of strong growth. In China, Hennessy continued to strengthen its leadership in value in the world of premium spirits. The brand generated exceptional growth in this country, primarily on the basis of its V.S.O.P and X.O, in which it is the unchallenged leader. It is in a very favorable position for the future in this highly strategic market. In the very competitive Taiwan market, Hennessy enjoys a similar strong position. Hennessy is the leader in the high-growth Vietnam market. A new advertising film enhanced the sophisticated and luxurious image of Hennessy X.O in Asia. The *Hennessy Artistry* global communications platform was deployed for the second consecutive year in China, Hong Kong, Taiwan and Malaysia.

In Europe, Russia positioned itself as the third pillar of growth for Hennessy (after the United States and China). Russian consumers appreciate all of the products, from V.S to the rarest cognacs. In Ireland, Hennessy V.S maintained its exceptional market share. In the promising markets of Central and Eastern Europe, the brand grew rapidly.

The development of a new communications strategy and the investments made in **Belvedere** vodka after the purchase of the brand in the United States accelerated its growth. All key countries advanced steadily, permitting ambitious objectives. In 2007, **Chopin** vodka benefited from the work performed on its repositioning toward the high end, which was accompanied by new packaging and an innovative promotional program.

Two years after its launch, the luxury **10 Cane** rum grew steadily in the United States and expanded distribution to several major countries.

For **Glenmorangie** whisky, two years after joining the LVMH group, 2007 was a remarkable year, in which all the elements forming the identity of the brand, particularly its packaging, were revised in order to capitalize on its extraordinary heritage. A new product range, Glenmorangie *Extra Matured*, which replaced the *Wood Finish* range, was also launched and the preparation of Glenmorangie *Original*, the flagship 10-year old whisky, was refined in order to enhance the quality. The first results of these developments were extremely promising. **Ardbeg** whisky, which is prepared on the island of Islay, was exceptionally well received in the industry in 2007 (it has been named World Whisky of the Year in the 2008 edition of Jim Murray's famous Whisky Bible), and developed limited edition products for its "aficionados".

The history of **Wen Jun**, from the name of a legendary Chinese figure, dates back more than 2,000 years. The distillery, which prepares one of the most famous and prestigious white alcohols in the country, has been operating without interruption since the Ming dynasty in the 16th century. Since its acquisition in spring 2007 by Moët Hennessy, a blend with an entirely new packaging has been developed and was introduced in December in Beijing.

Outlook

In 2008, the brands of the Wines and Spirits business group will focus on their value creation strategy and their policy of innovation. Price increases and further improving product mix will be actively continued, accompanied by substantial investments in communications, both for the star brands and for the "rising stars". Moët Hennessy will continue to reinforce its distribution network in markets with significant growth potential.

1.3 Fashion and Leather Goods

	2007	2006	2005
Revenue *(EUR millions)*	**5,628**	**5,222**	**4,812**
Revenue by geographic region of delivery *(%)*			
France	9	9	9
Europe (excluding France)	20	19	17
United States	20	21	22
Japan	22	26	30
Asia (excluding Japan)	23	20	18
Other markets	6	5	4
Total	**100**	**100**	**100**
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	49	50	50
Wholesale	38	36	35
Licenses	8	7	8
Other	5	7	7
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,829**	**1,633**	**1,467**
Operating margin *(%)*	**32.5**	**31.3**	**30.5**
Number of stores			
Louis Vuitton	390	368	345
Fendi	160	135	116
Other brands	439	451	430
Operating investments *(EUR millions)*	**246**	**319**	**281**

Highlights

In 2007, the Fashion and Leather Goods group recorded organic revenue growth of 14% and improved its profit from recurring operations by 12%.

Louis Vuitton achieved a remarkable performance with another year of double-digit organic revenue growth accompanied by an exceptional level of profitability.

Fendi continued to maintain its profitable growth trend and earned exceptional media coverage when it presented its spring-summer 2008 collection on the Great Wall of China.

The business group's distribution network expanded by 35 stores to total 989 stores at December 31, 2007.

Principal developments

Louis Vuitton

Louis Vuitton generated another year of strong growth. The year 2007 was characterized by very steady growth in Europe, strong performances in North America, and exceptional vitality in Asia, particularly in China and South Korea. The brand significantly strengthened its positions in all geographic regions with local customers and reaped the full benefits of the boom in world tourism. Revenue rose substantially thanks to new travel customers from Asia, Russia and the Middle East.

As of December 31, 2007, the Louis Vuitton global retail network consisted of 390 stores. The brand opened a net 22 stores during the year, including three in new countries and completed several notable renovation projects.

The year 2007 was marked by a strong dynamic innovation and enhancement of the permanent leather lines. The *Damier Azur* line introduced at the end of 2006 was a success alongside *Damier Ebène*, which continued to grow through the introduction of new models. The *Monogram Vernis* line added two new colors, Pomme d'Amour and Amarante, while the Ivory and Verona shades respectively appeared in the *Epi* and *Suhali* lines. Louis Vuitton also created new models (*Beverly, Neverfull, Riveting*, etc.) for its traditional *Monogram* and *Epi* lines. The other segments of ready-to-wear, footwear, watches and accessories recorded significant growth. To highlight the relationship between Louis Vuitton and the art world, Marc Jacobs intensified his collaborations with major artists like Richard Prince and Takashi Murakami.

In order to meet strong growth in current and future sales, Louis Vuitton significantly increased production hours at its 14 leather workshops. As a result of the growth in footwear, the brand expanded the capacities of its site in Fiesso d'Artico in Italy, which houses all the expertise, from development to production, for all footwear categories.

Reflecting its eternal values and its core business, Louis Vuitton placed 2007 under the sign of the voyage: products, windows, models, events returned to the roots of the brand. One of the high points of this theme was the launch of the new institutional campaign represented by Mikhail Gorbatchev, Catherine Deneuve, Steffi Graf and André Agassi who posed for the lens of Annie Leibovitz on behalf of environmental organizations. The Louis Vuitton Museum also presented at Asnières a new scenic design titled "Voyages and voyagers". The Louis Vuitton Cultural Space at the Maison des Champs-Élysées in Paris hosted the exhibits "The temptation of space" and "Moscopolis", a presentation of the work of eleven contemporary Russian artists.

Fendi

The activity of **Fendi** in 2007 continued the excellent trend of the previous two years. Double-digit organic revenue growth paralleled new improvement in profit from recurring operations.

Ready-to-wear and footwear recorded excellent growth. The new leather goods lines *B-Mix, Crossword* and *To You* generated solid performances, like the *Chef* line launched earlier with continued success. The development of Fendi sunglasses is equally progressing well.

As a breathtaking symbol of the creativity and the rebirth of the Roman brand, a fashion show of the 2008 spring-summer collection, designed by Karl Lagerfeld for the ready-to-wear and Silvia Fendi for the leather goods, was organized at the Great Wall in China in October. This spectacular and completely original event in the fashion world, received extensive coverage from the international press, giving Fendi exceptional visibility.

The brand continued to expand its retail network, opening 25 new stores in all its geographic regions. It inaugurated its presence in four new countries – Spain, Turkey, Switzerland and Bahrain – and had a network of 160 stores as of December 31, 2007.

Fendi also returned to the perfume segment with the launch of *Palazzo*, developed within the Perfumes and Cosmetics business group of LVMH.

Other brands

With a stronger management, a coherent strategy and an optimized organization, **Donna Karan** turned in a very dynamic performance last year, marked by solid improvements. The brand capitalized on the strength of its designs and its stylistic orientation deliberately based on the values that have made it a cult fashion brand in the United States.

Throughout the year, Donna Karan enjoyed remarkable coverage from the international press, which drove demand for all its products. The deployment of the Donna Karan *Gold* and *Icons* collections in the luxury *Collection* line generated significant growth. In its exclusive boutiques, Donna Karan recorded double-digit revenue growth in dollars. The *DKNY* ready-to-wear products increased their retail success, which should lead to a solid growth in orders for the coming seasons.

Loewe achieved an excellent performance in 2007 in terms of revenue and profitability. The success of its emblematic *Amazona* line has now been enhanced by the success of the newest *Napa Aire* line, which has become a new best seller. The brand turned in a remarkable performance in Japan, where it continues to increase market share, and in China where it is progressively building its retail network. The Artistic Direction entrusted to Stuart Vevers and the deployment of a new boutique concept designed by Peter Marino form the foundation for ambitious objectives in the coming years.

Marc Jacobs continued its rapid growth, reaffirmed its success in the United States, and rapidly expanded its international development. New major stores were opened in 2007 in Europe, China and the Middle East. The ready-to-wear *Marc by Marc Jacobs* lines generated high demand, and shoes and leather goods, the result of a major creative effort, also recorded excellent growth. Finally, the line of accessories, a segment launched in 2004, has become a market reference and the basis for solid and ongoing growth. Thanks to these results, the brand will continue to expand its world presence in 2008.

At **Celine**, the leather products, a priority strategic vector, recorded a solid performance, thanks in particular to the new best seller – the *Bittersweet* line launched in 2006. The brand enjoyed the success of the new promotional campaign photographed by Bruce Weber. It accelerated its development in China, opening three new boutiques, and signed a partnership agreement to expand its presence in Southeast Asia.

Kenzo continued the very positive trend of revenue growth and improved profitability. The year 2007 confirmed this new trend, thanks to the work made under the Artistic Direction of Antonio Marras. The plan for the global deployment of the new store concept inspired by the historic boutique in Place des Victoires in Paris accelerated with the reopening of the flagship store in Place de la Madeleine. New stores were opened in Bahrain, Croatia and Argentina among other locations. New partnerships were signed in the home furnishings and decor sector.

In 2007, **Givenchy** recorded a strong improvement in its profitability, thanks to an impressive growth in all its product lines. The stylistic relook, initiated in 2005, enabled an increased visibility of the brand following extensive press coverage. Givenchy continued its momentum in women's ready-to-wear thanks to Riccardo Tisci's collections, which progressively became involved with the brand's core expressions. The accessories are also growing strongly, particularly driven by the *Nightingale* line and the launch of the *Postino* line. The brand strengthened its position in China by expanding its store network there.

Thomas Pink, the British specialist in high-end shirts, turned in a particularly dynamic performance in 2007, reflected in the opening of 16 owned or franchised new stores, a renovated Internet site, and the design of several new lines for men, combining comfort and elegance and adapted to all occasions.

Pucci took advantage of its 60th anniversary to expand its visibility substantially. The events that were held in Florence, Tokyo and Miami generated significant media coverage. Revenue for the brand rose sharply. New stores were opened in Japan, Russia and the Middle East. A line of eyewear was launched in September and the perfume *Vivara*, developed within the LVMH Perfumes and Cosmetics business group, was launched at year-end.

Berluti intensified its year on year growth, while remaining an exceptional brand for its customers. In 2007, revenue rose substantially in the 14 countries in which the brand is present. Nine stores, both owned and franchised, were opened during the year. The highly successful launch of the *Fil d'Ariane* and *Démesures* footwear lines and the initiation of a new communications campaign illustrating the footwear and leather goods designs from Berluti were the highlights of 2007.

Outlook

Louis Vuitton again intends to strengthen its lead in 2008 and, for this purpose, will deploy an ambitious program to develop new products while it continues to extend its global distribution network. The brand will open new stores in China, Asia, Europe, etc. It is also preparing for the inauguration of new Maisons Louis Vuitton in Hong Kong and London.

The year will be dynamic in terms of communication, with a new major fashion campaign and the continuation of the institutional campaign, which will call on new extraordinary personalities.

Fendi also has ambitious objectives: the brand will enhance its leather goods offer by capitalizing on its icon products like the *Baguette* line, which will celebrate its tenth anniversary in 2008, and *Selleria*. Ready-to-wear and footwear will continue steady growth. Fendi will also further expand and optimize its distribution network.

The other brands of the Fashion and Leather Goods business group will intensify their growth in line with their strategic plans. With more effective organizations, very substantial operational improvements, an increasing renewed creativity and rigorous work on all management parameters, they are in an excellent position to reach their full potential and boost their contribution to the total results of the business group.

1.4 Perfumes and Cosmetics

	2007	2006	2005
Revenue *(EUR millions)*	**2,731**	**2,519**	**2,285**
Revenue by product category *(%)*			
Perfumes	55	52	53
Cosmetics	26	28	28
Skincare products	19	20	19
Total	**100**	**100**	**100**
Revenue by geographic region of delivery *(%)*			
France	16	17	18
Europe (excluding France)	43	41	40
United States	8	9	9
Japan	6	7	8
Asia (excluding Japan)	13	13	11
Other markets	14	13	14
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**256**	**222**	**173**
Operating margin *(%)*	**9.4**	**8.8**	**7.6**
Operating investments *(EUR millions)*	**115**	**98**	**115**
Number of stores	**55**	**48**	**43**

Highlights

The Perfume and Cosmetics business group recorded organic revenue growth of 12%. This unparalleled vitality was driven both by innovations and by the expansion of the flagship lines. All brands in the portfolio generated growth as did all product categories, perfumes, make-up and skincare. Profit from recurring operations rose 15%.

The business group consolidated its European leadership. China, Russia, the Middle East, where our brands made solid advances, confirmed their high potential.

Parfums Christian Dior successfully launched two new perfumes, *Fahrenheit 32* for men during the first half of the year, and *Midnight Poison* for women in September, and developed the *Capture* skincare line. The brand celebrated its 60th anniversary spectacularly.

Guerlain launched *L'Instant Magic* and the foundation *Parure* and opened a luxury boutique in Moscow.

Fendi, with *Palazzo*, and Pucci, with *Vivara*, returned to the perfume world at the end of 2007.

Principal developments

Parfums Christian Dior

In 2007, **Parfums Christian Dior** recorded solid revenue growth, surpassing the overall trend in its competitive market, which was accompanied by new and strong improvement in its profitability. The brand confirmed this dynamic performance in all geographic regions. Europe, its leading market, strengthened its potential with the growth in Russia, a country where Dior is already positioned as a leader. Asia benefited from the dynamic Chinese market. In the United States, the brand successfully continued its selective distribution strategy, and gained market share with a record growth rate. Its performance in the Middle East confirmed the potential of this large market.

Dior continued its strategy for greater selectivity, both in distribution and in the product offer. Driven by a particularly high rate of innovation and the remarkable vitality of its top classics, the business group's master brand recorded higher revenue in the three product categories. The perfume segment performed exceptionally well, with a strong contribution from the launch of *Midnight Poison* and *Fahrenheit 32* and the steady advances made by *J'Adore*, *Dior Homme* and *Miss Dior Chérie*. The dynamic performance of the skincare products was particularly driven by the development of the *Capture* line, which confirmed its ambitious objectives in the anti-aging segment, and by the launch of an exceptional product *L'Or de Vie*. In the make-up segment, the new *Rouge Dior*, the foundation *Diorskin* and the *Backstage* line recorded formidable performances.

Supporting the various new products launched and the initiatives conducted over the year were special promotional efforts which contributed to dynamic sales and enhanced the prestige of the brand. The new star Eva Green embodies the perfume *Midnight Poison*, while Sharon Stone, Charlize Theron and Monica Bellucci increased the radiance of Dior and its products through new marketing campaigns and special events.

Guerlain

Guerlain performed exceptionally well in 2007. Confirming the dynamic performance stimulated and accelerated in the last few years, the brand outpaced the market with remarkable revenue growth and sharply improved its profitability.

Guerlain reaped the benefits of a strategy based on high-end innovation and the concentration of its investment efforts in its priority European and Asian markets. The brand continued its vigorous growth in all product categories. The women's perfume *L'Instant Magic*, launched worldwide in September, was very well received. The House also continued to illustrate its commitment to high-end perfumes: new editions of its mythic perfumes and exclusive creations appeared throughout the year, a testimony to the unique expertise of Guerlain, a creative perfume maker since 1828. The make-up segment, driven by the star lines *Terracotta* and *KissKiss* and by the success of the new *Parure* foundation, continued its remarkable and dynamic performance. The premium skincare line *Orchidée Impériale* was developed and continued its steady advance in all regions.

After the magnificent renovation of its site at 68, Champs-Élysées and the remodeling of its Left Bank site on rue de Sèvres in Paris, Guerlain deployed its new counter concept in Moscow by opening up a high-end luxury boutique in the prestigious Tsum store.

Other brands

Parfums Givenchy, which celebrated its 50th anniversary in 2007, took a new step in its development by achieving better than market revenue growth rates, while beating its initial objectives for the year for profit from recurring operations.

The brand posted steady growth in its priority markets. It opened its first location in China over the summer.

Its dynamic performance was driven by an ambitious innovation policy, illustrated in particular by the roll-out of the new *Ange ou Démon* perfume for women, in countries where it was not present in 2006, all markets in which this new product recorded solid results. The strong impact of the new marketing campaign for the line clearly helped to drive this growth. The make-up and skincare segments also contributed to the vitality of Parfums Givenchy, with strong, double-digit growth in all regions. The launch of the new lipstick *Rouge Interdit* was one of the highlights of 2007.

Parfums Kenzo recorded a good year, marked by steady growth. This dynamic trend was driven by the solid performance of the brand's three foundation perfumes, *FlowerbyKenzo*, *KenzoAmour* and *Eaux by Kenzo*, and by the launch of *TokyobyKenzo* for men, which won a younger customer segment. Parfums Kenzo continued to expand in Europe, the Middle East and the United States, with a special emphasis on Russia, a market with a very strong growth potential.

Two new identity-building promotional campaigns dedicated to *FlowerbyKenzo* and *KenzoAmour* enhanced the poetic image that distinguishes the brand and constitutes one of its strongest assets in the world of perfumes and cosmetics.

BeneFit Cosmetics continued its rapid growth in all its markets and maintained a very high level of profitability. Benefiting from its original positioning, appreciated for its playful and unusual style, the brand strengthened its position among the make-up leaders in the United States and Great Britain, its most important territories. It confirmed its success in all Asian and European countries where it continued to expand its presence, and enjoyed a very promising entry in the Chinese market. Among its new products, the make-up line *Love Your Look* and the brightening face primer *That Gal* were extremely successful.

Make Up For Ever again recorded an excellent performance in all its markets. Backed by its recognized expertise in professional make-up, the brand is attracting a demanding customer base. It generated very substantial revenue growth, driven not only by

the expansion of its retail network, but also by steady organic growth. In the United States it is definitely establishing a position as the benchmark in the professional make-up segment and is increasingly successful with the public. Its dynamic performance in France and China was also remarkable. The line of *Aqua Eyes* waterproof eyeliners, launched in 2007, was extremely successful with both the public and professional make-up artists.

Acqua di Parma, Parfums Loewe and Fresh recorded a very good year in terms of revenue and profit. The launch of *Colonia Intensa* strengthened one of the flagship lines of Acqua di Parma and highlighted its exclusive positioning. For Parfums Loewe, the year 2007 was marked by the successful launch of the new fragrance for women *Quizas Quizas Quizas*. Fresh, whose natural products respond to a high-growth consumer trend, benefited from the work to renovate its packaging.

Outlook

The Perfumes and Cosmetics business group, based on the continuous growth achieved in recent years, offers strong potential for gaining market share and improving its operating margin in 2008.

Christian Dior has again set an objective for higher than market revenue growth. To achieve this objective, the brand intends to solidify and strengthen its strategic advances, by continuing to assert its status as a star brand and its positioning of perfume craftsman and creator. This effort will again be based on a sustained policy of innovation and refinement to serve its flagship products lines in perfume, make-up and skin care. Dior will work to consolidate its position as a European leader and accelerate its advances in markets with strong growth potential.

In 2008, **Guerlain** will celebrate 180 years of creation dedicated to beauty. The company will vigorously continue its expansion with a plan for innovations designed to reinforce its strategic lines: *Shalimar*, *L'Instant, Terracotta, Parure, KissKiss, Orchidée Impériale*. These initiatives will be enhanced by two new major project launches in the perfume and make-up segments, where Guerlain has a strong opportunity to consolidate its position.

Parfums Givenchy is projecting a new year of solid growth in 2008, with the launch of a new line of perfume for men, to be embodied by one of the most famous international personalities in his field, along with a new version of the *Very Irresistible* line for women and a strong innovation in the make-up category.

Parfums Kenzo will celebrate 20 years in the perfume industry in 2008. Its future initiatives include the creation of limited editions in its emblematic lines, the launch of a major perfume for men in the second half of the year, and the launch of a star product in the *KenzoKi* skincare line.

1.5 Watches and Jewelry

	2007	2006	2005
Revenue *(EUR millions)*	833	737	585
Revenue by geographic region of delivery *(%)*			
France	7	7	8
Europe (excluding France)	24	25	23
United States	25	25	24
Japan	13	14	16
Asia (excluding Japan)	15	14	15
Other markets	16	15	14
Total	100	100	100
Profit from recurring operations *(EUR millions)*	141	80	21
Operating margin *(%)*	16.9	10.9	3.6
Operating investments *(EUR millions)*	28	25	28
Number of stores	90	82	70

Highlights

The Watches and Jewelry business group recorded organic revenue growth of 19% and a 76% increase in profit from recurring operations, even more remarkable since it nearly quadrupled in 2006.

TAG Heuer developed its icon product lines, introduced the *Grand Carrera* line of automatic watches and chronographs and announced a diversification in the mobile telephone sector.

Zenith won the Public Grand Prize in the Geneva Watchmaking Grand Prix for its *Defy Xtreme Open Stealth* chronograph.

Sharon Stone became the icon for Dior's *Christal* collection.

Chaumet successfully established its presence in Chinese Asia.

De Beers introduced its first watch line.

The Omas brand of writing instruments was sold in 2007.

Principal developments

In 2007, for the fourth consecutive year, the dynamic performance of the LVMH watch and jewelry brands surpassed that of competing companies. The organic revenue growth of 19% recorded by the business group was higher than that of the Swiss watch market and higher than the published average increase of the principal players in the jewelry segment.

While each brand focused its investments on the most profitable and growing markets, overall growth remained balanced among the principal geographic regions and between mature and emerging markets. Thus, in 2007, ambitious objectives were achieved in China, India, the Middle East and Russia, while market share was gained in Europe, the United States and Japan.

In a context of unfavorable currency conditions, special attention was given to price increases and the global harmonization of prices, to targeting and to the effectiveness of advertising investments, and to productivity, both in the companies and in the distribution subsidiaries. This rigorous management, orchestrated by experienced and motivated teams, generated 76% growth in profit from recurring operations, even though it had already nearly quadrupled in 2006.

TAG Heuer

2007 was another record year for **TAG Heuer**, which continued its strategy of up market positioning and recorded strong, double-digit growth in all its markets.

The star brand, a dynamic leader in the prestige watch and sports chronograph segment, expanded its icon lines *Aquaracer*, *Link* and *Carrera* with models for both men and women, and launched two new watch innovations: the *calibre S*, an electromechanical movement now present on certain models in the *Link* and *Aquaracer* lines, and *Grand Carrera*, a new line of exclusively automatic watches and chronographs.

The TAG Heuer communications campaign is supported by a team that is unique in the world, composed of ambassadors distinguished by their outstanding performance and extraordinary personalities. They include Tiger Woods, Maria Sharapova, Brad Pitt, Uma Thurman, Kimi Räikkönnen, the new world Formula 1 racing champion, Lewis Hamilton, a young F1 rising star, and Shah Rukh Khan, the most famous Indian actor.

The brand modernized the architectural concept of its boutiques and worked to expand its network. In 2007, new franchised stores were also opened in Hong Kong, China, Vietnam, Malaysia, Singapore, Bahrain and South Africa. In other markets, TAG Heuer expanded its presence in the major department stores and with the leading multi-brand retailers.

Zenith

Manufacture **Zenith** consolidated its growth and established its positioning in luxury watches. The brand achieved the greatest progress in Europe, China, the United States, Russia and the Middle East and significantly improved its profit from recurring operations.

The year 2007 was dominated by the enhancement of the brand's emblematic lines, such as the *Class* and *Chronomaster* collections, and by the deployment of the new, sports-inspired *Defy* line, which was highly successful and recognized with the Geneva Watchmaking Grand Prize. Zenith, which opened a new horizon with this line, a sports watch imbued with a spirit of luxury, also expanded its high-end watches with in particular new launches of complications and Tourbillons.

Montres Dior

Montres Dior successfully continued its strategy of creating high-end luxury watches tied to the world of fashion.

With an elegance of design and the originality of the materials, the *Christal* line was exceptionally successful internationally. The union of crystal, sapphire and diamonds resulted in the creation of very exclusive pieces sought after globally. The advertising investments continued and now benefit from the radiant image of Sharon Stone, ambassador of *Christal*.

The *Chiffre Rouge* line continued its growth based on an exclusively automatic offer for men.

Chaumet

Chaumet recorded very steady revenue growth in all its markets and substantially improved its profit from recurring operations.

The brand successfully pursued the development initiated in China (Hong Kong, followed by Shanghai in December 2007) and Taiwan. It is in the process of regaining control of its distribution in South Korea.

In line with its strategy of targeted expansion, Chaumet also opened new boutiques in London, Singapore, Russia and the Middle East, but most of the growth in sales was generated by improved productivity in each store.

In order to strongly anchor the Chaumet style, creativity was focused on the strategic product lines. The new collections consolidated the brand icons: *Liens* and *Attrape-Moi* in jewelry, *Dandy* and *Class One* in watches.

De Beers

The **De Beers** brand confirmed its potential as a diamond jeweler. It recorded very solid growth driven by the success of its collections and its creations, a meld of original design and diamonds of extraordinary quality in luxury jewelry and in the engagement ring segment. The *Talisman* line, which magnifies the diamond in all states, has become an icon. De Beers opened boutiques in Japan, Seoul, Moscow, Hong Kong, Taipei, Houston, Washington, Dubai and Jeddah. The year 2007 was also marked by the launch of its first watch collection, a new promotional campaign and the creation of an Internet site for sales in the United States (www.debeers.com).

Fred

Fred recorded strong growth in France. This momentum was driven by its updated offer with the *Princess K* and *Miss Fred* lines, by a new advertising campaign, and by the modernization of its boutique concept. The brand opened its first franchised stores in Beijing and in Dubai and, at year-end, relaunched its legendary *Force 10* line.

Outlook

Pursue steady organic growth, continue to gain market share, and consolidate the profitability that has increased significantly in the last four years are the objectives of the Watches and Jewelry business group in 2008. The largest investments will be used to expand watch production capacities and to open stores in the center of metropolitan areas and strategic locations.

TAG Heuer will continue to integrate its watchmaking operations at La Chaux-de-Fonds and expand its network of boutiques. As it continues its positioning in the high end watchmaking segment, the brand will roll out its line of portable telephones in partnership with the company Modelabs.

Zenith will continue the modernization of its Factory in Le Locle. **Chaumet** and **De Beers** will selectively expand their store networks. The launch of new creations will enhance the emblematic lines in all watch and jewelry brands. **Christian Dior** will introduce several new products in the *Christal* line.

1.6 Selective Retailing

	2007	2006	2005
Revenue *(EUR millions)*	**4,179**	**3,891**	**3,648**
Revenue by geographic region of delivery *(%)*			
France	24	24	24
Europe (excluding France)	10	9	8
United States	39	40	40
Japan	3	3	3
Asia (excluding Japan)	20	20	21
Other markets	4	4	4
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**439**	**400**	**347**
Operating margin *(%)*	**10.5**	**10.3**	**9.5**
Operating investments *(EUR millions)*	**236**	**175**	**131**
Number of stores			
Sephora	756	621	558
Other trade names	153	149	156

Highlights

The Selective Retailing business group posted organic revenue growth of 12% and improved its profit from recurring operations by 10%.

DFS expanded its geographic coverage to new territories: Vietnam, a market opened in 2007, India and Macao, markets it will enter in 2008.

Confirming the worldwide success of its concept, Sephora opened stores in the Middle East and continued its expansion with excellent results in all its strategic markets.

Le Bon Marché generated strong growth last year, driven by the dynamic performance of all its departments, and continued to renovate its retail spaces.

Principal developments

DFS

In a context of reduced spending by Japanese travelers penalized by the weakness of their national currency, **DFS** revenue growth was driven by the expansion of Asian tourism, with rapid growth in travelers from China. The dynamic vitality of these new customers, perfectly anticipated and placed at the center of the strategy of the world leader in travel retail, represents a significant growth driver. In order to continue to enhance its attractiveness in this high-growth market segment, DFS initiated the expansion and redesign of its stores in Hong Kong and Singapore.

To implement its strategy of expansion into new territories, DFS also inaugurated its presence in Vietnam through a joint venture in 2007, and began operating concessions at the international airport in the Indian city of Mumbai in January 2008.

While continuing the construction of the luxurious Galleria, scheduled to open on the site of the Four Seasons Hotel in Macao in 2008, DFS is also working on a project for another location at this high-potential destination, an opportunity that should become a reality in 2009.

Miami Cruiseline

Revenue and profitability of **Miami Cruiseline** were up. The company, which holds solid positions in the cruise market, opened new retail spaces on ships. The increasingly high-end positioning of its boutiques and the efforts made to adapt its product offer to the customers of various cruise lines remain priorities and continued to yield results.

Sephora

Confirming its dynamic and profitable growth, **Sephora** again generated higher revenue in 2007 and continued to improve its operating margin. Present on three continents, Sephora had an excellent year, both in Europe and in North America, and continued to advance in new high-potential regions (China, Central Europe and the Middle East). Sephora's global network consisted of 756 stores at the end of 2007. Revenue for the online sites Sephora.com (USA), Sephora.fr (France) and Sephora.cn (China) continued to grow.

In Europe, Sephora recorded solid revenue growth on a same-store basis. It continued to expand in 2007, with 67 net new stores. These stores were primarily opened in countries where the company has already developed strong positions and where there is still high potential for growth (France, Poland, Spain, Italy, Romania, etc.). Sephora also inaugurated its presence in the new markets of Slovakia, Croatia, Serbia and Turkey.

Its expansion in the Middle East was another highlight of 2007. The first stores were opened in the United Arab Emirates, Qatar, Bahrain, Saudi Arabia and Oman, and their sales performance surpassed expectations. Europe and the Middle East together represent nine new countries that are all growth drivers.

On the American continent, Sephora opened 43 stores in 2007, raising its network to 185 stores (177 in the United States and 8 in Canada). Sephora continued to improve its performance and increase its market share in the United States, with double-digit growth on a same-store basis for the seventh consecutive year. Recently opened stores exceeded their objectives, reflecting efficient location targeting and, in general, Sephora's ability to optimize its growth model in the United States. The performance of the Canadian stores was also extremely dynamic.

The commercial success achieved in China was also on target. Sephora is working to identify carefully the expectations of Chinese customers, to expand its offers in terms of brands, and to enhance the appeal of its stores, a total of 30 on December 31, 2007. These stores are primarily concentrated in Shanghai and Beijing, but Sephora is gradually expanding its presence to other cities in the provinces.

In all the geographic regions in which it is present, Sephora stressed its strategy of differentiation through innovation, exclusivity and service, thus boosting its status as an expert in beauty. This policy is reinforced by steady investments in training sales counselors. On all the continents where Sephora is present, an in-house school offers each counselor a training course structured on several levels, to give them the opportunity to acquire and perfect the expertise needed to become a "beauty coach".

The development of make-up and skincare products under the Sephora brand represents an additional growth driver, unique because of its size within its competitive universe. The major work completed each year to renovate and modernize its stores also contributes to the brand's success, as does its effective customer loyalty program: the Sephora loyalty card, which is offered selectively, and the card-related services are being progressively expanded to all European countries and were introduced in the United States in 2007.

Le Bon Marché

Le Bon Marché recorded significant revenue growth in 2007, combined with improved profitability. All departments of the store contributed to this growth.

Capitalizing on its unique character, and on the continued redesign of its sales spaces, the flagship department store on the left bank stands out a little more each year as the benchmark for luxury and prestige in Paris. Continuing to build on its assets, the store initiated a major transformation of the home furnishings space, to be completed over three years. A first stage of the store's second floor renovation was completed in 2007.

Special events designed to promote the image of Le Bon Marché continued at a steady pace. The Paris-Tokyo exhibit, organized in the fall, was extremely successful.

Outlook

In 2008, **DFS** will continue to focus its efforts on implementing its up market positioning and winning Asian customers. Vietnam's contribution over a full year and the new store openings in Macao and Mumbai allow DFS to set a new profitable growth objective.

In 2008, **Sephora** will continue its international expansion at a steady pace, both in its key markets and in new territories, and will continue to expand its product offer in profitable segments. Sephora's goal is to intensify its profitable growth and will build steadily on its policy of innovation and exclusivity in order to do so.

Le Bon Marché will continue the second renovation phase for the home sector until September 2008. The dynamic reopening of these new retail spaces will contribute to the projected growth. In addition, the very profitable jewelry and costume jewelry sectors will be expanded. La Grande Epicerie de Paris will expand its activities and its offer of rare products to define its unique character.

2. OPERATIONAL RISK FACTORS AND INSURANCE POLICY

2.1 Operational risk factors

Counterfeit and parallel retail networks

The Group's brands, expertise and production methods can be counterfeited or copied. Products may be distributed in parallel retail networks without the Group's consent.

Around the world, LVMH is known for its brands, unrivaled expertise and production methods unique to its products.

Brands are the cornerstone of the Group's business strategy. As a result, the legal protection of its trademarks and brands is an absolute necessity, especially for the Louis Vuitton brand. Thus, brands, product names and trademarks are always filed or registered to guarantee legal protection both in France and in other countries. In general, the Group takes all measures at the international level to ensure such legal protection is complete.

The Group's products, particularly leather goods, are subject to counterfeiting, especially in Europe and South East Asia.

Moreover, the Group's perfumes and cosmetics may be found, without LVMH's control, in points of sale that are inappropriate for the image or nature of these products (known as parallel or "gray market" trade).

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

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

In addition, the Group takes various measures to fight the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels. In 2007, the cost of these initiatives was 16 million euros.

Competition

LVMH faces intense competition from an increasing number of market participants and product offerings. Within this environment, the positioning of LVMH products depends upon the image of its brands and the exemplary quality and innovative content of its products. Other factors influencing this positioning include product design and style, brand image and reputation.

Competition in the markets in which LVMH operates is also being driven by the concentration of retail networks and the emergence of new players. This is true for Wines and Spirits as well as Perfumes and Cosmetics which are currently facing pressure on margins, a plethora of rival product launches and encroachment by retail chains. Competition is also intensifying in Fashion and Leather Goods, where the development and constant improvement of products constitute LVMH's primary strengths.

Regulations

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

Seasonality

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

Worldwide operations

The Group conducts business internationally and as a result is subject to various types of risks and uncertainties. These include currency fluctuations which can affect transactions, customer purchasing power, and the value of operating assets located abroad, economic changes that are not necessarily simultaneous from one country to another, and customs regulations or import restrictions imposed by some countries that may, under certain circumstances, penalize the Group. Please see the "Financial policy" section below, for further information concerning the currency hedges used to mitigate foreign exchange risks.

It is important to note that LVMH's activity is equally spread between three geographical and monetary regions: Asia, the euro zone and the United States. This geographic balance helps to offset the risk of exposure to any one area.

Finally, the LVMH Group operates to a very limited degree in countries which impose restrictions on repatriation of profits or access to foreign exchange.

Other risk factors

Customer risk

Because of the nature of its activities, the majority of the Group's sales are not affected by customer risk. Sales are made directly to customers through our Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Perfumes and Cosmetics stores. Together, these sales accounted for approximately 66% of total revenue in 2007.

Furthermore, for revenue not included in this figure, the Group's businesses are not dependent on a limited number of customers whose default would have a significant impact on Group activity level or earnings.

Country risk

In general, the LVMH Group has little or no presence in politically instable regions.

The other risk factors, not directly related to business activities but to financing and investment transactions, are described in the "Financial policy" section below.

2.2 Industrial and environmental risks

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

2.2.1 Mitigating industrial risks

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

This approach is combined with an industrial and environmental risk monitoring program. In 2007, engineering consultants devoted about 250 audit days to the program.

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

2.2.2 Preventing product-related risks; Incident management

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

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

2.2.3 Risks incurred by all Group activities

The business of the Group's companies is such that particular attention is paid to exposures arising from the storage and transportation of raw materials and finished goods.

Due to the geographical locations of its operations, the Group's businesses may be exposed to natural catastrophes.

2.2.4 Loss experience

In 2007, the Group's businesses did not suffer the impact of any significant disasters. All losses were fully covered by the Group's insurance policies.

2.2.5 Verification of the proper application of risk management policies

LVMH conducts regular site visits and uses reporting procedures to monitor the implementation and operation of risk management actions at Group entities. This enables the Group to review and assess the pertinence of its risk management policy on an ongoing basis.

Since 2004, the Group has made use of a risk-mapping tool enabling the systematic identification and documentation of its major operational risks based on a shared framework. Risk-mapping based on severity level and occurrence probability allows for identification and management of key risks.

This information and early warning tool is also used in decision-making since the identification not only of risks, but also of potential weaknesses in security procedures and protective actions, enables managers to take preemptive action and implement corrective measures to reduce the likelihood of their occurrence.

2.3 Risk coverage and insurance policies

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

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

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

Compared with LVMH's financial capacity, the Group's level of self-insurance does not seem significant. The deductibles payable by Group companies in the event of a claim reflect an optimal balance between coverage and the total cost of risk. Insurance costs paid by Group companies are less than 0.35% of consolidated revenue.

The financial ratings of the Group's main insurance partners are reviewed on a regular basis.

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

2.3.1 Property and business interruption insurance

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and associated operating losses. Other business operations are covered under programs coordinated at corporate level.

Property damage insurance limits are provided in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. The upper limit of this program is 1 billion euros, an amount determined on the basis of the Group's maximum possible loss.

Coverage for "natural events" provided under the Group's international damage insurance program is limited to 50 million euros per claim and 150 million euros per year. These limits are in line with the Group companies' risk exposures.

2.3.2 Transportation insurance

All Group operating entities are covered by an "Inventory and Transit" transportation insurance contract. The upper limit of this program (some 50 million euros) corresponds to the maximum transportation liability.

2.3.3 Third-party liability

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

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

Environment and accidental pollution-related risks are covered under this program.

Specific insurance policies have been implemented for countries where no state insurance schemes are available for work-related accidents, such as the United States. Coverage levels are in line with the various legal requirements imposed by the different states.

2.3.4 Coverage for special risks

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

3. FINANCIAL POLICY

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

- Improving the Group's financial structure, as evidenced by the key indicators listed below:
  - continued growth in equity;
  - decrease in net debt;
  - maintaining a high-level weighting of long term debt in net financial debt;
  - increase in cash, cash equivalents and current available for sale financial assets;
  - the Group's financial flexibility, based on a significant reserve of confirmed credit lines.

  Thanks to substantial cash flow from operations, net financial debt was again reduced from 3,400 million euros at December 31, 2006 to 3,094 million euros at year-end 2007.

  Year-end equity before appropriation of profit increased by 8% to 12,528 million euros thanks to the growth in 2007 net profit, despite the negative impact of translation adjustments resulting from the year-on-year depreciation of the US dollar in relation to the euro and the payment of dividends in the amount of 842 million euros.

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

  With regard to foreign exchange risks, the Group continued to hedge the risks of exporting companies using call options or ranges to limit the negative impact of currency depreciation while retaining most of the gains in the event of currency appreciation. This strategy enabled the Group to obtain hedging rates for the US dollar and the yen, its two main invoicing currencies, higher than their respective average annual exchange rates.

- The increasing use of borrowing in the French commercial paper market, while preserving a high proportion of long term financing within the Group's net financial debt.
- Maintaining a balanced investment profile, as exemplified in 2007 by the increase in the amount of cash, cash equivalents and current available for sale financial assets. Investments other than money-market investments are mostly made with the aim of preserving capital, experiencing low volatility and a moderate exposure to the general movement of the equity markets. The Group holds directly and by means of derivatives a limited equity investment portfolio. Overall, the performance of non money-market investments was satisfactory in 2007.
- Controlling financial expenses.

  The cost of net financial debt increased in 2007, totaling 207 million euros, compared with 173 million euros in 2006. This increase is due to the rise in short term interest rates, particularly for loans denominated in euros, the Group's primary debt currency, whose one-month interest rate average rose by over 30% in 2007. The impact of this rise exceeded that of the reduction in average net financial debt. The Group nevertheless managed to limit in 2007 the impact of interest rate increases in euros, Swiss francs and US dollars thanks to the high proportion of its fixed rate loans at the beginning of the fiscal year.

  Financial income and expenses were favorably impacted by proceeds from the sale of financial assets, various short-term

investments or shares of mutual funds, as well as dividends received, albeit for amounts less than in 2006. Moreover, the recognition of the change in value of the ineffective portion of foreign exchange hedges had a significantly bigger adverse impact on financial income and expenses than in the prior fiscal year.

• Pursuing a dynamic dividend payout policy to shareholders, to enable them to benefit from the company's excellent performances over the year:
  - an interim dividend for 2007 of 0.35 euro was paid in December 2007;
  - proposal of a total gross dividend of 1.60 euro per share for the period, up 14.3% compared to the prior year; as a result, total dividend payments to shareholders by LVMH in respect of 2007 amounts to 784 million euros, before the impact of treasury shares held at this date.

3.1 Market risks

3.1.1 Exposure to foreign exchange risk

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

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

The Group actively manages its exposure to foreign exchange risk in order to reduce its sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options.

Owning substantial assets denominated in currencies other than euros (primarily the US dollar and Swiss franc) is also a source of foreign exchange risk with respect to the Group's net assets. This risk is managed via total or partial funding of these assets with borrowings denominated in the same currency as the corresponding asset.

3.1.2 Exposure to interest rate risk

The Group's exposure to interest rate risk may be assessed with respect to the amount of its consolidated net debt, which totaled approximately 3.1 billion euros as of December 31, 2007. At this date, 47% of gross debt was subject to a fixed rate of interest and 53% was subject to a floating interest rate.

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

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

3.1.3 Exposure to equity market risk

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

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

The Group has occasional and limited recourse to derivatives in order to manage its exposure to risk. In general, the purpose of derivatives is to serve as a hedge against fluctuations in share prices. In particular, equity swaps in LVMH shares allow cash-settled LVMH share-based incentive plans to be hedged. Derivatives may also be used to build a synthetic long position.

3.1.4 Exposure to liquidity risk

The Group's local liquidity risks are generally not significant. Its overall exposure to liquidity risk can be assessed with regard to the amount of its net short term financial debt before hedging (0.7 billion euros) and outstandings in respect of its commercial paper program (1.1 billion euros). Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.9 billion euros.

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

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

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

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

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

These activities are organized based on a strict segregation of duties between risk measurement, hedging (front office), administration (back office) and financial control.

The backbone of this organization is an integrated information system which allows hedging transactions to be monitored in real time.

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

Potential counterparties are selected based on a minimum rating level and in accordance with the Group's risk diversification strategy.

3.2 Consolidated cash flow

The consolidated cash flow statement, as presented in the Group's consolidated financial statements, details the main cash flows for fiscal year 2007.

In 2007 cash from operations before changes in working capital rose 15% to 4,039 million euros from 3,504 million euros in 2006.

Net cash from operations before changes in working capital (i.e. after interest and income tax) rose 15% to 2,932 million euros from 2,546 million euros recognized in 2006.

Interest paid in 2007 amounted to 191 million euros against 174 million euros in 2006, increasing mainly due to the increase in euro interest rates, despite the reduction in the average financial debt outstanding.

Income tax paid in 2007 amounted to 916 million euros against 784 million euros in 2006, given the increase in profit before tax.

Working capital requirements increased by 474 million euros. Changes in inventories increased cash requirements by 565 million euros, due mainly to the replenishment of distilled alcohol inventories for Cognac and Champagne wines and the increase in business volumes. The year-on-year increase in trade accounts receivable generated a cash requirement of 197 million euros, mainly at Hennessy and Parfums Christian Dior, while the change in trade accounts payable provided extra cash of 222 million euros, notably at Hennessy, Louis Vuitton, the French perfume brands and Sephora.

Overall, net cash from operating activities posted a surplus of 2,458 million euros.

Net cash used in financial and operating investment activities amounted to 1,293 million euros.

Group operating investments, net of disposals, resulted in net cash outflows of 952 million euros. The increase in their gross amount reflects the Group's dynamic growth policy and that of its star brands, such as Louis Vuitton, Sephora and Parfums Christian Dior, together with the acquisition of the Belvedere brand in the United States.

Acquisitions of non-current available for sale financial assets exceeded disposals by 12 million euros. The net impact of the purchase and sale of consolidated investments resulted in an outflow of 329 million euros, primarily attributable to the acquisition of Les Echos group, the 6% stake in Fendi that was not yet owned by LVMH and 55% of Wen Jun Spirits in China.

Transactions relating to equity generated an 827 million euros outflow over the year.

Disposals of LVMH treasury shares and related derivatives by the Group, net of acquisitions, generated a cash inflow of 14 million euros. As in 2006, LVMH call options were acquired to cover commitments for purchase options granted to employees.

In 2007, LVMH SA paid 686 million euros in dividends, excluding treasury shares, of which 520 million euros were distributed in May in respect of the final dividend on 2006 profit and 166 million euros in December in respect of the interim dividend for 2007. Furthermore, the minority shareholders of consolidated subsidiaries received 156 million euros in dividends; these mainly consist of dividends paid to Diageo related to its 34% equity interest in Moët Hennessy and minority interests in DFS.

Net cash provided by these operating, investment and equity-related activities, including the dividend payment, amounted to 338 million euros.

Borrowings and financial debt were amortized in 2007 for an amount of 1,700 million euros, and 278 million euros were invested in current available for sale financial assets.

Conversely, additional financial resources were realized by way of bond issues and new borrowings, which provided a cash inflow of 2,006 million euros. In November 2007, the Group carried out a six-year public bond issue in a nominal amount of 300 million Swiss francs. Furthermore, the Group increased its recourse to its French commercial paper program and LVMH K.K. developed a commercial paper program in Japan as a replacement for the private placements issued under its Euro Medium Term Notes program.

At the year-end 2007, cash and cash equivalents net of bank overdrafts amounted to 1,087 million euros, substantially higher than the amount of 765 million euros held at year-end 2006.

3.3 Financial structure

The total of LVMH's consolidated balance sheet, as presented in the Group's consolidated financial statements, amounted to 30.7 billion euros as of December 31, 2007, which represents a year-on-year increase of 6.8%.

Non-current assets totaled 20.3 billion euros, compared with 19.6 billion euros at year-end 2006, representing 66% of total assets compared to 68% one year earlier.

Tangible and intangible fixed assets increased slightly to 18.2 billion euros at year-end, against 17.9 billion euros at year-end 2006. Brands and other intangible assets amounted to 8.0 billion euros compared with 8.2 billion euros as of December 31, 2006. The adverse impact of exchange rate fluctuations on brands and other intangible fixed assets recognized in US dollars, such as the Donna Karan brand and the DFS trade name, exceeded the positive impact of the purchase of the Belvedere brand in the United States.

Goodwill increased to 4.8 billion euros, against 4.5 billion euros at year-end 2006. This change resulted mainly from the increase in goodwill related to share purchase commitments for minority interests and the acquisition of Wen Jun Spirits in China, offset by foreign currency effects on goodwill recognized in US dollars, such as that of Donna Karan and Miami Cruiseline.

Property, plant and equipment amounted to 5.4 billion euros, up from 5.2 billion euros a year earlier. This increase is primarily attributable to the operating investments of Louis Vuitton, Sephora, Parfums Christian Dior and DFS in their retail networks and those of Hennessy and Moët & Chandon in their production equipment, which exceeded the depreciation charge for the year and the effects of foreign currency fluctuations.

Investments in associates, non-current available for sale financial assets, other non-current assets and deferred tax assets increased from 1.7 billion euros at year-end 2006 to 2.0 billion euros at year-end 2007. This increase is due mainly to the acquisition of the media group Les Echos, which is included under non-current available for sale financial assets as of December 31, 2007 and will be consolidated in 2008.

Inventories amounted to 4.8 billion euros compared with 4.4 billion euros at year-end 2006, due to the vigorous growth in business volumes and the continued replenishment in distilled alcohol inventories for Cognac and, to a lesser extent, wines for Champagne.

Trade accounts receivable reached 1.6 billion euros, up from 1.5 billion euros at year-end 2006, mirroring revenue growth.

Cash and cash equivalents, excluding current available for sale financial assets, rose from 1.2 billion euros at year-end 2006 to 1.6 billion euros.

The Group share of equity before appropriation of profit increased to 11.6 billion euros from 10.6 billion euros at year-end 2006, thanks to the amount of net profit attributable to the Group and despite the negative change in the cumulative translation adjustment resulting from the depreciation of the US dollar in relation to the euro and the payment of dividends for an amount of 0.7 billion euros, an increase of 0.1 billion euros compared to 2006.

Minority interests fell slightly to 0.9 billion euros, from 1.0 billion euros one year earlier. This decrease is due to the effect of the depreciation of the US dollar on minority interests in DFS, which, in addition to the dividends paid, exceeds the portion attributable to minority interests in 2007 profit.

Total equity amounted to 12.5 billion euros and represented 41% of the balance sheet total against 40% in the previous year.

At end-2007, non-current liabilities amounted to 10.4 billion euros, including 2.5 billion euros in long term borrowings. This compares to 10.8 billion euros at year-end 2006, including an amount of long term borrowings of 3.2 billion euros. The decrease in long term borrowings was primarily due to the reclassification of borrowings reaching maturity in 2008 under short term borrowings. Other non-current liabilities consist mainly of share purchase commitments, the most notable of which is the purchase agreement with a 20% discount and a six-month notice period granted to Diageo in respect of its 34% stake in Moët Hennessy. Non-current liabilities as a proportion of the total balance sheet fell to 34% from 38% in 2006.

Long term resources thus amounted to 23.0 billion euros, and exceeded total non-current assets.

Current liabilities amounted to 7.8 billion euros as of December 31, 2007, compared to 6.4 billion euros at year-end 2006, due notably to the transfer to short term financial debt of a bond issued in 2001 for an initial period of seven years and the increase in trade accounts payable resulting from the growth in business volumes and distilled alcohol purchases. Their proportion of total liabilities and equity rose to 25%.

Net financial debt, including the market value of interest rate derivatives, and net of cash, cash equivalents and current available for sale financial assets, amounted to 3.1 billion euros as of December 31, 2007 compared to 3.4 billion euros one year earlier, representing a gearing of 25% compared with 29% at year-end 2006.

Long term borrowings exceed 70% of the Group's total net debt.

As of December 31, 2007 confirmed credit lines amounted to 4.1 billion euros, of which only 0.2 billion euros were drawn, which means that the undrawn amount available was 3.9 billion euros. The Group's undrawn confirmed credit lines substantially exceeded the outstanding portion of its commercial paper program, which amounted to 1.1 billion euros as of December 31, 2007.

4. EMPLOYEE INFORMATION

A number of initiatives were pursued in 2007 with the aim of further reinforcing the quality and reliability of the Group's worldwide reporting system. This work involved a formal assessment of the consistency of the Group's social and financial reporting. The scope of financial reporting now covers all staff employed by Group companies consolidated on a full or proportional basis, but does not include equity-accounted associates.

The definitions of human resources indicators were also clarified so as to minimize the impact of recurring differences from one country to the next. New information system controls were developed to enhance the reliability and consistency of information entered. A total of 504 organizational entities, representing more than 99% of the Group's workforce worldwide, participate in the social reporting system and the monitoring of the indicators defined below.

4.1 Analysis and development of the workforce

4.1.1 Breakdown of the workforce

LVMH Group's total workforce as of December 31, 2007 amounted to 71,885 employees. Of this total, 63,552 employees worked under permanent contracts (CDI) and 8,333 worked under fixed-term contracts (CDD). Part-time employees represented 14% of the total workforce, or 9,928 individuals. The portion of staff outside France now stands at 74% of the workforce worldwide.

The Group's average Full Time Equivalent (FTE) workforce in 2007 comprised 63,464 employees, a rise of 10.9% on 2006.

The main changes are due to organic growth and the opening of new stores, essentially in Europe, Asia and the United States. The workforce of Wines and Spirits, Fashion and Leather Goods and Selective Retailing increased by an average of more than 10%. Among the changes in the scope of consolidation in 2007, we should note the acquisition of Wen Jun Spirits in China and the disposals of Omas and La Tribune.

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

Breakdown by business group

Total headcount as of December 31 (1)	2007	%	2006	%	2005	%
Wines and Spirits	6,313	9	5,521	9	5,134	8
Fashion and Leather Goods	20,803	29	17,951	28	18,071	31
Perfumes and Cosmetics	15,719	22	14,747	23	13,628	22
Watches and Jewelry	2,014	3	1,882	3	1,844	3
Selective Retailing	26,323	36	23,275	36	21,544	35
Other	713	1	877	1	867	1
Total	**71,885**	**100**	**64,253**	**100**	**61,088**	**100**
Average headcount during the period (2)						
Wines and Spirits	6,780	11	5,462	9	5,144	9
Fashion and Leather Goods	19,028	30	16,904	30	17,182	31
Perfumes and Cosmetics	14,275	23	13,453	24	12,771	23
Watches and Jewelry	1,994	3	1,836	3	1,767	3
Selective Retailing	20,494	32	18,612	32	17,540	32
Other	893	1	938	2	952	2
Total	**63,464**	**100**	**57,205**	**100**	**55,356**	**100**

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

Breakdown by geographic region

Total headcount as of December 31 [(1)]	2007	%	2006	%	2005	%
France	19,044	26	18,992	30	18,919	31
Europe (excluding France)	16,245	23	13,168	21	12,741	21
United States	16,136	23	14,217	22	13,103	21
Japan	4,929	7	4,596	7	4,621	8
Asia (excluding Japan)	13,084	18	11,073	17	10,059	16
Other	2,447	3	2,207	3	1,645	3
Total	**71,885**	**100**	**64,253**	**100**	**61,088**	**100**
Average headcount during the period [(2)]						
France	18,538	29	18,448	32	18,423	33
Europe (excluding France)	13,771	22	11,181	20	11,002	20
United States	12,203	19	11,024	19	10,533	19
Japan	5,008	8	4,563	8	4,591	8
Asia (excluding Japan)	11,775	19	9,990	17	9,150	17
Other	2,169	3	1,999	4	1,657	3
Total	**63,464**	**100**	**57,205**	**100**	**55,356**	**100**

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

Breakdown by professional category

Total headcount as of December 31 [(1)]	2007	%	2006	%	2005	%
Managers	11,233	15	10,335	16	9,548	15
Technicians and team leaders	7,050	10	6,282	10	6,021	10
Office and sales personnel	43,667	61	39,106	61	36,513	60
Labor and production workers	9,935	14	8,530	13	9,006	15
Total	**71,885**	**100**	**64,253**	**100**	**61,088**	**100**
Average headcount [(2)]						
Managers	11,244	18	10,035	17	9,386	17
Technicians and team leaders	6,689	10	6,078	11	5,796	10
Office and sales personnel	35,927	57	32,634	57	31,164	57
Labor and production workers	9,604	15	8,458	15	9,010	16
Total	**63,464**	**100**	**57,205**	**100**	**55,356**	**100**

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

Average age and breakdown by age

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

(%)	Global workforce	France	Europe (1)	USA	Japan	Asia (2)	Other markets
Age: Less than 25 years	12.2	7.3	11.5	19.7	6.1	14.0	10.8
25 - 29 years	20.3	14.8	17.9	21.6	28.4	26.1	23.5
30 - 34 years	19.0	16.5	21.4	14.7	30.1	20.7	20.8
35 - 39 years	15.2	15.9	17.9	11.6	16.2	14.5	16.6
40 - 44 years	11.9	15.0	12.3	9.5	9.1	10.6	11.2
45 - 50 years	8.9	12.4	8.5	7.9	5.7	6.7	7.3
50 - 54 years	6.5	10.0	5.2	6.1	2.7	4.4	5.6
55 - 59 years	4.3	7.2	3.4	4.6	1.6	2.0	2.5
60 years and over	1.8	1.0	1.8	4.4	0.2	1.0	1.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average age	**36**	**39**	**36**	**36**	**34**	**34**	**35**

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

Average length of service and breakdown by length of service

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

(%)	Global workforce	France	Europe (1)	USA	Japan	Asia (2)	Other markets
Length of service: less than 5 years	56.9	34.1	59.4	74.6	54.4	67.5	64.7
5 - 9 years	21.5	26.0	24.5	14.7	29.9	16.6	21.4
10 - 14 years	8.0	10.9	7.7	4.8	7.6	8.0	6.0
15 - 19 years	6.1	11.2	4.5	2.9	5.4	4.6	3.3
20 - 24 years	3.2	6.9	1.6	1.6	1.9	1.9	2.6
25 - 30 years	2.2	5.2	1.2	0.9	0.6	1.0	1.1
30 years and over	2.2	5.7	1.3	0.5	0.2	0.5	1.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average length of service	**7**	**11**	**6**	**5**	**6**	**5**	**6**

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

4.1.2 Joiners, leavers and internal mobility

Identifying and attracting talent are a key strategic objective of LVMH's recruitment policy.

In keeping with this policy, Group companies participated in about a hundred events organized on the campuses of universities as well as engineering, business and design schools in 2007. These encounters with young people serve to raise the profile of the Group and its companies and to convey the attractiveness of the career opportunities offered across a wide range of professions. For the second year in a row, the 2007 Universum French Graduate Survey involving 10,300 students from 84 leading French institutions ranked LVMH at the top of the list of companies preferred by young business school graduates. Similar initiatives were pursued in the United States (Columbia, Harvard, Stanford, Wharton, Kellogg), Brazil (FGV), Japan (Waseda, Keiko, Sophia, Hitotsubashi, Tokyo) and at other major Asian universities (Tsinghua, CKGSB, BiMBA, Fudan).

Accessible on the Internet since June 2006, the "Join LVMH" pages of the Group website allow visitors to browse job opportunities and submit their applications online. All Group companies worldwide publish their job offers on the site, but also their available internships, VIEs (international volunteer opportunities in companies) and apprenticeships. Each day, more than 5,000 visitors perform searches on the website, browse offers, and sign up for automatic job opening notifications, while 320 candidates submit their applications online in response to one or more offers.

Worldwide in 2007, nearly 16,000 individuals were hired under permanent contracts, including 2,077 in France. A total of 4,447 people were recruited in France under fixed-term contracts. The seasonal sales peaks, at the end of year holiday season and the harvest season, are the two main reasons for using fixed-term contracts.

Departures from Group companies in 2007 (all causes combined) affected a total of 14,334 employees working under permanent contracts, of which almost half were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate. The leading causes for departure were resignations (77% of total departures) and individual layoffs (11% of total departures).

The overall turnover rate increased by about 10% compared to previous years and continues to show marked differences across geographic regions: the highest rates are recorded in North America and Asia, where labor markets are more fluid.

Turnover by geographic region

(%)		2007	France	Europe (4)	USA	Japan	Asia (5)	Other markets	2006	2005
Total turnover (1)		22.4	11.3	20.2	38.2	15.7	27.3	16.1	20.2	20.2
o/w:	voluntary turnover (2)	17.4	6.2	15.5	31.9	13.2	23.0	9.0	14.6	14.7
	involuntary turnover (3)	4.4	3.9	4.3	5.8	2.3	4.1	7.0	4.9	4.9

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

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

(number)	Joiners			Leavers		
	2007	2006	2005	**2007**	2006	2005
Wines and Spirits	983	923	794	742	580	619
Fashion and Leather Goods	4,811	3,611	3,631	3,512	3,356	3,354
Perfumes and Cosmetics	3,064	2,254	2,649	2,635	2,070	2,102
Watches and Jewelry	440	318	309	295	302	242
Selective Retailing	9,420	6,502	6,217	7,071	5,395	4,483
Other	106	83	43	79	83	32
Total	**18,824**	**13,691**	**13,643**	**14,334**	**11,786**	**10,832**
France	2,714	1,983	1,721	2,051	1,707	1,788
Europe (excluding France)	3,573	2,546	2,728	2,675	2,348	2,171
United States	6,144	4,909	4,640	5,079	4,069	3,612
Japan	654	620	482	616	551	695
Asia (excluding Japan)	5,009	3,109	3,881	3,517	2,793	2,387
Other	730	524	191	396	318	179
Total	**18,824**	**13,691**	**13,643**	**14,334**	**11,786**	**10,832**

LVMH encourages mobility among its staff, from one geographic region to another, or from one Group company to another. The wide range of companies making up the Group, their unique corporate identities as well as their expertise in a variety of business segments, lend favor to these two forms of mobility. Today more than half of all managerial positions are filled by means of internal mobility and in 2007 nearly 700 of these movements were from one Group company to another.

LVMH also fosters mobility between professional categories by encouraging its employees to acquire new skills, especially by pursuing qualifying training or degree programs. More than 3,250 staff members were promoted in 2007, representing about 5% of the total workforce.

4.2 Work time

4.2.1 Work time organization

Worldwide, 17% of employees benefit from variable or adjusted working hours and 21% work as a team or alternate their working hours.

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

Employees affected *(%)*	**Global workforce**	**France**	**Europe** [(1)]	**USA**	**Japan**	**Asia** [(2)]	**Other markets**
Variable/adjusted schedules	17	37	18	6	10	3	1
Part-time	17	12	21	34	0.5	9	14
Teamwork, alternating hours or night shifts	21	8	6	20	29	55	9

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

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

Employees affected *(%)*	Workforce France	Managers	Technicians and team leaders	Office and sales personnel	Labor and production workers
Variable/adjusted schedules	37	38	56	54	3
Part-time	12	3	6	24	7
Teamwork, alternating hours or night shifts	8	1	6	3	21
Employees benefiting from time off in lieu	20	-	20	13	46

4.2.2 Overtime

The cost of the volume of overtime is 33 million euros, or an average of 1.6% of the worldwide payroll. This cost varies between 1.4% and 2.3% of the payroll depending on the geographic region.

Percentage of overtime by region

(% of payroll)	Global workforce	France	Europe (1)	USA	Japan	Asia (2)	Other markets
Overtime	1.6	1.4	2.0	1.6	2.3	1.5	1.0

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

4.2.3 Absenteeism

The worldwide absentee rate of the LVMH Group for employees working under permanent and fixed-term contracts is 4.7%. It increased slightly compared with previous years (4.1% in 2006 and 4.3% in 2005). This adverse development is attributable to the two main causes of absence—illness and maternity leave—primarily in the United States and Asia.

Absentee rate (1) by region and by reason

(%)	Global workforce	France	Europe (2)	USA	Japan	Asia (3)	Other markets
Illness	2.3	3.4	3.7	1.4	0.3	1.1	1.4
Work/work-travel accidents	0.2	0.4	0.1	0.2	0.0	0.1	0.2
Maternity	1.4	1.6	2.5	0.8	1.1	0.8	1.0
Paid absences (family events)	0.4	0.3	0.3	0.4	0.2	0.8	0.1
Unpaid absences	0.3	0.2	0.2	0.3	0.2	0.5	0.4
Overall absentee rate	**4.7**	**5.9**	**6.8**	**3.1**	**1.8**	**3.3**	**3.1**

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

4.3 Compensation

4.3.1 Average salary

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

Employees concerned *(%)* *(salary in euros)*	**2007**	2006	2005
Less than 1,500	12.7	20.5	24.6
1,501 to 2,250	38.5	30.7	31.4
2,251 to 3,000	17.9	19.2	18.5
Over 3,000	30.9	29.6	25.5
Total	**100.0**	**100.0**	**100.0**

4.3.2 Personnel costs

Worldwide personnel costs break down as follows:

(EUR millions)	**2007**	2006	2005
Gross payroll - fixed term or permanent	2,077.1	1,965.9	1,879.5
Employers' social security contributions	550.8	504.7	460.5
Temporary staffing costs	101.7	85.0	92.3
Total personnel costs	**2,729.6**	**2,555.6**	**2,432.3**

Outsourcing and temporary staffing costs remain stable, accounting for 6.6% of the total payroll worldwide, including employer's social security contributions.

4.3.3 Incentive schemes, profit sharing and company savings plans

All companies in France with at least 50 employees have an incentive scheme, profit sharing or company savings plan. These plans accounted for a total expense of 91.0 million euros in 2007, a rise of 7% against 2006.

(EUR millions)	**2007**	2006	2005
Profit sharing	50.5	46.5	43.6
Incentive	35.2	33.7	27.0
Employer's contribution to company savings plans	5.4	4.9	4.2
Total	**91.1**	**85.1**	**74.8**

In 2001, the Group set up a worldwide share purchase option plan under which 25 options were allocated to all Group employees with a strike price of 66 euros. Since May 2005 the beneficiaries of this plan have been able to exercise their options at any time until May 2009.

4.4 Equality and diversity

As a signatory of the United Nations Global Compact and, in France, of the Charte de la Diversité and the Charte d'Engagement des Entreprises au Service de l'Egalité des Chances dans l'Education, LVMH places considerable emphasis on maintaining diversity, which it sees as one of its key assets. All of its brands pursue growth within a stimulating multi-cultural working environment, so as to anticipate and then fully satisfy the needs of their international clientele. For this reason, Group companies recruit and develop the best international talents so as to better grasp the various cultural sensitivities and leverage them as a decisive competitive advantage. This quest for mutual enrichment through the contact of cultures, origins and knowledge is formalized in the Diversity policies implemented by Group companies. In 2007, this commitment notably gave rise to the collective efforts of seven Corporate Social Responsibility workgroups involving human resources personnel of the participating companies. This focus on awareness raising, the sharing of best practices and the development of new means of action was specifically brought to the fore during the first Social Responsibility Convention organized by the Group in December 2007.

Lastly, for the second consecutive year, a worldwide survey was conducted on the basis of GRI 3 performance indicators relating to human rights and labor practices.

4.4.1 Equality of opportunity for men and women

The proportion of women within the Group workforce has remained broadly unchanged for several years and now amounts to 72%. This proportion is also reflected in new hires, 74% of whom were women in 2007. The significant percentage of female employees is explained in part by the nature and attractiveness of LVMH's business segments. Women are particularly prominent in Perfumes and Cosmetics (81%), Selective Retailing (79%) and Fashion and Leather Goods (74%). Conversely, the majority of staff in Wines and Spirits are men, representing 66% of the workforce in this business group.

Proportion of female employees in new joiners [1] and in the Group's active workforce

% Women	Joiners			Group employees		
	2007	2006	2005	**2007**	2006	2005
Breakdown by business group						
Wines and Spirits	45	40	38	34	33	32
Fashion and Leather Goods	71	71	71	74	74	74
Perfumes and Cosmetics	83	86	84	81	81	80
Watches and Jewelry	57	56	58	56	56	55
Selective Retailing	77	81	80	79	79	77
Other	54	57	45	53	53	53
Breakdown of personnel by professional category						
Managers	59	60	57	57	57	56
Technicians and team leaders	67	70	70	69	70	69
Office and sales personnel	79	81	82	80	81	80
Labor and production workers	58	65	45	62	62	62
Breakdown by geographic region						
France	71	69	69	67	67	67
Europe (excluding France)	76	80	79	76	75	75
United States	72	76	73	73	73	70
Japan	79	82	79	77	77	76
Asia (excluding Japan)	76	78	80	75	77	76
Other	69	59	63	61	61	60
LVMH Group	**74**	**76**	**75**	**72**	**72**	**71**

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

An increasing number of management positions are also being filled by women, who make up 57% of managers, as they did last year. This trend seems destined to continue, as women accounted for 59% of new hires to managerial positions in 2007.

Equality of opportunity also prevails in career advancement. Accordingly, 71% of staff promoted in 2007 were women.

In addition, 28% of executive committee members are women and six Group companies are chaired by women: Veuve Clicquot Ponsardin, Fred, Montres Dior, Kenzo Parfums, e-Luxury and Acqua di Parma.

4.4.2 Management of older staff

The fact that, at LVMH, several generations of artisans and luxury professionals work side-by-side contributes in an active and efficient manner to the transmission of Group know-how. Group companies encourage this approach and lend their support to preserving this dynamic, notably through the implementation of mentoring actions entrusted to older staff. Exemplary among Group companies in its support of older staff, Moët Hennessy Diageo has established a Commission for Seniors whose role is to ensure that there is no discrimination against this category of employees in terms of compensation, training or career advancement.

Worldwide, 12.6% of the LVMH Group's active workforce are over the age of 50. In France, this population accounts for 18.2% of employees.

4.4.3 Employment of disabled persons

The creation this year of "Mission Handicap LVMH" underscores the Group's commitment to the employment of disabled persons. This association provides operational assistance to the human resources staff of Group companies to facilitate the recruitment and retention of disabled employees and to develop sub-contracting to disabled-friendly or protected sectors. Some ten Group companies participated in the "Semaine pour l'emploi des personnes handicapées" organized by ADAPT in Paris and in other actions throughout the rest of France.

Several initiatives are designed to assist employees who have had work-related illnesses to return to employment: the ERIM (Espace Reclassement Interne Mobilité) at Moët & Chandon and two specially equipped industrial workshops at Parfums Christian Dior.

Prevention programs have been established at several production sites, notably at Louis Vuitton's workshops.

Parfums Givenchy has developed local partnerships with associations promoting the employment of disabled persons. Le Bon Marché has trained an entire team in the use of LSF (French Sign Language) in order to integrate a young deaf employee under the best possible conditions.

Hennessy has welcomed several interns from a vocational rehabilitation center so as to introduce them to its professions.

Disabled staff represent 0.9% of the Group's global workforce. In 2007, this rate was 1.8% for France, with a total of 2.8 million euros in services sub-contracted to ESATs (assisted employment centers) or disabled-friendly companies, an increase of 16% compared to the previous year.

4.5 Training

Group companies offer a broad range of training programs to allow staff to develop their professional skills and their specific business line expertise as artisans and creators as well as to share a common vision. The Group offers a wide range of training programs worldwide–human resource management, sales techniques, marketing, project management, foreign languages, etc.–specifically adapted to the needs and professions of each company. Seminars are led by outside trainers, among the most respected in their professions worldwide, but also by Group managers considered as experts in their particular areas of expertise. These training programs are organized by the training center of the specific business group or by regional training centers in Asia, Japan, the United States, France, the United Kingdom, Spain and Italy and are distributed uniformly across all hierarchical levels and among men and women.

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

Global workforce	2007	2006	2005
Training investment *(EUR millions)*	54.7	52.1	44.6
Portion of total payroll *(%)*	2.7	2.8	2.3
Number of days training per employee	3.8	3.5	3.5
Average cost of training per employee *(in euros)*	759	803	737
Employees trained during the year *(%)*	70.0	70.6	72.3

In 2007, training expenses incurred by the Group's companies throughout the world rose 5% on 2006 to a total of 54.7 million euros, or 2.7% of total payroll.

In 2007, the average training expense per full-time equivalent employee was approximately 760 euros. A total of 275,700 training days were provided.

A total of 70% of employees received at least one day of training during the year and the average number of days training came to 3.8 days per employee. The training investment is spread across all professional categories and geographic regions in accordance with the table below.

Breakdown of training investment by geographic region and professional category

	France	Europe (1)	USA	Japan	Asia (2)	Other markets
Training investment *(EUR millions)*	23.9	11.7	8.1	3.4	6.5	1.1
Portion of total payroll *(%)*	3.7	2.7	1.5	2.3	2.8	2.1
Employees trained during the year *(%)*	74.0	63.0	66.0	87.0	68.0	80.0
o/w: Executives and managers	70	67	74	81	68	81
Technicians and team leaders	68	64	33	85	52	82
Office and sales personnel	74	67	73	87	74	81
Labor and production workers	82	50	10	NA	33	77

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

Moreover, LVMH organizes integration and awareness seminars for new hires focusing on the culture of the Group, its brands, its values as well as its key management principles. More than 19,500 employees attended seminars of this type in 2007.

4.6 Health and safety

In 2007, there were a total of 989 work accidents and work-related travel accidents resulting in leave of absence, down 19% compared to the prior year. They resulted in 24,405 lost working days.

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

		Number of accidents	Frequency rate (1)	Severity rate (2)
Breakdown by business group				
Wines and Spirits		224	21.13	0.73
Fashion and Leather Goods		184	5.80	0.14
Perfumes and Cosmetics		178	7.46	0.17
Watches and Jewelry		20	5.96	0.07
Selective Retailing		374	10.16	0.21
Other		9	6.00	0.08
Breakdown by geographic region				
France		514	17.32	0.51
Europe (excluding France)		187	8.10	0.15
United States		65	2.88	0.05
Japan		5	0.69	0.01
Asia (excluding Japan)		123	5.81	0.15
Other		95	22.69	0.31
LVMH Group	**2007**	**989**	**9.17**	**0.23**
	2006	1,175	12.79	0.27

(1) The Frequency rate is equal to the number of accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked.
(2) The Severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked.

LVMH invested over 13 million euros in Health and Safety in 2007. This includes expenses for occupational medical services, small protective equipment as well as programs for improving personal safety and health, such as compliance, the posting of warnings, replacement of protective devices, fire prevention training, noise reduction.

The total amount of expenditure and investments promoting health and safety in the workplace and improvements in working conditions amounted to 37 million euros in 2007, representing 1.4% of the Group's gross payroll worldwide.

Almost 15,500 Group company employees received safety training worldwide.

4.7 Employee relations

4.7.1 Status of collective agreements

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

In 2007, employee representatives attended more than 1,650 meetings:

Nature of the meetings	Number
Works council	553
Employee representatives	513
Health and Safety Committee	143
Other	443
Total	**1,652**

As a result of these meetings, 99 company-wide agreements were signed (such as annual negotiations on wages and work schedules, incentive and profit sharing agreements and company savings plans). Specific agreements related to the employment of disabled persons, professional equality between women and men, anticipatory management of jobs and skills, and labor-management dialogue have been signed at Group companies.

4.7.2 Social and cultural activities

In 2007, in France, LVMH allocated a budget of over 12.4 million euros, or 1.9% of total payroll expenses, to social and cultural activities in France via contributions to works councils.

Total catering costs for all LVMH employees represent a budget of 10.6 million euros.

4.8 Relations with third parties

4.8.1 Relations with suppliers

A large proportion of the Group's manufacturing facilities are located in France, Italy and Spain. Similarly, most of the Group's sub-contractors are located in Europe, thus facilitating the observance by these partners of social responsibility and sustainable development values.

LVMH intends to promote responsible partnerships with all of its suppliers and to ensure that they are applied effectively. For several years, the Group's companies (Moët & Chandon, Louis Vuitton, Fendi, Glenmorangie, Parfums Christian Dior, Sephora, TAG Heuer, etc.) have developed supplier charters and codes of conduct. For example, Moët & Chandon establishes a specifications document presented for signature to its subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues. Audits are also carried out on suppliers. In its supplier specifications documents, Sephora includes clauses dealing with the individual rights of employees, child labor prevention, equality of opportunity and treatment, working time policy, and the protection of the environment. Louis Vuitton has put in place an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard, which is based on international workplace norms included in the ILO conventions: no child labor,

no forced labor, providing a safe and healthy work environment, freedom of association and the right to collective bargaining, no discrimination, disciplinary practices, compliance with working hour and wage regulations. To ensure that they will be able to perform preliminary audits independently, Louis Vuitton's buyers receive theoretical training covering the approach and criteria as well as practical training in the field in the company of an SA 8000 auditor. In 2007, 48 audits were carried out. Donna Karan International has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of industrial relations and labor law and for the highest ethical standards. It has also developed a Vendor Profile Questionnaire, a document signed by the subcontractor when the pre-approval request is submitted. The company has also introduced a Vendor Compliance Agreement, which calls for independent audits of suppliers to ensure that commitments have been observed. Similarly, TAG Heuer requires that all new foreign suppliers submit a written pledge indicating their compliance with the SA 8000 standard. The same is true for Parfums Christian Dior, Parfums Givenchy, and Guerlain, who have introduced specifications documents including compliance with the SA 8000 standard among their provisions.

Over and above the supplier charters and codes of conduct specifically developed by several Group companies, a joint project was launched in 2007 at the behest of Executive Management, bringing together the Group's key purchasing managers in order to formalize LVMH's commitment to the fundamental ILO conventions. In addition to the sharing of best practices, this project has already taken a step forward by establishing a set of requirements forming a shared frame of reference to be used throughout the Group in all relationships with suppliers.

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

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

In France, the Samaritaine department store, which had to terminate its activities for safety reasons, has established a special support program to assist employees in finding new positions that caters to their individual needs. This outplacement plan was formalized in a company agreement signed by the majority of trade unions on February 6, 2006. In February and October 2007, several agreements were signed to enhance this plan with additional assistance measures. By the end of 2007, new positions had been found for all but seven of the store's employees.

Layoffs for non-disciplinary reasons account for 3% of total departures and there were no major mass layoff actions in 2007.

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

4.8.3 Relations with educational institutions and apprenticeship associations

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

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

A signatory of the Apprenticeship Charter, the Group has pursued its objective to increase the number of apprentices. In 2007, nearly 370 new work-study contracts were signed in all the Group's companies in France, an increase of almost 50% compared to the previous year. Among the various events scheduled throughout the year, "open door" days or orientation programs are often offered to young apprentices by Group companies (notably Hennessy, Parfums Givenchy, Louis Vuitton, Le Bon Marché and TAG Heuer) so as to introduce them to their professions and products. Mentors are also prized by companies such as Givenchy Couture and Le Bon Marché for their involvement in the transfer of know-how. Similar initiatives are undertaken abroad, particularly in Brazil, where young people from disadvantaged backgrounds are recruited through the "Menor Aprendiz" program.

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

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

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

4.9 Compliance with international conventions

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

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

5. EFFECTS OF OPERATIONS ON THE ENVIRONMENT

The reporting scope of environmental indicators in 2007 includes the following:

- the production facilities and warehouses owned and/or operated by companies in which the Group controls more than 50% of the share capital or over which it exercises operational control;
- the French stores of Sephora, Celine, Guerlain and Louis Vuitton, Le Bon Marché and the main stores of DFS and Fendi;
- the main administrative sites located in France.

In 2007, the reporting scope was extended to 415 sites (412 sites in 2006), 23 sites belonging to the above-mentioned scope being excluded. Changes in the reporting scope since 2006 comprise the integration of the French stores of Guerlain, a Louis Vuitton workshop, a new Moët-Hennessy administrative site, a new Celine outlet and the disposal of Omas, certain Laflachère outlets and the KAMI logistics platform.

The 2007 reporting scope does not include:

- the environmental impacts of the administrative buildings and of stores owned directly or franchised by Perfumes and Cosmetics, and Fashion and Leather Goods, except for brands identified above;
- the impacts of the fleets of vehicles owned by the Group outside France used for employee travel;
- energy consumption arising from the shipment of merchandise exclusively by external transport companies;
- the companies in which the Group controls less than 50% of the share capital or over which it does not exercise operational control;
- a portion of the Group's stores, representing 61% of the sales surface;
- a portion of the Group's sites, generally not related to production, namely those of Pucci, Make Up For Ever, Berluti, Donna Karan and Wen Jun Spirits.

With respect to the financial reporting scope, in 2007 the environmental data reporting system covers:

- 91% (in numerical terms) of the Group's production facilities, warehouses, and administrative sites;
- 39% of the Group's total sales surface.

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

5.1 Water, raw material and energy consumption

5.1.1 Water consumption

Water consumption is analyzed based on the following:

- process requirements: use of water for cleaning purposes (tanks, products, equipment, floors), air conditioning, employees, product manufacturing, etc; such water consumption generates waste water;
- agricultural requirements: water consumption for vine irrigation outside France, as irrigation is not practised in France. As such, water is taken directly from its natural environment for irrigation purposes. Its consumption varies each year according to changes in weather conditions. The measurement of water consumption for agricultural purposes is the result of less precise estimates than those used for process water consumption.

(in m^3)	2007	2006	% change
Process requirements ☑	2,400,133	2,464,175	(3)
Agricultural requirements (vine irrigation) ☑	6,875,388	6,870,975	-

Water consumption used for the process requirements of the Group's companies decreased 3% in absolute terms between 2006 and 2007 and amounted to approximately 2.40 million cubic meters. By way of comparison, for the manufacturing sector in France, water consumption amounts to about 3.8 billion cubic meters (IFEN, 2005).

At Hennessy, the refurbishment of the cooling system for the Bagnolet distillery with a new closed-circuit design resulted in water consumption savings of more than 35%, representing more than 50,000 cubic meters of water. Hennessy also recovers hot water from the distillation process, to be used both for the heating of offices and the production of reverse osmosis purified water for the reduction of the alcoholic strength of distilled alcohol.

Water consumption by business group

(Process requirements in m³)	2007	2006	% change
Wines and Spirits	1,418,267	1,428,090	(1)
Perfumes and Cosmetics	369,952	348,996	6
Fashion and Leather Goods	172,206	231,986	(25)
Watches and Jewelry	17,585	15,700	12
Selective Retailing	404,529	423,631	(5)
Holding Company	17,594	15,772	12
Total ☑	**2,400,133**	**2,464,175**	**(3)**

Water consumption for vineyard irrigation purposes is essential for the preservation of vines in California, Argentina, Australia and New Zealand due to the climate in these areas. This practice is closely supervised by the local authorities that deliver authorizations. The Group has also taken measures to limit consumption:

- recovery of rain water by Domaine Chandon California, Domaine Chandon Australia, Bodegas Chandon Argentina; reuse of treated waste water by Domaine Chandon Carneros, California; recovery of water run-off by the creation of artificial lakes by Newton, California and Cape Mentelle;
- drafting of agreements on measures and specifications with respect to water requirements: analyses of ground humidity, leaves, visual vine inspections, adaptation of supplies according to the requirements of each land plot (Domaine Chandon Australia);
- standardized drip method of irrigation: between 73% and 100% of wine-producing regions have now adopted this method;
- weather forecasts for optimized irrigation (weather stations at Domaine Chandon California);
- periodical inspections of irrigation systems to avoid the risk of leakage;
- adoption of the "reduced loss irrigation" technique, which reduces water consumption and actually improves the quality of the grapes, the size of the vine, yielding an enhanced concentration of aroma and color.

5.1.2 Energy consumption

Energy consumption corresponds to the combined internal (combustion on a Group site, such as fuel oil for electricity generators, butane, propane and natural gas) and external (combustion does not occur on site) energy sources.

In 2007, the subsidiaries included in the reporting scope consumed 484,152 MWh provided by the following sources: 52% electricity, 24% natural gas, 13% heavy fuel oil, 6% steam, 3% fuel and 2% butane-propane. This represents a decrease of 2% compared to 2006.

This consumption corresponds, in decreasing order of use to Wines and Spirits (44%), Selective Retailing (25%), Perfumes and Cosmetics (15%), and Fashion and Leather Goods (13%). The remaining 3% is generated by Watches and Jewelry and the administrative activities of the holding structure.

By way of comparison, for the manufacturing sector in France, electricity and natural gas consumption amount to 125,000,000 MWh and 154,000,000 MWh, respectively (French Ministry of Finance, 2006).

Energy consumption by business group

(in MWh)	2007	2006	% change
Wines and Spirits	211,311	208,478	1
Perfumes and Cosmetics	74,357	80,819	(8)
Fashion and Leather Goods	63,765	66,731	(4)
Watches and Jewelry	11,143	7,771	43 (1)
Selective Retailing	117,969	122,969	(4)
Holding Company	5,607	5,937	(6)
Total ☑	**484,152**	**492,705**	**(2)**

(1) Increase due to the increase in business volumes.

Consumption by energy source in 2007

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Steam	Fuel oil	Butane Propane
Wines and Spirits	62,954	45,740	61,198	25,228	10,500	5,691
Perfumes and Cosmetics	36,478	36,498	72	1,157	152	-
Fashion and Leather Goods	43,873	15,419	-	219	948	3,306
Watches and Jewelry	3,744	5,847	-	-	1,552	-
Selective Retailing	101,914	11,306	-	4,245	504	-
Holding Company	4,654	312	-	602	39	-
Total	**253,617**	**115,122**	**61,270**	**31,451**	**13,695**	**8,997**

5.1.3 Raw material consumption

Given the variety of the Group's operations and the resulting multiplicity of the raw materials used, the only significant, relevant criterion used by all of the Group's brands retained for the analysis of raw material consumption is the quantity, measured in metric tons, of primary and secondary packaging used for consumer goods placed on the market:

- Wines and Spirits: bottles, boxes, caps, etc.
- Perfumes and Cosmetics: bottles, cases, etc.
- Fashion and Leather Goods: boutique bags, pochettes, cases, etc.
- Watches and Jewelry: cases and boxes, etc.
- Selective Retailing: boutique bags, pochettes, cases, etc.

The packaging used for transport is excluded from this analysis.

Packaging placed on the market

(in metric tons)	2007	2006	% change
Wines and Spirits	152,089	148,121	3
Perfumes and Cosmetics	21,261	19,042	12
Fashion and Leather Goods	5,136	2,298	123
Watches and Jewelry	512	493	4 (1)
Selective Retailing	1,373	1,676	(18)
Total ☑	**180,371**	**171,630**	**5**

(1) Increase due to the change in reporting scope and increase in business volumes.

Breakdown of the total weight of packaging consumed, by type of material, in 2007

(in metric tons)	Glass	Paper-cardboard	Plastic	Metal	Other packaging material
Wines and Spirits	132,726	15,950	783	1,342	1,288
Perfumes and Cosmetics	10,951	4,365	4,715	656	574
Fashion and Leather Goods	-	5,122	-	-	-
Watches and Jewelry	-	503	-	14	9
Selective Retailing	796	134	385	58	-
Total	**144,473**	**26,074**	**5,883**	**2,070**	**1,871**

In order to promote eco-design strategies, new tools have been developed to measure the environmental impact of decisions taken, with respect to packaging and products as well as advertising campaigns.

Accordingly, at Guerlain efforts were focused on the packaging for the skincare line *Success,* and on special sale items. This year, more than 60 metric tons of cardboard were saved through the optimization of cases and transport packaging. Parfums Givenchy has made perfume refills fashionable again. Its Eco Pampille Recharge may be used to refill the elegant teardrop *Ange ou Démon* atomizers.

Developed in partnership with ADEME, Havas and PricewaterhouseCoopers, Ecopublicité is a tool designed to measure the environmental impact of advertising campaigns. All aspects are analyzed: the impact of producing the advertising itself (film or photo shoots), the choice of media (written press, television, radio, etc.), the duration of the campaign. Tested on an advertising campaign for one of the Group's companies, the use of this tool clearly helped to identify areas where improvements could be made, in each of the several media channels.

5.2 Soil use conditions, emissions into the air, water and soil

5.2.1 Soil use

Soil pollution from old manufacturing facilities (cognac and champagne production; trunk production) is insignificant. The more recent production facilities are generally located on former farmland with no history of pollution. Finally, the Group's manufacturing operations require very little soil use, except for wine production.

Integrated grape growing (*viticulture raisonnée*) is an advanced method that combines cutting-edge technology with traditional methods, covering all stages of the wine producing process. This method, used for several years by Wines and Spirits, was developed further this year. Veuve Clicquot and Moët & Chandon use the integrated grape growing reference guide devised by the Comité Interprofessionnel des Vins de Champagne. Accordingly, at Moët & Chandon, efforts to limit the use of herbicides and in favor of cover planting are ongoing. Among the actions in 2007 were: herbicide consumption was reduced by 8% compared to 2006, the rollout of localized herbicide application equipment, experimentation with powder-form phytosanitary application equipment limiting pollution risks and enhancing dosage management, etc. Veuve Clicquot continues its efforts to enlist the support of its grape suppliers in these endeavors: all its suppliers are able to obtain any necessary technical assistance from an agronomist, employed full-time to serve as a liaison between them and the Champagne region's agricultural extension office. In this manner, more than 80% of grape-growing areas have adopted the integrated approach. Veuve Clicquot also obtained new equipment, which facilitates the optimal collection and treatment of sanitary effluents.

Integrated grape-growing practices have also been implemented by the Moët Hennessy Estates & Wines in Australia, New Zealand and California: cover planting, use of alternatives to certain insecticides, verification of soil erosion, etc. Cape Mentelle has converted a portion of its vineyards to be farmed organically.

5.2.2 Greenhouse gas emissions

Given the nature of the Group's operations, the only emissions that have a significant impact on the environment are greenhouse gas emissions.

Estimated greenhouse gas emissions in tons of CO_2 (carbon dioxide) equivalent correspond to the site energy consumption emissions, as defined in section 6.1.2. These include direct emissions (on-site combustion) and indirect emissions (from the generation of electricity and vapor used by the sites).

Breakdown of emissions by business group in 2007

	CO_2 emissions	% change in 2007	Direct CO_2 emissions	Indirect CO_2 emissions
Wines and Spirits	51,217	8	30,852	20,365
Perfumes and Cosmetics	10,914	(4)	7,580	3,334
Fashion and Leather Goods	13,661	-	4,203	9,458
Watches and Jewelry	1,760	46 (1)	1,625	135
Selective Retailing	32,083	-	2,466	29,617
Holding Company	606	7	75	531
Total ☑	**110,241**	**4**	**46,801**	**63,440**

(1) Change due to the increase in business volumes.

Hennessy continued to favor the transport of its goods by boat. Maritime transport produces 85 times less greenhouse gas emissions than air transport: in metric tons.kilometer, 88% of Hennessy products were thus shipped by boat, 9% by road and 2% by rail.

In Champagne, a single logistics platform for all of the Houses now provides transportation optimization, offering the most systematic approach possible to the use of maritime transport services (now used for more than 80% of Champagne shipments). The preparation of shipments to the United States has been optimized by enabling vehicles for transshipment between the Champagne region and Antwerp to be loaded with 26 pallets instead of 22, thus an 18% increase in capacity.

The first Bilan Carbone® assessments were performed at Hennessy, Parfums Christian Dior, Veuve Clicquot and Louis Vuitton. These procedures analyzed all greenhouse gas emissions generated by the activities of these Group companies and have helped to identify priority courses of action, particularly to achieve lower energy consumption. This approach is now being pursued at all of the Group's major companies. Assessments are underway at Parfums Christian Dior (renewal), Guerlain, Kenzo Parfums and Glenmorangie. Moët & Chandon also carried out a Bilan Carbone® assessment in 2007, as did Louis Vuitton, which renewed its first assessment carried out in 2004, with very encouraging results. As an example, the significant efforts devoted to reductions in packaging have generated 40% less emissions, corresponding to more than 1,000 metric tons of annual CO_2 equivalents.

5.2.3 Discharges to water

The significant, relevant emissions retained are the discharges of substances causing eutrophization by Wines and Spirits and Perfumes and Cosmetics operations. The Group's other business groups have a very limited impact on water quality. Eutrophization is the excessive build-up of algae and aquatic plants caused by excess nutrients in the water (particularly phosphorus), which reduces water oxygenation and adversely impacts the environment.

The parameter used is the chemical oxygen demand (COD) calculated after treatment of the discharges in the Group's own plants or external plants with which the Group has partnership agreements. The following operations are considered as treatment: city and county waste water collection and treatment, independent collection and treatment (aeration basin) and land application. In 2007, COD discharges dropped by 22%.

COD after treatment *(metric tons/year)*	2007	2006	% change
Wines and Spirits	1,996.5	2,696.7	(26)
Perfumes and Cosmetics	102.0	8.8	1,059.0 (1)
Total ☑	**2,098.5**	**2,705.5**	**(22)**

(1) Increase due to change in reporting scope and business volumes.

5.2.4 Waste

Group companies continued their efforts with respect to the sorting and recovery of waste. On average, 94% of the waste was recovered in 2007 compared to 93% in 2006 and 86% in 2005. In parallel, waste production fell 4% in 2007.

Recovered waste is waste for which the final use corresponds to one of the following channels:

- reuse, i.e. the waste is used for the same purpose for which the product was initially designed;
- recycling, i.e. the direct reintroduction of waste into its original manufacturing cycle resulting in the total or partial replacement of an unused raw material, controlled composting or land treatment of organic waste to be used as fertilizer;
- incineration for energy production, i.e. the recovery of the energy in the form of electricity or heat by burning the waste.

In 2007, Moët & Chandon tried out a new approach to recovery and recycling making use of shoots thinned from vine trunks. Based on two recycling techniques, the composting of wood and the recovery of energy, this project was developed in partnership with a service provider and may in future be extended throughout the Champagne region. Moët & Chandon's annual pruning of vine trunks, amounting to between 200 and 400 metric tons of wood, enables the production of between 400 and 900 MWh of energy.

Sephora USA has implemented a very innovative test program, named GRN-PAK, in two of its largest stores. The idea is to make a container available to customers for depositing empty packages. These materials are then handled through various recycling channels. This system will be extended to other stores following the test phase.

Waste produced in 2007

(in metric tons)	Hazardous or special waste in 2007 [1]	Waste produced in 2007	Waste produced in 2006	Change in waste produced (%)
Wines and Spirits	108	69,262	72,946	(5)
Perfumes and Cosmetics	701 [2]	6,735	6,937	(3)
Fashion and Leather Goods	67	5,129	4,686	9
Watches and Jewelry	24	223	184	21
Selective Retailing	14	3,143	3,653	(14)
Holding Company	1	480	208	131 [3]
Total ☑	**915**	**84,972**	**88,614**	**(4)**

(1) Waste to be sorted and treated separately from other "common" waste (boxes, plastic, wood, paper, etc.).
(2) Some products that are removed from the manufacturing cycle are treated in the same way as hazardous waste to prevent counterfeiting attempts.
(3) Increase related to the integration of a new administrative site.

Waste recovery in 2007

(in %)	Re-used	Material recovery	Energy recovery	Total recovery
Wines and Spirits	5	92	1	98
Perfumes and Cosmetics	9	48	31	88
Fashion and Leather Goods	2	49	18	69
Watches and Jewelry	15	28	36	79
Selective Retailing	-	40	27	67
Holding Company	-	74	26	100
Total	**5**	**83**	**6**	**94**

5.3 Measures taken to limit damage to the biological equilibrium, natural habitats, animal and plant species

Fashion and Leather Goods, and Watches and Jewelry implemented procedures to improve compliance with the convention on international trade in endangered species (CITES). Through a system of import-export permits, this convention was set up to prevent certain species of endangered fauna and flora against over-exploitation in the course of international trade.

Perfumes and Cosmetics' laboratories request that their partners provide information on the bio-diversity and bio-availability of every new plant studied. Companies in this business group have undertaken not to use any protected, rare or endangered plants in their operations. They favor plants that are commonly used or grown specifically to meet their activity's requirements.

Following the example of Parfums Christian Dior, which publicly announced its decision to refrain from testing the safety of its cosmetic products on animals in 1989, all other companies in the Perfumes and Cosmetics business group have also discontinued this practice. Furthermore, for the last several years, LVMH has collaborated with teams of university researchers to establish programs for the development of new alternative methods, especially for allergy testing. The Group's toxicologists have also participated in the official validation processes for alternative methods in several areas, including phototoxicity, eye irritation, and skin absorption.

5.4 Organization of environmental protection methods within the Group

5.4.1 Organization

LVMH has had an environment management team since 1992. In 2001 it established an "Environment Charter" signed by the Chairman of the Group, which requires that each company undertakes to set up an effective environment management system, create think-tanks to assess the environmental impacts of the Group's products, manage risks and adopt the best environmental practices. In 2003, Bernard Arnault joined the United Nations' Global Compact program. In 2007, he also endorsed Gordon Brown's Millennium Development Goals.

The Group undertakes to adopt the following environmental measures:

- apply precaution to all issues impacting the environment;
- undertake initiatives to promote greater environmental responsibility;
- favor the development and distribution of environmentally-friendly technologies.

The Group's environment management team was set up with the following objectives:

- implement the environmental policies of the Group companies, based on the LVMH Charter;
- conduct environmental audits to assess Group companies' environmental performance;
- monitor regulatory and technical issues;
- create management tools;
- help companies anticipate risks;
- train employees and increase environmental awareness at all management levels;
- define and consolidate the environmental indicators;
- work alongside the various key players (associations, rating agencies, government authorities, etc.).

The Group companies' environment correspondents meet as part of the LVMH Environment Commission coordinated by the Group's environment management team once every three months and post their conclusions on the Group's Environment Intranet page, which is accessible to all employees.

Almost all of the companies in the business groups stepped up their employee training and awareness programs this year. In 2007, these programs resulted in 16,726 training hours (☑) a 93% increase compared to 2006 (8,680 hours).

New executives at LVMH are briefed in the Group's environmental policy, the available tools and its environmental safety network as part of their orientation seminar.

A web-based training module that may be accessed by all staff via the environment page of the Group's Intranet has been developed, particularly for the use of the new environmental representatives. It allows employees to increase their awareness at their own pace of the Group's environmental policy and the best practices that should be adopted.

At Moët & Chandon, an initiative promoting awareness of sustainable development issues was carried out throughout the first half of the year, it mobilized 800 staff members for a total of over 6,500 hours' awareness training.

Over and above these initiatives, the Group's companies also disseminate written information concerning the environment:

- at the end of June, in honor of Sustainable Development Week, Louis Vuitton sent an e-mail each day to all of its 13,000 employees worldwide to remind them of their eco-citizen responsibilities across the full spectrum of environmental concerns: energy, water, leisure activities, waste, travel, etc.;
- in the United States, Sephora now provides environmental awareness training to staff in all of its stores, with a special focus on the recycling of waste and reductions in energy consumption;

- as a complement to the information provided to new hires during orientation, Veuve Clicquot has developed new environmental awareness materials used at all of its production sites. These materials cover the company's environmental policy and the initiatives implemented;
- in 2007, the Group's Environmental Compliance Guidebook, sent to all of the principal Group companies, devoted special attention to the materials used for fixtures and fittings in stores and other sales outlets: furniture, floor coverings, window decoration, etc.;
- the Attitude newsletter, whose second issue featured a discussion of building and the environment, was sent to the Chairmen of all Group companies and to all Executive Committee members;

In the area of risk prevention, numerous actions were carried out in 2007. Several Group companies, including Hennessy, Veuve Clicquot and Parfums Givenchy, published health, safety and environment (HSE) information booklets intended for the contractors and service providers who work on their sites. HSE requirements are therefore communicated to all staff employed by these firms as soon as they arrive on site.

See also Section 2.2, Industrial and Environmental Risks for risk prevention.

5.4.2 Evaluation and certification programs

In accordance with the LVMH Environment Charter, every company is responsible for designing and implementing its own environment management system, and, in particular, for defining its own environment policy and objectives. Each company has access to an LVMH self-assessment guide and can, if it wishes, apply for ISO 14001 or EMAS certification for its system.

Hennessy's ISO 14001 certification, first obtained in 1998, was renewed for the third time in 2007. Those of Veuve Clicquot and Krug, originally acquired several years later, in 2004, have also been renewed.

In addition, Mercier, Ruinart and Moët & Chandon also received ISO 14001 certification in 2007, as did the Belvedere vodka plant in Poland and Louis Vuitton's international logistics center at Cergy.

In 2004, a team of environmental auditors was established, consisting of staff members occupying technical (corporate services, quality, industrialization, maintenance, environmental), legal, or financial functions. Today, the eleven members of this team are able to rapidly perform an environmental audit of a site, at the request of a company. These Group auditors completed a three-day course in environmental audit techniques, followed by one day of practical audit training in the field. Three companies employed the services of this team to audit their sites in 2007.

Since the 2002 fiscal year, the Group's annual environmental data reporting has been audited each year by the Environment and Sustainable Development department of Ernst & Young, the Group's statutory auditors.

5.4.3 Measures to ensure compliance with applicable laws and regulations

Group companies are audited on a regular basis, either by third parties, insurers or internal auditors, which enables them to keep their compliance monitoring plan up-to-date. In 2007, 52 external environment audits and 32 internal environment audits (☑) were performed on-site, a 68% increase from 2006. These audits correspond to an inspection of one or more sites of the same company based on all relevant environmental issues—waste, water, energy, and environmental management—and are documented in a written report including recommendations.

This figure does not include the numerous compliance controls that may be performed on a specific environmental regulation topic, i.e., a waste sorting inspection, performed periodically by the Group companies on their sites. Since 2003, a review of environmental regulatory compliance is also performed by the insurance companies, which now includes an environmental inspection during their fire safety visits to Group company sites. A total of 30 visits were performed in 2007.

The main environmental legal and regulatory measures introduced by the Group during 2007 include the implementation of the European Union's new REACH Regulation for all of the Group's businesses as well as the establishment of financial contributions to authorized bodies for the funding of recovery systems for textile products placed on the French market and for unsolicited advertising materials in France.

Parfums Christian Dior's Saint-Jean-de-Braye site continued the updating of its operating authorization application file.

5.4.4 Expenses incurred to anticipate the effects of operations on the environment

Amounts were recognized under the relevant environmental expense headings in accordance with the recommendations of the CNC (French National Accounting Council). Operating expenses and capital expenditure were recognized for each of the following headings:

- air and climate protection;
- waste water management;
- waste management;
- protection and purification of the ground, underground water and surface water;
- noise and vibration reduction;
- biodiversity and landscape protection;
- radiation protection;
- research and development;
- other environmental protection measures.

Environmental protection expenses in 2007 break down as follows:

- operating expenses: 6.4 million euros;
- capital expenditure: 5.1 million euros.

5.4.5 Provisions and guarantees given for environmental risks, and compensation paid during the year pursuant to a court decision

No provision was established for environmental risks in fiscal year 2007.

5.4.6 Objectives assigned by the Group to its subsidiaries abroad

The Group requests that each subsidiary, regardless of its geographic location, applies the Group's environmental policy as set forth in the Charter, which stipulates that each subsidiary defines its own environmental objectives and communicates the annual indicators included in this section.

5.4.7 Consumer safety

Protecting human health by carefully selecting the ingredients used in manufacturing products, prior to any production processes, and by determining alternative production methods where required is a priority for the LVMH Group.

Cosmetics manufactured or sold in Europe are regulated by Council Directive 76/768/EEC. Considered by experts as one of the most stringent texts among those regulating cosmetics throughout the world, this directive governs all substances used by the cosmetics industry and requires that a risk assessment be performed before any product may be marketed taking into consideration their conditions of use. Furthermore, the European Commission's Scientific Committee on Consumer Products (SCCP) evaluates the safety of substances used in cosmetic products on an ongoing basis.

LVMH is particularly vigilant in enforcing compliance with regulations, and also monitors the opinions of scientific committees and the recommendations of professional associations. Apart from their attention to these texts, the Group's toxicologists, who assume responsibility for product safety, determine the necessary guidelines for Group suppliers and the development teams.

The Group's experts participate regularly in the workgroups of national and European authorities and are very active in professional organizations.

In the area of environmental protection, developments in scientific knowledge and/or regulations may sometimes lead the Group to replace certain ingredients. For example, the Group decided that triclosan would no longer be used in its products due to its potential risk to the environment, although this ingredient received a favorable assessment from European scientific authorities (Scientific Steering Committee and SCCP) in 2002 with respect to the absence of any consumer safety risks. Substitutions have therefore been made as product lines are revamped.

With respect to its activities in the area of wines and spirits, LVMH promotes the responsible consumption of alcohol. The Group is a founding member of Enterprise et Prévention, an association created some fifteen years ago, whose aim is to work together with government authorities to encourage moderation. In addition, Moët-Hennessy has prepared a set of marketing guidelines to be respected by all of its Wines and Spirits brands.

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REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL PROCEDURES

This report, which has been drawn up in accordance with the provisions of Article L. 225-37 of the French Commercial Code, is designed to give an account of the preparation and organization of the tasks of the Board of Directors of LVMH Moët Hennessy-Louis Vuitton, and the internal control procedures it has put in place.

1. PREPARATION AND ORGANIZATION OF THE TASKS OF THE BOARD OF DIRECTORS

The Board of Directors has a Charter, which sets out the composition, tasks, functions and responsibilities of the Board of Directors.

The Board of Directors has appointed two Committees amongst its members, the composition, role and tasks of which are set out in internal rules and regulations.

The Charter of the Board of Directors and the Committees' internal rules and regulations are sent to any candidate for appointment as Director and to any permanent representative of an entity, before they assume their duties.

1.1 Board of Directors

The Board of Directors is a strategic body of the Company which is primarily responsible for enhancing the Company's value, ensuring that its underlying strategy is adopted and overseeing its implementation, verifying the truth and fairness of information concerning it and protecting its assets.

The Board of Directors of LVMH Moët Hennessy-Louis Vuitton acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all their duties.

It consists of 18 members, six of whom are independent directors who hold no interests in the Company.

Directors have to hold personally a minimum of 500 shares.

The Board of Directors met four times during the 2007 fiscal year at the written invitation of its Chairman sent to each of the directors at least a week before the date of the meeting. The average attendance level of directors at these meetings was 84%.

The Board of Directors approved the annual and half-yearly financial statements and also reviewed the Group's underlying strategy, the budget, the implementation of share subscription option plans and bonus share plans, and the authorization of guarantees issued in favor of third parties as well as various related party agreements.

The total amount of directors' fees paid to members of the Board of Directors for the 2007 fiscal year was 1,125,000 euros.

1.2 Executive Management

The Board of Directors decided not to assign the roles of Chairman and Chief Executive Officer to different persons. It made no change in the powers vested in the Chief Executive Officer.

In agreement with the Chairman and Chief Executive Officer, the Board of Directors appointed a Group Managing Director, Mr. Antonio Belloni, who is granted the same powers as the Chief Executive Officer.

1.3 Performance Audit Committee

The main tasks of the Performance Audit Committee are to ensure that the Company and the Group's accounting policies comply with generally accepted accounting principles, to review the individual company and consolidated financial statements before they are submitted to the Board of Directors, and to ensure the effective implementation of the Group's internal controls.

Its members and Chairman are appointed by the Board of Directors. It currently consists of three directors, two of whom are independent: Messrs. Antoine Bernheim (Chairman), Nicholas Clive-Worms and Gilles Hennessy.

The Performance Audit Committee met four times in 2007. One of these meetings was attended by all members, while the other three were attended by the Chairman and by one of the Committee's two other members as well as by the Statutory Auditors, Director of Operations, Chief Financial Officer, Chief Controller, Internal Audit Director, Accounting Director, Legal Director, and depending on the issues discussed, the Financing Director, the Treasurer, the Tax Director and an Advisor to the Chairman.

In addition to reviewing the parent company and consolidated financial statements, the Committee's work included examining the results of Internal Audit's missions, the Group's currency hedging policy, as well as all legal matters, in particular any ongoing litigation.

1.4 Nominations and Compensation Committee

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

- proposals on the allocation of directors' fees paid by the Company, as well as on compensation, benefits in kind and subscription or purchase options for the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s) of the Company;
- opinions on candidates for the positions of Director, Advisory Board member, Group Executive Committee member or member of Executive Management of the Company's main subsidiaries, on compensation and benefits in kind allocated to the Company's Directors and Advisory Board members by the Company or its subsidiaries, and on the systems of fixed or variable, immediate or deferred compensation and incentives for directors of the Group.

Its members and Chairman are appointed by the Board of Directors. It consists of three members, two of whom are independent: Messrs. Antoine Bernheim (Chairman), Albert Frère and Kilian Hennessy.

The Committee met twice during the 2007 fiscal year, with all members in attendance. It issued proposals on compensation and the allocation of share subscription options to the Chairman and Chief Executive Officer and to the Group Managing Director and gave its opinion on compensation, share subscription options and benefits in kind granted by the Company and its subsidiaries to certain Directors.

1.5 Advisory Board

Advisory Board members are invited to meetings of the Board of Directors and are consulted for decision-making purposes, although their absence cannot undermine the validity of the Board of Directors' deliberations.

They are appointed by the Shareholders' Meeting on the proposal of the Board of Directors and are chosen from shareholders on the basis of their competencies.

The Advisory Board currently has one member.

1.6 Compensation policy for company officers

Directors' fees paid to the members of the Board of Directors

The Shareholders' Meeting sets the total amount of directors' fees to be paid to the members of the Board of Directors.

This amount is divided among the members of the Board of Directors, and if applicable, the members of the Advisory Board on the recommendation of the Nominations and Compensation Committee.

The Nominations and Compensation Committee can recommend that all or part of the directors' fees be allocated based on the attendance rate of the members at the meetings of the Board of Directors.

In respect of the 2007 fiscal year, LVMH paid a total of 1,125,000 euros in directors' fees to the members of its Board of Directors. These fees are distributed among the directors and advisors in accordance with allocation rules defined by the Board of Directors that take into account the duties performed on the Board and in the Committees.

Other compensation

Exceptional compensation may be paid to some Directors for special assignments and on the basis of the guidance or leadership role they assume on various committees of the Board of Directors. The amount shall be determined by the Board of Directors and reported to the company's statutory auditors.

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 the return on capital employed for the business groups and companies headed by the respective executives, as well as on their individual performance. The variable portion generally represents between one-third and one-half of their compensation.

Subject to certain conditions, notably the correct performance of their duties, members of the Executive Committee and where applicable Company officers, may benefit from a contractual indemnity on leaving the company, in addition to the partial or total maintenance of their right to exercise any stock options that they received prior to their departure.

Upon their retirement, Company officers who serve on the Executive Committee may receive a supplemental retirement benefit provided they have been members of the Executive Committee for a period of at least six years and that they assert at the same time their entitlement to their basic retirement benefits under compulsory pension schemes. This supplemental payment corresponds to a specific percentage of the beneficiary's salary, to which a ceiling is applied on the basis of the reference salary determined by the French social security scheme. Provisions recognized in 2007 for these supplemental retirement benefits are included in the amount shown for post-employment benefits under Note 30.3 of the consolidated financial statements.

2. IMPLEMENTATION OF INTERNAL CONTROL PROCEDURES

2.1 Definition

The Group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organisation of the Treadway Commission) and which the Autorité des Marchés Financiers (French market regulator - AMF) has taken as the basis for its Reference Framework. At the behest of the Board of Directors, the Performance Audit Committee, Executive Management and other senior managers of the parent companies and subsidiaries, internal control, in conformity with the reference guide, is designed to provide reasonable assurance that the following objectives will be met:

- the control of activities and processes, the efficiency of operations and the efficient utilization of resources;
- the reliability of financial and accounting information;
- compliance with applicable laws and regulations.

Moreover, in its reference guide, LVMH has defined two further goals:

- the safeguarding of assets and the value of capital;
- the application of the instructions and orientations decided by the Executive Management of the Group and of the operational units, i.e. the companies/brands and their subsidiaries.

The internal control mechanism thus comprises a range of control procedures and activities in addition to those directly connected to the financial and accounting system; because it aims to ensure the control and continuity of all existing and new activities, the mechanism must enable the management of brand companies and subsidiaries to focus fully on the strategy, development and growth of the Group.

Limits of internal control

No matter how well designed and applied, the internal control mechanism cannot provide an absolute guarantee that the company's objectives will be achieved. All internal control systems have their limits due notably to the uncertainties of the outside world, individual judgment or malfunctions resulting from human or other errors.

2.2 Scope and formalization

With luxury as the unifying concept, LVMH is comprised of five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry and Selective Retailing. The business groups are themselves composed of companies of varying sizes owning prestige brands, which in turn are divided into subsidiaries operating worldwide.

As well as guaranteeing brand independence, this type of organization also allows synergies to be brought into play between companies belonging to the same business line.

The internal control policy applied across the Group is based on the following organizational principle:

- the parent company, LVMH SA, is responsible for its own internal control, while also acting as leader and coordinator for all other internal control systems within the Group;
- the President of a brand is responsible for the internal control of all the subsidiaries that contribute to development of the brand worldwide;
- each subsidiary's President is similarly responsible for its own operations.

The internal control mechanism, which has been formalized since 2003 to comply with the LSF (French Financial Security Act), has adopted a similar structure; it is both:

- decentralized at business group and brand level: the guidance and management of the internal control process is the responsibility of the executive managements of the operational and legal entities;
- unified around a shared methodology and a single reference guide, both of which are coordinated centrally by the LVMH SA holding company and rolled-out to all Group companies.

The first stage of formalization is a process of self-assessment. It is part of an approach based on ongoing improvement that in the long run will help appraise the adequacy and efficiency of the Group's internal control system. Self-assessment is based on the LVMH internal control reference guide. This reference guide covers 12 key processes (Sales, Retail Sales, Purchases, Licenses, Travel and Entertainment, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems and Financial Statements Closing) together with control activities accross the five COSO components; it is supported by SWITCH, an internal control management and modeling tool that has also been adopted by other CAC 40 members.

The self-assessment approach tailored to the LVMH Group's configuration and culture consists of:

- defining the scope of the LSF project, encompassing the Group's most significant companies;
- sending detailed instructions from the Executive Management of the Group to the Chairmen of the companies concerned;
- a review of the general control environment, in order to allow each company's Chairman to assess his or her entity's general control environment;
- a detailed review of key business processes in relation to the materiality of these processes and the expected level of risk coverage;
- the submission by the Management Committee of each selected entity of a letter of representation signed by its Chairman and its Chief Financial Officer, confirming their acceptance

of responsibility for internal control in connection with the disclosure of information on areas of weaknesses and the remediation needed.

The detailed review of key processes is carried out on the basis of a standard questionnaire listing the main risks and related controls, with each company adapting the document to its own business environment. Specific processes were developed and evaluated to reflect the particular needs of certain activities (Distilled Alcohol and Vineyard Land for Wines and Spirits, Creation for Fashion and Leather Goods).

The letters of representation on internal control are passed on by the subsidiaries to the parent companies which in turn forward them to the Group.

In 2007, some one hundred entities (parent companies and subsidiaries) accounting for more than 80% of consolidated Group revenue undertook self-appraisal.

Furthermore, as a demonstration of their commitment to the project, key Group entities have reinforced their internal control structures by explicitly identifying the hierarchy of responsibility for internal control within their organizations.

Lastly, in 2007, eight key processes (Treasury, Finance, Tax, Consolidation, Financial Statements Closing, Cash Flows, Information Systems and Financial Communication) were analyzed at the Group level and at that of the parent company, LVMH SA, to determine the related risks. Upon completion of this analysis, action plans were established setting out procedures to correct deficiencies when detected.

Due diligence and assessments by Group managers

These internal control formalization procedures are carried out on an internal basis, reinforced by independent external validation. This approach maximizes the involvement of operational managers, capitalizing on their knowledge and facilitating the maintenance of a permanent perspective on improving internal control over time within the Group. The Group's Statutory Auditors were kept informed on the progress of this initiative, as was the Performance Audit Committee, by means of regular reports.

2.3 Internal control components

In accordance with COSO guidelines, the Group's internal control system includes five closely interrelated components:

- a general control environment;
- a risk assessment system;
- appropriate controls;
- an IT and communications system that enables responsibilities to be exercised efficiently and effectively;
- and a performance monitoring system.

All of these elements are centrally managed and coordinated, but they are also reviewed each year by the Group's significant entities through the established self-assessment procedure in force.

2.3.1 The general control environment

The internal control mechanism, which applies to all of LVMH's operations, aims primarily to create appropriate conditions for a general internal control environment tailored to the Group's specificities. It also aims to anticipate and control the risk of errors and fraud, without however guaranteeing their complete elimination.

The Group has always expressed its determination with regard to these fundamentals, which are the management's commitment to integrity and ethical behavior, the principle of honesty in relations with customers, suppliers, employees and other business partners, clear organizational structures, responsibilities and authorities defined and formalized according to the principle of the segregation of duties, regular monitoring of staff performance, and a commitment to skills management and professional development.

Ethical and good governance principles have been widely disseminated. The Group recommends codes of conduct, supplier charters and formalized procedures for declaring and monitoring conflicts of interest, the implementation of which it oversees at company level.

Skills management is a significant aspect of internal control. LVMH pays special attention to adjusting job profiles and corresponding responsibilities, formalizing annual performance reviews at individual and organizational level, and developing skills through training programs custom-designed for each level of seniority as well as by encouraging internal mobility. Personnel reports are produced monthly by the Group's Human Resources Department, presenting changes in staff and related analyses as well as vacancies and internal movements. A dedicated intranet site is also available for the Group's Human Resources.

2.3.2 Risk management

The Group identifies and analyzes the main risks likely to affect achievement of its operational and financial objectives and its goal of compliance with applicable laws and regulations. It takes measures to mitigate such risks and reduce their impact. A specific risk mapping tool is used for this purpose.

Certain risks to which the Group is exposed are monitored separately. These risks are detailed separately in the Report of the Board of Directors on Group management Paragraph 2 Operational risk factors and insurance policy, and Paragraph 6 Effects of operations on the environment.

2.3.3 Control activities, procedures and documentation

Internal control practices and procedures are implemented by the companies' internal control managers under the responsibility of their management committees.

This year, on the occasion of the launch of a new Finance intranet, the Group undertook a revision of all the procedures contributing to accounting and financial information and applicable to all the consolidated companies. It covered accounting and financial procedures available via the Group's intranet, dealing mainly with accounting policies and standards, consolidation, taxation, investments, financial reporting (including budgetary procedures and strategic plans), cash flow and financing (including cash pooling, foreign exchange and interest rate hedging). The management reporting function also details the format, content and frequency of financial reports.

At the same time, the internal control manual was revamped, entitled "The Essentials of Internal Control", and made available on the intranet. The guide describes the bases of the general environment and the salient features of the main processes: Sales, Retail Sales, Purchases, Inventory, Production, Financial Statements Closing and Information Systems (general IT controls).

As well as this manual, the LVMH internal control reference guide covering a number of business processes has also been made available. This reference guide details, for each risk arising from a given process, the key control activities expected.

As regards the controls that are essential to achieving the key process internal control objectives, the Group and its internal control managers at company level ensure their implementation, where necessary. The managers are asked to make a special effort to document the key activities in the form of a procedure in order to ensure consistent quality over time, regardless of who carries them out.

The activities relating to the control and remediation of internal control weaknesses are reflected, documented and tracked by the "Switch" computerized self-assessment system, which is installed in the most significant entities of the Group.

2.3.4 Information and communication systems

The strategic plans in terms of information and communication systems are coordinated by the Group Finance Department, which ensures the standardization of the SAP ERPs in operation as well as business continuity. Aspects of internal control such as the segregation of duties and access rights are embedded at the time of implementation of new information systems.

The IT and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are also subject to special procedures: a Business Continuity Plan methodology kit has been distributed within the Group in order to define for each significant entity the broad outlines of such a plan as well as those of an IT Disaster Recovery Plan. A plan of each type is currently under development for the parent company LVMH SA.

2.3.5 Monitoring of the internal control systems

There are several levels of monitoring, the two main ones being:

Ongoing monitoring of the processes:
which is organized by the Operational Departments in order to anticipate or detect incidents as soon as possible. This objective now forms an integral part of IT projects (installation or upgrading of versions) in two notable cases: the implementation of embedded application controls and the editing of error or exception reports for sensitive transactions and data.

Periodic monitoring of the mechanism:

- by management or operational staff under the responsibility of the internal control managers. The final deliverable of this supervision is the letter of representation on internal control signed by the President and CFO of each significant entity;
- by LVMH Internal Audit and the Statutory Auditors, who provide management of the entities and the Executive Management of the Group with the results of their review work and their recommendations.

2.4 Internal control participants

In addition to the contribution of all Group employees to the success of the internal control system, the following participants fulfill specific roles with respect to internal control:

At Group level

Board of Directors
As part of its responsibilities described above, the Board of Directors contributes to the general control environment through its underlying professional principles: the savoir-faire and responsibility of its members, the clarity and transparence of its decisions, and the efficiency and effectiveness of its controls.

Executive Committee
The Executive Committee comprises executive, operational and functional directors and defines strategic objectives on the basis of the orientations decided by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, and oversees both the definition and the accomplishment of the responsibilities and delegations of authority of senior executives.

Performance Audit Committee
As part of its responsibilities described above, the Performance Audit Committee controls the existence and application of internal control procedures. It also examines the results of the work of Internal Audit and approves annual and mid term internal auditing orientation in terms of geographic, business and risk coverage.

Legal Department
The Group's Legal Department is responsible for monitoring the proper application of laws and regulations in force in each of the countries where LVMH has operations. It also fulfils a central legal

review function and provides advice on legal matters as required by each of LVMH's business groups.

Internal Audit
The Group's multidisciplinary Internal Audit team, with some 20 members whose supervision is centralized but operate out of two offices in Paris and Hong Kong, is active throughout the Group, applying a multi-year audit plan which is revised every year.

Approximately 50 audit missions are performed on average each year.

The multi-year audit plan allows the degree to which the internal control system has been understood and assimilated to be monitored and reinforced where necessary. The audit plan is prepared on the basis of an analysis of potential risks, either existing or emerging, by type of business (such as size, contribution to profits, geographical positioning and quality of local management) and inputs from operational and financial managers concerned. Internal Audit intervenes in all Group companies, both in operational or financial matters. A review of the self-assessment process and its results is performed systematically for the significant entities involved.

The plan can be modified in response to changes to the political and economic environment or internal strategy.

Internal Audit reports on its work to management of the entity concerned and to Executive Management of the Group through a summary report and a detailed report explaining its recommendations and setting out Management's commitment to apply them within a reasonable period of time. Internal Audit sends copies of the reports that it issues to the Statutory Auditors and meets with them periodically to discuss current internal control issues.

The main features of the annual and multi-year audit plan, together with the main conclusions of the year under review, are presented to the Performance Audit Committee and to the business groups concerned. In 2007, Internal Audit carried out 50 assignments dealing with the key processes of audited companies, representing 32% of the Group's sales. Monitoring of the implementation of the recommendations has been enhanced by systematic on-site visits to companies with the most significant issues.

Moreover, since 2003, Internal Audit has coordinated the Group's compliance with LSF (French Financial Security Act) internal control measures, and devoted a specific team to internal controls. This team monitors and anticipates regulatory changes so that the internal control system can be adapted as required.

It coordinates a network of entity-level internal controllers responsible for ensuring compliance with the Group's internal control procedures and for preparing internal controls tailored to their businesses. These internal control managers are responsible for the various projects related to the internal control system and promote the dissemination and application of guidelines.

At subsidiary level

Management Committees
The Management Committee within each subsidiary is responsible for implementing the procedures necessary to ensure an efficient internal control mechanism for its scope of operations. The fact that operational managers are personally accountable for internal controls in each company and in each of the key business processes is a linchpin of the internal control system.

2.5 Internal controls related to financial and accounting information

2.5.1 Organization

Internal controls of accounting and financial information are organized based on the cooperation and control of the following departments: Accounting and Consolidation, Management Control, Information Systems, Finance and Treasury, Tax and Financial Communication.

Accounting and Consolidation is responsible for updating and distributing group-wide accounting standards and procedures. It oversees their application and establishes appropriate training programs. It is in charge of producing consolidated and individual company financial statements on a quarterly, half-yearly and annual basis. It also coordinated the implementation of the IAS/IFRS project in 2004 and participates, along with the departments concerned, in the deployment of a uniform worldwide reporting system ("SyRUS").

Management Control is responsible for coordinating the budget process and its revisions during the year as well as for the five-year strategic plan. It produces the monthly operating report and all reviews required by Executive Management; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators.

In conjunction with subsidiaries, ***Information Systems*** draws up a three-year plan for information systems, by business group and company. It disseminates the Group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies that may be achieved between businesses and regions while respecting brand independence. It develops and maintains a telecommunications system shared by the Group. Finally, it coordinates policy for system and data security and preparation of emergency contingency plans.

Finance and Treasury are responsible for applying the Group's financial policy, efficiently managing the balance sheet and financial debt, improving financial structure and executing a prudent policy for managing foreign exchange and interest rate risks, the primary objective of which is to mitigate all related risks that are directly or indirectly generated by Group companies.

Treasury focuses particularly on Group cash pooling, ensuring optimal efficiency and preparing forecasts on the basis of quarterly updates prepared by the companies involved. It is also responsible for applying a centralized foreign exchange and interest rate risk management strategy designed to limit the negative impact of foreign exchange and interest rate fluctuations on businesses and investments. To this end, a management policy and strict procedures have been established to measure, manage and consolidate these market risks. This organization relies on an integrated computerized system allowing real-time controls on hedging transactions. The hedging mechanism is periodically presented to the Performance Audit Committee. Hedging decisions are taken by means of a clearly established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

Tax coordinates the preparation of tax returns and ensures compliance with applicable tax laws and regulations, provides advice to the different business groups and companies and defines tax planning strategy based on the Group's operational requirements. It organizes appropriate training courses in response to major changes in tax law and coordinates the deployment of a uniform reporting system for tax data ("SyRUS Tax").

Financial Communication is responsible for coordinating all information issued to the financial community to enable it to acquire a clear, transparent and precise understanding of the Group's performance and prospects. It also provides Executive Management with the perceptions of the financial community on the Group's strategy and its positioning within its competitive environment. It defines the key messages to be communicated in close collaboration with Executive Management and the business groups. It harmonizes and coordinates the distribution of corporate messages through various channels (publications such as the annual and half-yearly reports, financial presentations, meetings with shareholders and analysts, the website, etc.).

Each of these departments coordinates the financial aspects of the Group's internal control in its own area of activity via the financial departments of business groups, main companies and their subsidiaries, which are in charge of similar functions in their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (controller, chief accountant, treasurer, etc.).

The financial departments of the main companies of the Group and the Departments of the holding company described above periodically organize joint finance committees. Run and coordinated by the Central Departments, these committees deal particularly with applicable standards and procedures, financial performance and any corrective action needed, together with internal controls applied to accounting and management data. A progress report on the LSF project is systematically provided to these committees.

2.5.2 Accounting and management policies

Business units and subsidiaries adopt the accounting and management policies considered by the Group as appropriate for the individual company and consolidated financial statements. A consistent set of accounting standards is applied throughout, together with consistent formats and tools to submit data to be consolidated. Accounting and management reporting is also carried out through the same system, thus ensuring the consistency of internal and published data.

2.5.3 Consolidation process

The consolidation process is laid out in a detailed set of instructions and has a specially adapted data submission system designed to facilitate complete and accurate data processing, based on a consistent methodology and within suitable timeframes. The President and CFO of each company undertake to ensure the quality and completeness of financial information sent to the Group—including off-balance sheet items—in a signed letter of representation which gives added weight to the quality of their financial information.

There are sub-consolidations at business unit and business group level, which also act as primary control filters and help ensure consistency.

At Group level, the teams in charge of consolidation are specialized by type of business and are in permanent contact with the business groups and companies concerned, thereby enabling them to better understand and validate the reported financial data and anticipate the treatment of complex transactions.

2.5.4 Management reporting

Each year, all of the Group's consolidated entities produce a five-year plan, a complete budget and annual forecasts. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget, and to foster ongoing communication between companies and the Group—an essential feature of the financial internal control mechanism.

A team of controllers at Group level, specialized by business, is in permanent contact with the business groups and companies concerned, thus ensuring better knowledge of performance and management decisions as well as appropriate control.

The quarterly, half-yearly and annual financial statements are closed out at special results presentation meetings, in the presence of the Group's financial representatives and the companies concerned, during which the Statutory Auditors present their conclusions with regard to the quality of financial and accounting information and the internal control environment of the different companies of the Group, on the basis of the work that they performed during their audit assignments.

This report on internal control, the result of the contribution of the various internal control actors mentioned in the first part of this document, was forwarded in its draft form to the Performance Audit Committee for its opinion and to the Board of Directors for approval.

Conclusions

Over and above its existing internal control mechanism, the LVMH Group reinforced continuing efforts to improve its internal control, an ongoing project since 2003, with the implementation of a self-assessment procedure.

In 2007, each of the Group's key entities completed a review of its internal control system, including the description and formalization of established controls as well as their appropriateness in relation to incurred risks.

3. STATUTORY AUDITORS' REPORT ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL PROCEDURES

To the Shareholders,

As Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2007.

In his Report, the Chairman reports, in particular, on the conditions for the preparation and organization of the Board of Directors' work and the internal control procedures implemented by the Company.

It is our responsibility to report to you our observations on the information set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of financial and accounting information.

We have performed our work in accordance with the professional guidelines applicable in France. These guidelines require that we plan and perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and treatment of the financial and accounting information. These procedures notably consisted of:

- obtaining an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and treatment of financial and accounting information, as set out in the Chairman's Report;
- obtaining an understanding of the work underlying the information set out in the report;
- assessing whether major deficiencies related to internal control procedures and treatment of financial and accounting information have been appropriately reported in the Chairman's Report, if any.

On the basis of the procedures we have performed, we have nothing to report with regard to the information concerning the internal control procedures of the Company relating to the preparation and treatment of the financial and accounting information, as included in the Report of the Chairman of the Board of Directors, prepared in accordance with the Article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La Défense, March 10, 2008

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG Audit	
Thierry Benoit	Alain Pons	Jeanne Boillet	Olivier Breillot

LVMH GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND STATUTORY AUDITORS' REPORT

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CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2007	2006	2005
Revenue	**22-23**	**16,481**	**15,306**	**13,910**
Cost of sales		(5,786)	(5,481)	(5,001)
Gross margin		**10,695**	**9,825**	**8,909**
Marketing and selling expenses		(5,752)	(5,364)	(4,892)
General and administrative expenses		(1,388)	(1,289)	(1,274)
Profit from recurring operations	**22-23**	**3,555**	**3,172**	**2,743**
Other operating income and expenses	**24**	(126)	(120)	(221)
Operating profit		**3,429**	**3,052**	**2,522**
Cost of net financial debt		(207)	(173)	(188)
Other financial income and expenses		(45)	120	45
Net financial income (expense)	**25**	**(252)**	**(53)**	**(143)**
Income taxes	**26**	(853)	(847)	(718)
Income (loss) from investments in associates	**7**	7	8	7
Net profit		**2,331**	**2,160**	**1,668**
of which: minority interests		306	281	228
Group share		**2,025**	**1,879**	**1,440**
Basic Group share of net earnings per share *(in euros)*	**27**	**4.27**	**3.98**	**3.06**
Number of shares on which the calculation is based		474,327,943	471,901,820	470,206,389
Diluted Group share of net earnings per share *(in euros)*	**27**	**4.22**	**3.94**	**3.04**
Number of shares on which the calculation is based		479,891,713	477,471,955	474,047,257

CONSOLIDATED BALANCE SHEET

ASSETS (EUR millions)	Notes	2007	2006	2005
Brands and other intangible assets - net	3	7,999	8,227	8,530
Goodwill - net	4	4,818	4,537	4,479
Property, plant and equipment - net	6	5,419	5,173	4,983
Investments in associates	7	129	126	128
Non-current available for sale financial assets	8	823	504	451
Other non-current assets		586	658	660
Deferred tax	26	492	395	306
Non-current assets		**20,266**	**19,620**	**19,537**
Inventories and work in progress	9	4,812	4,383	4,134
Trade accounts receivable	10	1,595	1,461	1,370
Income taxes		508	512	317
Other current assets	11	2,001	1,587	1,225
Cash and cash equivalents	13	1,559	1,222	1,470
Current assets		**10,475**	**9,165**	**8,516**
Total assets		**30,741**	**28,785**	**28,053**

LIABILITIES AND EQUITY (EUR millions)	Notes	2007	2006	2005
Share capital		147	147	147
Share premium account		1,736	1,736	1,736
LVMH treasury shares		(877)	(1,019)	(972)
Revaluation reserves		976	917	658
Other reserves		8,191	7,062	6,158
Cumulative translation adjustment		(608)	(119)	292
Group share of net profit		2,025	1,879	1,440
Equity - Group share	14	11,590	10,603	9,459
Minority interests	16	938	991	1,025
Total equity		**12,528**	**11,594**	**10,484**
Long term borrowings	17	2,477	3,235	3,747
Provisions	18	976	983	949
Deferred tax	26	2,843	2,862	2,925
Other non-current liabilities	19	4,147	3,755	3,357
Non-current liabilities		**10,443**	**10,835**	**10,978**
Short term borrowings	17	3,138	2,100	2,642
Trade accounts payable		2,095	1,899	1,732
Income taxes		689	692	373
Provisions	18	296	255	305
Other current liabilities	20	1,552	1,410	1,539
Current liabilities		**7,770**	**6,356**	**6,591**
Total liabilities and equity		**30,741**	**28,785**	**28,053**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	LVMH treasury shares and related derivatives	Revaluation reserves	Cumulative translation adjustment	Net profit and other reserves	Total equity		
								Group share	Minority interests	Total
Notes		14.1		14.2	14.4	14.5			16	
As of January 1, 2005	**489,937,410**	**147**	**1,736**	**(1,006)**	**521**	**(200)**	**6,584**	**7,782**	**893**	**8,675**
Translation adjustment						492		492	107	599
Income and expenses recognized directly in equity					137			137	(12)	125
Net profit							1,440	1,440	228	1,668
Total recognized income and expenses		**-**	**-**	**-**	**137**	**492**	**1,440**	**2,069**	**323**	**2,392**
Stock option plan and similar expenses							23	23	2	25
(Acquisition)/disposal of LVMH treasury shares and related derivatives				34			(3)	31	-	31
Capital increase in subsidiaries								-	3	3
Interim and final dividends paid							(446)	(446)	(120)	(566)
Changes in consolidation scope								-	(77)	(77)
Effects of purchase commitments for minority interests								-	1	1
As of December 31, 2005	**489,937,410**	**147**	**1,736**	**(972)**	**658**	**292**	**7,598**	**9,459**	**1,025**	**10,484**
Translation adjustment						(411)		(411)	(90)	(501)
Income and expenses recognized directly in equity					259			259	29	288
Net profit							1,879	1,879	281	2,160
Total recognized income and expenses		**-**	**-**	**-**	**259**	**(411)**	**1,879**	**1,727**	**220**	**1,947**
Stock option plan and similar expenses							32	32	3	35
(Acquisition)/disposal of LVMH treasury shares and related derivatives				(47)			(2)	(49)	-	(49)
Capital increase in subsidiaries								-	6	6
Interim and final dividends paid							(566)	(566)	(120)	(686)
Changes in consolidation scope								-	(6)	(6)
Effects of purchase commitments for minority interests								-	(137)	(137)
As of December 31, 2006	**489,937,410**	**147**	**1,736**	**(1,019)**	**917**	**(119)**	**8,941**	**10,603**	**991**	**11,594**

(EUR millions)	Notes	Number of shares	Share capital	Share premium account	LVMH treasury shares and related derivatives	Revaluation reserves	Cumulative translation adjustment	Net profit and other reserves	Total equity		
									Group share	Minority interests	Total
			14.1		14.2	14.4	14.5			16	
As of December 31, 2006		**489,937,410**	**147**	**1,736**	**(1,019)**	**917**	**(119)**	**8,941**	**10,603**	**991**	**11,594**
Translation adjustment							(489)		(489)	(86)	(575)
Income and expenses recognized directly in equity						59			59	19	78
Net profit								2,025	2,025	306	2,331
Total recognized income and expenses			**-**	**-**	**-**	**59**	**(489)**	**2,025**	**1,595**	**239**	**1,834**
Stock option plan and similar expenses								40	40	4	44
(Acquisition)/disposal of LVMH treasury shares and related derivatives					142			(104)	38	-	38
Capital increase in subsidiaries									-	1	1
Interim and final dividends paid								(686)	(686)	(156)	(842)
Changes in consolidation scope									-	(15)	(15)
Effects of purchase commitments for minority interests									-	(126)	(126)
As of December 31, 2007		**489,937,410**	**147**	**1,736**	**(877)**	**976**	**(608)**	**10,216**	**11,590**	**938**	**12,528**

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2007	2006	2005
I. Operating activities				
Operating profit		3,429	3,052	2,522
Net increase in depreciation, amortization and provisions, excluding tax and financial items		638	474	639
Other unrealized gains and losses, excluding financial items		(39)	(31)	(102)
Dividends received		33	28	47
Other adjustments		(22)	(19)	(17)
Cash from operations before changes in working capital		**4,039**	**3,504**	**3,089**
Cost of net financial debt: interest paid		(191)	(174)	(222)
Income taxes paid		(916)	(784)	(616)
Net cash from operations before changes in working capital		**2,932**	**2,546**	**2,251**
Change in inventories and work in progress		(565)	(351)	(281)
Change in trade accounts receivable		(197)	(146)	(67)
Change in trade accounts payable		222	208	27
Change in other receivables and payables		66	31	64
Total change in working capital		**(474)**	**(258)**	**(257)**
Net cash from operating activities		**2,458**	**2,288**	**1,994**
II. Investing activities				
Purchase of tangible and intangible fixed assets		(990)	(771)	(707)
Proceeds from sale of tangible and intangible fixed assets		58	10	21
Guarantee deposits paid and other operating investments		(20)	12	7
Operating investments		**(952)**	**(749)**	**(679)**
Purchase of non-current available for sale financial assets	8	(45)	(87)	(69)
Proceeds from sale of non-current available for sale financial assets	8	33	172	469
Impact of purchase and sale of consolidated investments	2	(329)	(48)	(604)
Other financial investments		-	-	65
Financial investments		**(341)**	**37**	**(139)**
Net cash from (used in) investing activities		**(1,293)**	**(712)**	**(818)**
III. Transactions relating to equity				
Capital increases subscribed by minority interests	16	1	6	3
Acquisition and disposals of LVMH shares and related derivatives		14	(48)	32
Interim and final dividends paid by LVMH	14.3	(686)	(566)	(446)
Interim and final dividends paid to minority interests in consolidated subsidiaries	16	(156)	(120)	(120)
Net cash from (used in) transactions relating to equity		**(827)**	**(728)**	**(531)**
IV. Financing activities				
Proceeds from borrowings		2,006	785	1,192
Repayment of borrowings		(1,700)	(1,757)	(1,559)
Purchase and proceeds from sale of current available for sale financial assets	12	(278)	(181)	(40)
Net cash from (used in) financing activities		**28**	**(1,153)**	**(407)**
V. Effect of exchange rate changes		**(44)**	**(10)**	**41**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**322**	**(315)**	**279**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13	**765**	**1,080**	**801**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	**1,087**	**765**	**1,080**
Transactions generating no change in cash:				
- acquisition of assets by means of finance leases		6	8	9

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 General framework

As required by Regulation (EC) No. 1606/2002 of July 19, 2002, the consolidated financial statements for the year ended December 31, 2007 were established in accordance with international accounting standards (IAS/IFRS) adopted by the European Union and applicable on February 5, 2008, the date on which these financial statements were approved for publication by the Board of Directors. These standards have been applied consistently to the fiscal years presented.

The Group has applied IAS 32 and IAS 39 with effect from January 1, 2004, including the amendments to IAS 39 pertaining to the cash flow hedge accounting of forecast intragroup transactions and the fair value option.

1.2 Changes in the accounting framework in 2007

Standards, amendments and interpretations for which application is mandatory in 2007

The standards, amendments and interpretations applicable to LVMH have been implemented by the Group since January 1, 2007 and do not have a significant impact on the consolidated financial statements presented; they relate to:

- amendment to IAS 1 which requires additional disclosure relating to capital;
- IFRIC 8 Scope of IFRS 2, the standard dealing with share-based payments;
- IFRIC 9 Reassessment of embedded derivatives;
- IFRIC 10 Interim financial reporting and impairment;
- IFRIC 11 Treasury shares and intragroup transactions.

Moreover, additional information required by IFRS 7 Financial instruments, disclosures is also presented in the consolidated financial statements.

Standards, amendments and interpretations for which application is optional in 2007

IFRIC 13 Customer loyalty programs has been applied by the Group in 2007 consolidated financial statements; the impact is not significant.

The following standards, amendments and interpretations, whose mandatory application date is January 1, 2009, were not applied early in 2007:

- IFRS 8 Segment reporting;
- amendments to IAS 23 Borrowing costs.

The impacts of these texts on the consolidated financial statements are in the process of being quantified.

1.3 First-time adoption of IFRS

The first accounts prepared by the Group in accordance with IFRS were the financial statements for the year ended December 31, 2005, with a transition date of January 1, 2004. IFRS 1 allowed for exceptions to the retrospective application of IFRS at the transition date. The procedures implemented by the Group with respect to these exceptions are listed below:

- business combinations: the exemption from retrospective application was not applied. The recognition of the merger of Moët Hennessy and Louis Vuitton in 1987 and all subsequent acquisitions were restated in accordance with IFRS 3; IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of this date;
- measurement of property, plant and equipment and intangible assets: the option to measure these assets at fair value at the date of transition was not applied;
- employee benefits: actuarial gains and losses previously deferred under French GAAP at the date of transition were recognized;
- foreign currency translation of the financial statements of foreign subsidiaries: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against “Other reserves”;
- share-based payment: IFRS 2 Share-Based Payment was applied to all share subscription and share purchase option plans that were open at the date of transition, including those created before November 7, 2002, the date before which application is not mandatory.

1.4 Use of estimates

For the purpose of preparing the consolidated financial statements, measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets, purchase commitments for minority interests and of the determination of the amount of provisions for contingencies and losses or for impairment of inventories and, if applicable, deferred tax assets. Such hypotheses, estimates or other forms of judgment which are undertaken on the basis of the information available, or

situations prevalent at the date of preparation of the accounts, may prove different from the subsequent actual events.

1.5 Methods of consolidation

The subsidiaries in which the Group holds a direct or indirect *de facto* or *de jure* controlling interest are fully consolidated.

Jointly controlled companies are consolidated on a proportionate basis.

For distribution subsidiaries operating in accordance with the contractual distribution arrangements with the Diageo Group, only the portion of assets and liabilities and results of operations relating to LVMH Group activities is included in the consolidated financial statements (see Note 1.23).

Companies where the Group has significant influence but no controlling interest are accounted for using the equity method.

1.6 Foreign currency translation of the financial statements of foreign subsidiaries

The consolidated financial statements are stated in euros; the financial statements of subsidiaries stated in a different functional currency are translated into euros:

- at the period-end exchange rates for balance sheet items;
- at the average rates for the period for income statement items.

Translation adjustments arising from the application of these rates are recorded in equity under "Cumulative translation adjustment".

1.7 Foreign currency transactions and hedging of exchange rate risks

Foreign currency transactions of consolidated companies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in foreign currencies are translated at the applicable exchange rates at the balance sheet date. Unrealized gains and losses resulting from this translation are recognized:

- within gross margin in the case of commercial transactions;
- within net financial income/expense in the case of financial transactions.

Foreign exchange gains and losses arising from the translation of inter-company transactions or receivables and payables denominated in foreign currencies, or from their elimination, are recorded in the income statement unless they relate to long term inter-company financing transactions which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment".

Derivatives which are designated as hedges of commercial foreign currency transactions are recognized in the balance sheet at their market value at the balance sheet date and any change in the market value of such derivatives is recognized:

- within gross margin for the effective portion of hedges of receivables and payables recognized in the balance sheet at the end of the period;
- within equity (as a revaluation reserve) for the effective portion of hedges of future cash flows (this part is transferred to gross margin at the time of recognition of the hedged assets and liabilities);
- within net financial income/expense for the ineffective portion of hedges; changes in the value of discount and premium associated with forward contracts, as well as the time value component of options, are systematically considered as ineffective portions.

When derivatives are designated as hedges of subsidiaries' equity in foreign currency (net investment hedge), any change in market value of the derivatives is recognized within equity under "Cumulative translation adjustment" for the effective portion and within net financial income/expense for the ineffective portion.

Market value changes of derivatives not designated as hedges are recorded within net financial income/expense.

1.8 Brands, trade names and other intangible assets

Only acquired brands and trade names that are well known and individually identifiable are recorded as assets at their values calculated on their dates of acquisition.

Costs incurred in creating a new brand or developing an existing brand are expensed.

Only brands, trade names and other intangible assets with finite useful lives are amortized over their useful lives. The classification of a brand or trade name as an asset of definite or indefinite useful life is generally based on the following criteria:

- the brand or trade name's positioning in its market expressed in terms of volume of activity, international presence and notoriety;
- its expected long term profitability;
- its degree of exposure to changes in the economic environment;
- any major event within its business segment liable to compromise its future development;
- its age.

Amortizable lives of brands and trade names, depending on their estimated longevity, range from 5 to 40 years.

Amortization and any impairment expense of brands and trade names are recognized within "Other operating income and expenses".

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.12.

Research expenditure is not capitalized. New product development expenditure is not capitalized unless the final decision to launch the product has been taken.

Intangible assets other than brands and trade names are amortized over the following periods:

- leasehold rights: based on market conditions, generally between 100% and 200% of the lease period;
- development expenditure: 3 years at most;
- software: 1 to 5 years.

1.9 Goodwill

When the Group takes *de jure* or *de facto* exclusive control of an enterprise, its assets, liabilities and contingent liabilities are estimated at their fair value and the difference between the cost of taking exclusive control and the Group's share of the fair value of those assets, liabilities and contingent liabilities is recognized as goodwill.

The cost of taking exclusive control is the price paid by the Group in the context of an acquisition, or an estimate of this price if the transaction is carried out without any payment of cash.

Pending specific guidance from current standards, the difference between the cost and carrying amount of minority interests purchased after control is acquired is recognized as goodwill.

Goodwill is accounted for in the functional currency of the acquired entity.

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.12. Any impairment expense recognized is included within "Other operating income and expenses".

1.10 Purchase commitments for minority interests

The Group has granted put options to minority shareholders of certain fully consolidated subsidiaries.

Pending guidance from IFRS on this subject, the Group recognizes these commitments as follows at each period-end:

- the contractual value of the commitment at this date appears in "Other non-current liabilities";
- the corresponding minority interests are reclassified and included in the above amount;
- the difference between the amount of the commitment and the reclassified minority interests is recorded as goodwill.

This accounting policy has no effect on the presentation of minority interests within the income statement.

The accounting treatment described above nevertheless elicits the following observation: certain current interpretations of these texts lead to the recognition of the entire amount of goodwill as a deduction from equity; under other interpretations, goodwill is maintained under assets but in an amount frozen at the acquisition date, with subsequent changes being taken directly to the income statement.

1.11 Property, plant and equipment

With the exception of vineyard land, the gross value of property, plant and equipment is stated at acquisition cost. Any borrowing costs incurred prior to use of assets are expensed.

Vineyard land is recognized at the market value at the balance sheet date. This valuation is based on official published data for recent transactions in the same region, or on independent appraisals. Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If market value falls below acquisition cost the resulting impairment is charged to the income statement.

Vines for champagnes, cognacs and other wines produced by the Group, are considered as biological assets as defined in IAS 41 Agriculture. As their valuation at market value differs little from that recognized at historical cost, no revaluation is undertaken for these assets.

Investment property is measured at cost.

Assets acquired under finance leases are capitalized on the basis of the lower of their market value and the present value of future lease payments.

Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life:

- buildings including investment property:.........20 to 50 years
- machinery and equipment: ....3 to 25 years
- store improvements:..3 to 10 years
- producing vineyards:......................................18 to 25 years

The depreciable amount of property, plant and equipment comprises its acquisition cost less any estimated residual value.

Expenses for maintenance and repairs are charged to the income statement as incurred.

1.12 Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired, and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of such assets is greater than

the higher of their value in use or net selling price, the resulting impairment loss is recognized within "Other operating income and expenses", allocated in priority to any existing goodwill.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Net selling price is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts.

Cash flows are forecast for each business segment defined as one or several brands or trade names under the responsibility of a specific management team. Smaller scale cash generating units, e.g. a group of stores, may be distinguished within a particular business segment.

Brands and goodwill are chiefly valued on the basis of the present value of forecast cash flows, or of comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands), or of stock market multiples observed for related businesses. Other complementary methods may also be employed: the royalty method, involving equating a brand's value with the present value of the royalties required to be paid for its use; the margin differential method, applicable when a measurable difference can be identified between the amount of revenue generated by a branded product in comparison with an unbranded product; and finally the equivalent brand reconstitution method involving, in particular, estimation of the amount of advertising required to generate a similar brand.

The forecast data required for the cash flow methods is based on budgets and business plans prepared by management of the related business segments. Detailed forecasts cover a five-year period, a period which may be extended in the case of certain brands undergoing strategic repositioning. Moreover, a final value is also estimated, which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and include assessment of the risk factor associated with each business.

1.13 Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their nature and the estimated period for which they will be held.

Non-current available for sale financial assets mainly include participating investments (strategic and non-strategic).

Current available for sale financial assets include temporary investments in shares, shares of "SICAV", "FCP" and other mutual funds, excluding investments made as part of the daily cash management, accounted for as cash and cash equivalents (see Note 1.16).

Available for sale financial assets are measured at their listed value at balance sheet date in the case of quoted investments, and at their net realizable value in the case of unquoted investments.

Positive or negative changes in value are taken to equity within "Revaluation reserves". If an impairment loss is judged to be definitive, a provision for impairment is recognized and charged to net financial income/expense; the impairment is only reversed through the income statement at the time of sale of the corresponding available for sale financial assets.

1.14 Inventories and work in progress

Inventories other than wine produced by the Group are recorded at the lower of cost (excluding interest expense) and net realizable value; cost comprises manufacturing cost (finished goods) or purchase price, plus incidental costs (raw materials, merchandise).

Wine produced by the Group, especially champagne, is measured at the applicable harvest market value, as if the harvested grapes had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated *pro rata temporis* on the basis of the estimated yield and market value.

Inventories are valued using the weighted average cost or FIFO methods.

Due to the length of the aging process required for champagne and cognac, the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are nevertheless classified as current assets.

Provisions for impairment of inventories are chiefly recognized for businesses other than Wines and Spirits. They are generally required because of product obsolescence (date of expiry, end of season or collection, etc.) or lack of sales prospects.

1.15 Trade accounts receivable

Trade accounts receivable are recorded at their face value. A provision for impairment is recorded if their net realizable value, based on the probability of their collection, is less than their carrying amount.

1.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits as well as highly liquid monetary investments subject to an insignificant risk of changes in value.

Monetary investments are measured at their market value and at the exchange rate prevailing at the balance sheet date, with any changes in value recognized as part of net financial income/expense.

1.17 Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated.

When execution of its obligation is expected to be deferred by more than one year, the provision amount is discounted, the effects of which are generally recognized in net financial income/expense.

1.18 Borrowings

Borrowings are measured at amortized cost, i.e. nominal value net of premium and issue expenses, which are charged progressively to net financial income/expense using the effective interest method.

In the case of hedging against fluctuations in the capital amount of borrowings resulting from interest rate risk, both the hedged amount of borrowings and the related hedges are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/expense for the period. Market value of hedged borrowings is determined using similar methods as those described hereafter in Note 1.19 Derivatives.

In the case of hedging of future interest payments, the related borrowings remain measured at their amortized cost whilst any changes in value of the effective hedge portions are taken to equity as part of revaluation reserves.

Changes in value of non-hedge derivatives, and of the ineffective portions of hedges, are recognized within net financial income/expense.

Financial debt bearing embedded derivatives is measured at market value; changes in market value are recognized within net financial income/expense.

Net financial debt comprises short and long term borrowings, the market value at the balance sheet date of interest rate derivatives, less the value of current available for sale, other financial assets and cash and cash equivalents at that date.

1.19 Derivatives

The Group enters into derivative transactions as part of its strategy for hedging foreign exchange and interest rate risks.

IAS 39 subordinates the use of hedge accounting to demonstration and documentation of the effectiveness of hedging relationships when hedges are implemented and subsequently throughout their existence. A hedge is considered to be effective if the ratio of changes in the value of the derivative to changes in the value of the hedged underlying remains within a range of 80 to 125%.

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.7 in the case of foreign exchange hedges, and as described in Note 1.18 in the case of interest rate hedges.

Market value is based on market data and on commonly used valuation models, and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

Derivatives with maturities in excess of twelve months are disclosed as non-current assets and liabilities.

1.20 Treasury shares and related derivatives

LVMH shares and options to purchase LVMH shares that are held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity, irrespective of the purpose for which they are held.

The cost of disposals of shares is determined by allocation category (see Note 14.2) using the FIFO method with the exception of shares held under stock option plans for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal, net of income taxes, are taken directly to equity.

1.21 Pensions, medical costs and other employee or retired employee commitments

When payments are made by the Group in respect of retirement benefits, pensions, medical costs and other commitments to third party organizations which assume the payment of benefits or medical expense reimbursements, these contributions are expensed in the period in which they fall due with no liability recorded on the balance sheet.

When retirement benefits, pensions, medical costs and other commitments are undertaken by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment, and any changes in this commitment are expensed within profit from recurring operations over the period, including effects of discounting.

When this commitment is either partially or wholly funded by payments made by the Group to external financial organizations, these payments are deducted from the actuarial commitment recorded in the balance sheet.

The actuarial commitment is calculated based on individual country and company assessments. In particular, these assessments include assumptions regarding salary increases, inflation, life expectancy, staff turnover and the return on plan assets.

Cumulative actuarial gains or losses are amortized if, at the year-end, they exceed 10% of the higher of the total commitment or the market value of the funded plan assets. These gains or losses are amortized in the period following their recognition over the average residual active life of the relevant employees.

1.22 Current and deferred tax

Deferred tax is recognized in respect of temporary differences arising between the amounts of assets and liabilities for purposes of consolidation and the amounts resulting from application of tax regulations.

Deferred tax is measured on the basis of the income tax rates enacted at the balance sheet date; the effect of changes in rates is recognized during the periods in which changes are enacted.

Future tax savings from tax losses carried forward are recorded as deferred tax assets on the balance sheet and impaired where appropriate; only amounts for which future use is deemed probable are recognized.

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries are provided for if distribution is deemed probable.

1.23 Revenue recognition

Revenue

Revenue mainly comprises direct sales to customers and sales through distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

Direct sales to customers are made through retail stores for Fashion and Leather Goods, certain Perfumes and Cosmetics, certain Watches and Jewelry brands and Selective Retailing. These sales are recognized at the time of purchase by retail customers.

Wholesale sales through distributors are made for Wines and Spirits, and certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third party customers, i.e. generally on shipment of products from Group facilities.

Revenue includes shipment and transportation costs re-billed to customers only when these costs are included in products' selling prices as a lump sum.

Revenue is presented net of all forms of discount. In particular, payments made in order to have products referenced or, in accordance with agreements, to participate in advertising campaigns with the distributors, are deducted from revenue and the corresponding trade accounts receivable.

Provisions for product returns

Perfumes and Cosmetics and, to a lesser extent, Fashion and Leather Goods and Watches and Jewelry companies may accept the return of unsold or outdated products from their customers and distributors.

Where this practice is applied, revenue and the corresponding trade receivables are reduced by the estimated amount of such returns, and a corresponding entry is made to inventories. The estimated rate of returns is based on statistics of historical returns.

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses are achieved within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' brands to customers. Because the distribution agreements provide specific rules for allocating these entities' net profit and assets and liabilities between LVMH and Diageo, LVMH only recognizes the portion of their revenue and expenses attributable to its own brands.

1.24 Advertising and promotion expenses

Advertising and promotion expenses include the costs of producing advertising media, purchasing media space, manufacturing samples and publishing catalogs, and in general, the cost of all activities designed to promote the Group's brands and products.

Advertising and promotion expenses are recognized as expenses for the period in which they are incurred; the cost of media campaigns in particular is time-apportioned over the duration of these campaigns and the cost of samples and catalogs is recognized when they are made available to customers.

1.25 Stock option and similar plans

Share purchase and subscription option plans give rise to recognition of an expense based on the expected benefit granted to beneficiaries calculated, using the Black & Scholes method, at the date of the Board Meeting that granted the options.

For bonus share plans, the expected benefit is calculated on the basis of the closing share price on the day before the Board Meeting at which the decision to initiate the plan is made, and dividends expected to accrue during the vesting period.

For cash-settled LVMH share-based incentive plans, the gain over the vesting period is estimated based on the type of plan as described above.

For all plans, the expense is apportioned on a straight-line basis over the vesting period, with a corresponding:

- impact on reserves for share purchase and subscription option plans;
- balance sheet impact for cash-settled plans.

After the vesting period has expired, only cash-settled plans have an impact on the income statement, in the amount of the change in the LVMH share price.

1.26 Profit from recurring operations and other operating income and expenses

The Group's main business is the management and development of its brands and trade names. Profit from recurring operations is derived from these activities, whether they are recurring or non-recurring, core or incidental transactions.

Other operating income and expenses comprises income statement items which, due to their nature, amount or frequency, may not be considered as inherent to the Group's recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation and the impairment of brands and goodwill, as well as any significant amount of gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non-recurring income or expense which may otherwise distort the comparability of profit from recurring operations from one period to the next.

1.27 Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of all existing subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, supplemented by the expense to be recognized for stock option and similar plans (see Note 1.25), would be employed to re-purchase LVMH shares at a price corresponding to their average trading price over the period.

2. CHANGES IN THE SCOPE OF CONSOLIDATION

2.1 Fiscal year 2007

Wines and Spirits

In May 2007, the Group acquired for 25 million euros 55% of the share capital of Wen Jun Spirits and Wen Jun Spirits Sales, which produce and distribute *baiju* (white liquor) in China. Wen Jun group was fully consolidated as of the second half of the year.

Also in May 2007, the Group increased its investment in Newton Vineyards from 80% to 90%, for a total amount of 5 million US dollars.

Fashion and Leather Goods

In May 2007, the Group increased its investment in Fendi from 94% to 100%, for an amount of 66 million euros.

Watches and Jewelry

Omas was divested in October 2007.

Selective Retailing

In September 2007, the Group acquired a distribution license in Vietnam for local duty free operators on a joint-venture basis; the acquisition price, 52 million US dollars, represents the value of the distribution rights and inventories.

Other activities

In December 2007, the media group Les Echos was acquired from Pearson for 240 million euros, excluding the assumption by LVMH of Pearson's financial debt with respect to Les Echos group of 107 million euros. Given the acquisition date, Les Echos will be consolidated as of fiscal year 2008; the shares acquired are recognized as of December 31, 2007 under non-current available for sale financial assets (see Note 8).

At the same time, LVMH signed a memorandum of understanding for the disposal of the media group La Tribune; this disposal is subject to the agreement of the French Competition Department (DGCCRF).

The balance sheet of Les Echos group as of June 30, 2007, presented on a *pro forma* basis before restatement of the accounts to LVMH Group standards, and before allocation of the purchase price, is as follows:

(EUR millions)	
Tangible and intangible fixed assets	9
Current assets, net	38
Receivable vis-à-vis Pearson, assigned to LVMH	105
Cash and cash equivalents	19
Current liabilities	(63)
Non-current liabilities	(6)
Net assets	**102**

2.2 Fiscal year 2006

In 2006 changes in the scope of consolidation concerned the acquisition of minority interests, mainly in the United States (Fresh and Donna Karan), in addition to certain distribution subsidiaries in Asia.

2.3 Fiscal year 2005

Wines and Spirits

Following a friendly takeover bid finalized at the end of December 2004, in January 2005 LVMH acquired 99% of the share capital of Glenmorangie plc, a UK company listed in London, followed by the remaining 1% in February and March 2005 as the result of a delisting procedure.

The cost of this acquisition was 459 million euros (316 million pounds sterling), including 8 million euros in acquisition costs. In accordance with the bid terms, 51 million pounds sterling of this total price were paid in the form of Loan Notes, bearing interest at GBP Libor less 0.80%. The Loan Notes are repayable at par value on demand of their holders, at the earliest on December 15, 2005 and at the latest on December 15, 2012, on the biannual interest payment dates of June 15 and December 15.

Glenmorangie was fully consolidated with effect from January 1, 2005. The table below summarizes the purchase price allocation, on the basis of Glenmorangie's balance sheet as of December 31, 2004:

(EUR millions)	Value retained by LVMH	Carrying amount
Intangible assets	290	1
Property, plant and equipment	54	58
Inventories	130	123
Other current assets and liabilities, net	(22)	(10)
Cash and cash equivalents	21	21
Borrowings	(66)	(66)
Employee commitments	(12)	-
Deferred tax and provisions	(95)	(7)
Goodwill	159	-
Total cost of acquisition	**459**	-

The Glenmorangie, Ardberg, and Glen Moray brands are recognized in intangible assets for a total of 289 million euros, of which 234 million euros represents the Glenmorangie brand. Goodwill is generated by the synergies to be created due to the integration of Glenmorangie in the Moët Hennessy distribution network.

In April 2005 LVMH acquired for consideration of 120 million US dollars the 30% interest in Millennium that was owned by the latter's minority shareholder, thus increasing its total holding to 100%. This investment represents an increase in the Group's share of the distribution license in the United States for Belvedere vodka held by Millennium of 79 million euros.

The Group's investment in MountAdam was sold in July 2005.

Fashion and Leather Goods

Christian Lacroix was sold in January 2005.

Other activities

The 49.9% stake in Bonhams Brooks PS&N Ltd, an associated entity, was sold in July 2005.

2.4 Impact of changes in the scope of consolidation on cash and cash equivalents

(EUR millions)	2007	2006	2005
Purchase of consolidated investments	(352)	(50)	(623)
Positive cash balance / (net overdraft) of companies acquired	16	-	(6)
Proceeds from sale of consolidated investments	9	2	34
(Positive cash balance) / net overdraft of companies sold	(2)	-	(9)
Impact of changes in the scope of consolidation on cash and cash equivalents	**(329)**	**(48)**	**(604)**

In 2007, the impact of changes in the consolidation scope on the Group's cash and cash equivalents breaks down as:

- 240 million euros for the acquisition of Les Echos group;
- 66 million euros for the acquisition of the 6% minority interests in Fendi;
- 20 million euros for the amount paid during the year for the acquisition in Vietnam of a local duty-free operator's distribution license;
- and finally 8 million euros for the acquisition of 55% of the Wen Jun group.

In 2006, the impact on the Group's cash and cash equivalents of changes in the scope of consolidation was mainly the result of the staggered payment for minority interests in Fendi in the amount of 25 million euros, the acquisition of minority interests in Donna Karan for 8 million euros and 15% of Fresh for 4 million euros.

In 2005, the overall impact on the Group's cash and cash equivalents of changes in the scope of consolidation was a decrease of 604 million euros. This amount was chiefly attributable to the acquisition of Glenmorangie, accounting for 438 million euros, and to the acquisition of minority interests in Millennium, accounting for 92 million euros.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)	2007			2006	2005
	Gross	Accumulated amortization and impairment	Net	Net	Net
Brands	6,202	(335)	5,867	5,768	5,846
Trade names	3,060	(1,241)	1,819	2,003	2,204
License rights	102	(56)	46	234	260
Leasehold rights	236	(135)	101	83	90
Software	293	(210)	83	71	59
Other	193	(110)	83	68	71
Total	**10,086**	**(2,087)**	**7,999**	**8,227**	**8,530**
Of which: assets held under finance leases	14	(14)	-	1	1

3.1 Movements in the year

Movements during the year ended December 31, 2007 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	**Brands**	**Trade names**	**Other intangible assets**	**Total**
As of December 31, 2006	**6,111**	**3,383**	**929**	**10,423**
Acquisitions	60	-	105	165
Disposals	-	-	(20)	(20)
Changes in the scope of consolidation	(33)	-	16	(17)
Translation adjustment	(113)	(323)	(26)	(462)
Other, including reclassifications	177	-	(180)	(3)
As of December 31, 2007	**6,202**	**3,060**	**824**	**10,086**

Accumulated amortization and impairment *(EUR millions)*	**Brands**	**Trade names**	**Other intangible assets**	**Total**
As of December 31, 2006	**(343)**	**(1,380)**	**(473)**	**(2,196)**
Amortization expense	(7)	-	(77)	(84)
Impairment expense	(10)	-	(1)	(11)
Disposals	-	-	14	14
Changes in the scope of consolidation	15	-	(1)	14
Translation adjustment	10	139	10	159
Other, including reclassifications	-	-	17	17
As of December 31, 2007	**(335)**	**(1,241)**	**(511)**	**(2,087)**
Net carrying amount as of December 31, 2007	**5,867**	**1,819**	**313**	**7,999**

In June 2007, the Group acquired ownership of the Belvedere brand in the United States for 83 million US dollars; until that date, the Group owned the brand in the rest of the world but held it under license in the United States. The rights attached to the license, amounting to 244 million US dollars, which were recognized under "Other intangible assets", were reclassified under "Brands".

The translation adjustment mainly reflects the effects of changes in euro/US dollar exchange rates in the period on the valuation of intangible assets denominated in US dollars, especially the Donna Karan New York brand and the DFS trade name.

The gross value of amortized brands is 150 million euros as of December 31, 2007.

3.2 Movements in prior years

Net carrying amount *(EUR millions)*	Brands	Trade names	Other intangible assets	Total
As of December 31, 2004	**5,493**	**1,983**	**362**	**7,838**
Acquisitions	3	-	66	69
Disposals	-	-	(3)	(3)
Changes in the scope of consolidation	289	-	76	365
Amortization	(6)	(1)	(66)	(73)
Impairment	-	(24)	-	(24)
Translation adjustment	66	260	34	360
Other	1	(14)	11	(2)
As of December 31, 2005	**5,846**	**2,204**	**480**	**8,530**
Acquisitions	-	-	76	76
Disposals	-	-	(2)	(2)
Amortization	(6)	-	(71)	(77)
Translation adjustment	(72)	(201)	(29)	(302)
Other	-	-	2	2
As of December 31, 2006	**5,768**	**2,003**	**456**	**8,227**

The effects of changes in the scope of consolidation in 2005 related to the acquisition of Glenmorangie in the amount of 290 million euros and the final recognition of the acquisition of the distribution license held by Millennium for a gross value of 62 million euros.

3.3 Brands and trade names

The breakdown of brands and trade names by business group is as follows:

(EUR millions)	2007			2006	2005
	Gross	Amortization and impairment	Net	Net	Net
Wines and Spirits	862	(8)	854	655	652
Fashion and Leather Goods	3,865	(302)	3,563	3,607	3,654
Perfumes and Cosmetics	613	(18)	595	599	606
Watches and Jewelry	842	(7)	835	859	887
Selective Retailing	3,060	(1,240)	1,820	2,003	2,204
Other activities	20	(1)	19	48	47
Brands and trade names	**9,262**	**(1,576)**	**7,686**	**7,771**	**8,050**

The brands and trade names recognized in the table above are those that the Group has acquired. The principal acquired brands and trade names as of December 31, 2007 are:

- Wines and Spirits: Veuve Clicquot, Krug, Château d'Yquem, Belvedere, Glenmorangie and Newton Vineyards;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Celine, Loewe, Donna Karan New York, Givenchy, Kenzo, Berluti, Thomas Pink and Pucci;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up for Ever, BeneFit Cosmetics, Fresh and Acqua di Parma;
- Watches and Jewelry: TAG Heuer, Zenith, Fred and Chaumet;
- Selective Retailing: DFS Galleria, Sephora and Le Bon Marché;
- Other Activities: Investir print media publications.

These brands and trade names are recognized in the balance sheet at their value determined as of the date of their acquisition by

the Group, which may be much less than their value in use or their net selling price as of the closing date for the consolidated financial statements. This is notably the case for the brands Louis Vuitton, Veuve Clicquot, and Parfums Christian Dior, or the trade name Sephora, with the understanding that this list must not be considered as exhaustive.

Brands developed by the Group, notably Hennessy, Moët & Chandon, Dom Pérignon, Mercier and Ruinart champagnes, as well as the De Beers trade name developed as a joint-venture with the De Beers Group, are not capitalized in the balance sheet. Les Echos, the press publication, will be recognized as of fiscal year 2008.

Brands and trade names developed by the Group, in addition to Louis Vuitton, Veuve Clicquot, Parfums Christian Dior, and Sephora, represented 32% of total brands and trade names capitalized in the balance sheet and 60% of the Group's consolidated revenue in 2007.

Please refer also to Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

4. GOODWILL

(EUR millions)	2007			2006	2005
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	3,766	(1,024)	2,742	2,754	2,910
Goodwill arising on purchase commitments for minority interests	2,079	(3)	2,076	1,783	1,569
Total	**5,845**	**(1,027)**	**4,818**	**4,537**	**4,479**

Please refer also to Note 19 for goodwill arising on purchase commitments for minority interests.

Changes in net goodwill during the fiscal years presented break down as follows:

(EUR millions)	2007			2006	2005
	Gross	Impairment	Net	Net	Net
As of January 1	**5,649**	**(1,112)**	**4,537**	**4,479**	**4,048**
Changes in the scope of consolidation	63	6	69	11	158
Changes in purchase commitments for minority interests	256	16	272	220	127
Changes in impairment	-	-	-	(15)	(24)
Translation adjustment	(123)	63	(60)	(158)	170
As of December 31	**5,845**	**(1,027)**	**4,818**	**4,537**	**4,479**

Changes in the scope of consolidation for 2007 include 39 million euros for the increase in the Group's investment in Fendi and 14 million euros for the impact of the consolidation of Wen Jun. The effects of consolidation scope changes in fiscal year 2005 mainly relate to the acquisition of Glenmorangie in the amount of 159 million euros.

The translation adjustment mainly reflects the effects of changes in euro/US dollar exchange rates in the period on the valuation of goodwill denominated in US dollars, especially Miami Cruiseline and Donna Karan.

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition have been subject to annual impairment testing. No significant impairment expense has been recognized in respect of these items during the course of fiscal year 2007.

As described in Note 1.12, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans. The main assumptions retained in 2007, similar to those used in 2006, for the determination of these forecast cash flows are as follows:

Business group	Period covered by the plan	Pre-tax discount rate	Growth rate for the period after the plan
Wines and Spirits	5 years	10.5 to 15%	2%
Fashion and Leather Goods	5 years*	13 to 19%	2%
Perfumes and Cosmetics	5 years	13 to 17%	2%
Watches and Jewelry	5 years*	16 to 17%	2%
Selective Retailing	5 years	12 to 13%	2%
Other	5 years	10 to 11%	2%

** Five-year plans may be prolonged up to ten years for brands undergoing strategic repositioning.*

Growth rates applied for the period not covered by the plans are based on market estimates for the business groups concerned.

A one point change in the pre-tax discount rate or the growth rate for the period after the plan applied to the global cash flow forecast for each business group would not give rise to any impairment expense of related intangible assets, i.e. brands, trade names and goodwill.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2007			2006	2005
	Gross	Depreciation and impairment	Net	Net	Net
Land	690	-	690	706	650
Vineyard land and producing vineyards	1,499	(73)	1,426	1,348	1,217
Buildings	1,623	(631)	992	989	1,052
Investment property	333	(47)	286	297	312
Machinery and equipment	3,725	(2,295)	1,430	1,369	1,357
Other tangible fixed assets (including assets in progress)	983	(388)	595	464	395
Total	**8,853**	**(3,434)**	**5,419**	**5,173**	**4,983**
o/w: assets held under finance leases	295	(134)	161	182	213
historical cost of vineyard land and producing vineyards	537	(73)	464	462	459

Movements in property, plant and equipment in the fiscal years presented break down as follows:

Gross value *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2006	**1,417**	**2,304**	**343**	**3,555**	**850**	**8,469**
Acquisitions	15	83	1	338	398	835
Change in the market value of vineyard land	81	-	-	-	-	81
Disposals and retirements	(8)	(12)	(2)	(199)	(44)	(265)
Changes in the scope of consolidation	-	-	-	4	8	12
Translation adjustment	(7)	(75)	(9)	(125)	(45)	(261)
Other, including reclassifications	1	13	-	152	(184)	(18)
As of December 31, 2007	**1,499**	**2,313**	**333**	**3,725**	**983**	**8,853**

Accumulated depreciation and impairment *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2006	**(69)**	**(609)**	**(46)**	**(2,186)**	**(386)**	**(3,296)**
Depreciation expense	(5)	(54)	(4)	(346)	(61)	(470)
Impairment expense	-	-	-	-	-	-
Disposals and retirements	-	10	2	159	44	215
Changes in the scope of consolidation	-	1	-	1	(4)	(2)
Translation adjustment	1	16	1	77	19	114
Other	-	5	-	-	-	5
As of December 31, 2007	**(73)**	**(631)**	**(47)**	**(2,295)**	**(388)**	**(3,434)**
Net carrying amount as of December 31, 2007	**1,426**	**1,682**	**286**	**1,430**	**595**	**5,419**

Net carrying amount *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Investment property**	**Machinery and equipment**	**Other tangible fixed assets (including assets in progress)**	**Total**
As of December 31, 2004	**1,162**	**1,617**	**288**	**1,071**	**403**	**4,541**
Acquisitions	7	39	3	357	239	645
Disposals and retirements	-	(14)	(3)	(13)	-	(30)
Depreciation expense	(5)	(55)	(5)	(303)	(54)	(422)
Impairment expense	-	(2)	-	(22)	-	(24)
Change in the market value of vineyard land	43	-	-	-	-	43
Changes in the scope of consolidation	(1)	27	-	24	1	51
Translation adjustment	10	65	10	49	27	161
Other, including transfers	1	25	19	194	(221)	18
As of December 31, 2005	**1,217**	**1,702**	**312**	**1,357**	**395**	**4,983**
Acquisitions	7	106	1	294	289	697
Disposals and retirements	-	(2)	-	(5)	-	(7)
Depreciation expense	(6)	(57)	(5)	(329)	(57)	(454)
Impairment expense	-	-	-	(8)	(1)	(9)
Change in the market value of vineyard land	133	-	-	-	-	133
Translation adjustment	(7)	(71)	(11)	(61)	(12)	(162)
Other, including transfers	4	17	-	121	(150)	(8)
As of December 31, 2006	**1,348**	**1,695**	**297**	**1,369**	**464**	**5,173**

Property, plant and equipment acquisitions consisted mainly of investments by Louis Vuitton, Sephora and DFS in their retail networks.

7. INVESTMENTS IN ASSOCIATES

(EUR millions)	**2007**			2006	2005
	Gross	**Impairment**	**Net**	Net	Net
Share of net assets of associates as of January 1	**126**	**-**	**126**	**128**	**115**
Share of net profit (loss) for the period	7	-	7	8	7
Dividends paid	(4)	-	(4)	(7)	(3)
Changes in the scope of consolidation	-	-	-	(2)	10
Translation adjustment	-	-	-	(1)	(1)
Share of net assets of associates as of December 31	**129**	**-**	**129**	**126**	**128**

In 2007, investments in associates consisted primarily of:

- a 40% equity stake in Mongoual SA, a real estate company which owns a property held for rental in Paris (France), which is also the head office of LVMH Moët Hennessy-Louis Vuitton SA;
- a 23.1% equity stake in Micromania, the leading distributor of video games and consoles in the French market.

Total rents invoiced by Mongoual SA to the Group amounted to 15 million euros in 2007 (14 million euros in 2006 and 2005).

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	2007			2006	2005
	Gross	Impairment	Net	Net	Net
Total	**853**	**(30)**	**823**	**504**	**451**

Non-current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	2007	2006	2005
As of January 1	**504**	**451**	**718**
Acquisitions	374	85	107
Disposals at realized value	(33)	(162)	(469)
Impact of changes in market value	(8)	132	229
Reclassification as investments in associates or current available for sale financial assets	-	-	(144)
Net impairment expense	-	5	-
Changes in the scope of consolidation	-	-	-
Translation adjustment	(14)	(7)	10
As of December 31	**823**	**504**	**451**

The net gain/loss on disposal is analyzed in Note 25 Net financial income/expense.

Acquisitions in fiscal year 2007 mainly comprise Les Echos group in the amount of 350 million euros; this acquisition will be consolidated in fiscal year 2008.

The change in cash flow relating to this acquisition, 240 million euros, is classified in the consolidated cash flow statement under the heading "Impact of purchase and sale of consolidated investments".

The main disposals in 2006 concerned various investments held by L Capital FCPR. In 2005, the main disposals concern the investment in Bouygues SA; as of December 31, 2005, the remainder of the Group's investment in Bouygues SA was classified under current available for sale financial assets.

Non-current available for sale financial assets held by the Group include the following:

(EUR millions)	Percentage of interest	Net value	Dividends received	Equity [3] [4]	Net profit [3]
L Capital FCPR (France) [2]	45.8%	53		145	2
L Capital 2 FCPR (France) [2]	18.5%	62		151	(5)
Tod's Spa (Italy) [1]	3.5%	51	2	526	57
Xinyu Hengdeli Holdings Ltd (China) [1]	7.5%	71		156	21
Other investments	[5]	236	26		
Sub-total		473	28		
Les Echos group	100.0%	350			[6]
Total		**823**	**28**		

(1) Market value of securities as of the close of trading on December 31, 2007.
(2) Valuation at estimated net realized value.
(3) Figures provided reflect company information prior to December 31, 2007, as year-end accounting data was not available at the date of preparation of the consolidated financial statements.
(4) See Note 2.1 for Les Echos group.
(5) Not applicable.
(6) Not available.

L Capital FCPR is an investment fund for which the bylaws and the management schemes do not allow LVMH to exercise exclusive control, joint control or significant influence on shareholdings held.

9. INVENTORIES AND WORK IN PROGRESS

(EUR millions)	2007	2006	2005
Wines and distilled alcohol in the process of aging	2,683	2,406	2,161
Other raw materials and work in progress	460	421	385
	3,143	2,827	2,546
Goods purchased for resale	476	456	481
Finished products	1,739	1,621	1,684
	2,215	2,077	2,165
Gross amount	**5,358**	**4,904**	**4,711**
Impairment	(546)	(521)	(577)
Net amount	**4,812**	**4,383**	**4,134**

The net change in inventories for the periods presented breaks down as follows:

(EUR millions)	2007			2006	2005
	Gross	Impairment	Net	Net	Net
As of January 1	**4,904**	**(521)**	**4,383**	**4,134**	**3,598**
Change in gross inventories	565		565	346	281
Fair value adjustment for the harvest of the period	35		35	23	19
Change in provision for impairment		(48)	(48)	21	(43)
Changes in the scope of consolidation	23	2	25	-	125
Translation adjustment	(169)	21	(148)	(141)	154
As of December 31	**5,358**	**(546)**	**4,812**	**4,383**	**4,134**

The effects on cost of sales of marking to market harvests are as follows:

(EUR millions)	2007	2006	2005
Fair value adjustment for the harvest of the period	50	41	34
Adjustment for inventory consumed	(15)	(18)	(15)
Net effect on cost of sales of the period	**35**	**23**	**19**

10. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2007	2006	2005
Trade accounts receivable - nominal amount	1,780	1,650	1,577
Provision for impairment	(53)	(54)	(66)
Provision for product returns	(132)	(135)	(141)
Net amount	**1,595**	**1,461**	**1,370**

There is no difference between the market value of trade accounts receivable and their carrying amount.

The amount of the impairment expense in 2007 is 9 million euros (compared to 7 million euros in 2006 and 6 million euros in 2005).

Approximately 66% of the Group's sales is generated through its own stores. The receivable auxiliary balance is comprised primarily of work-in-progress inventories for wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. Credit insurance is taken out whenever the likelihood that receivables may not be recoverable is justified on reasonable grounds.

Trade accounts receivable generally represent payment terms of less than two months.

11. OTHER CURRENT ASSETS

(EUR millions)	**2007**	2006	2005
Current available for sale financial assets	879	607	421
Derivatives	311	242	136
Tax accounts receivable, excluding income taxes	249	231	186
Advances and payments on account to vendors	109	100	86
Prepaid expenses	233	225	205
Other receivables, net	220	182	191
Total	**2,001**	**1,587**	**1,225**

Prepaid expenses include samples and advertising materials, particularly for Perfumes and Cosmetics, in the amount of 94 million euros as of December 31, 2007 (88 million euros as of December 31, 2006, 72 million euros as of December 31, 2005).

There is no difference between the market value of other current assets and their carrying amount.

Please also refer to Note 12 Current available for sale financial assets and Note 21 Financial instruments and market risk management.

12. CURRENT AVAILABLE FOR SALE ASSETS

(EUR millions)	**2007**	2006	2005
Unlisted securities, shares in non money market SICAV and FCP mutual funds	601	462	280
Listed securities	278	145	141
Total	**879**	**607**	**421**
Of which: historical cost of current available for sale financial assets	741	506	317

Current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	**2007**	2006	2005
As of January 1	**607**	**421**	**201**
Acquisitions	370	336	50
Disposals at net realized value	(92)	(156)	(11)
Changes in market value	58	42	49
Reclassification of non-current available for sale financial assets	-	-	126
Translation adjustment	(64)	(36)	6
As of December 31	**879**	**607**	**421**

As of December 31, 2005, short term investments included 3,060 thousand Bouygues shares for an amount of 126 million euros (see Note 8 Non-current available for sale financial assets).

The results on disposal are analyzed in Note 25 Net financial income/expense.

13. CASH AND CASH EQUIVALENTS

(EUR millions)	**2007**	2006	2005
Fixed term deposits (less than 3 months)	426	126	94
SICAV and FCP money market funds	48	49	34
Ordinary bank accounts	1,085	1,047	1,342
Cash and cash equivalents	**1,559**	**1,222**	**1,470**

As of December 31, 2007, cash and cash equivalents include 28 million euros, which guarantee borrowings of same amount (50 million euros as of December 31, 2006, 60 million euros as of December 31, 2005).

The reconciliation between cash and cash equivalents as shown in the balance sheet and net cash and cash equivalents appearing in the cash flow statement is as follows:

(EUR millions)	**2007**	2006	2005
Cash and cash equivalents	1,559	1,222	1,470
Bank overdrafts	(472)	(457)	(390)
Net cash and cash equivalents	**1,087**	**765**	**1,080**

14. EQUITY

14.1 Share capital

As of December 31, 2007, issued and fully paid-up shares totaled 489,937,410 (489,937,410 shares as of December 31, 2006 and 2005), with a par value of 0.30 euro per share, including 225,670,036 shares with double voting rights. Double voting rights are granted to registered shares held for at least three years (219,487,441 as of December 31, 2006, 219,721,757 as of December 31, 2005).

14.2 Treasury shares and derivatives settled in LVMH shares

The portfolio of treasury shares and derivatives settled in LVMH shares is allocated as follows:

(EUR millions)	**2007**		2006	2005
	Number	**Value**	**Value**	**Value**
Share purchase option plans	6,239,029	340	592	729
Bonus share plans	308,618	22	15	6
Other plans	8,745,377	418	301	232
Shares held for stock option and similar plans	**15,293,024**	**780**	**908**	**967**
Liquidity contract	130,000	11	17	5
LVMH treasury shares	**15,423,024**	**791**	**925**	**972**
LVMH share-based calls [(1)]	2,014,000	86	94	-
LVMH treasury shares and derivatives settled in LVMH shares	**-**	**877**	**1,019**	**972**

(1) Number of shares which could be purchased if all of the calls outstanding at the balance sheet date were exercised and the related premium paid on subscription.

Until fiscal year 2006, LVMH shares to be delivered under share purchase option plans were held by LVMH and allocated to these plans as from the launch date of the plans. In the first half of 2006, this method of hedging was replaced for certain existing plans by the purchase of LVMH share purchase options (LVMH share-based calls). The LVMH shares that were replaced by the LVMH share-based calls were reallocated to cover plans other than share purchase option plans.

"Other plans" comprise share subscription option plans and cash-settled share-based compensation plans index-linked to the change in the LVMH share price.

The market value of LVMH shares held under the liquidity contract as of December 31, 2007 is the same as their carrying amount, i.e. 11 million euros.

The portfolio movements in 2007 were as follows:

LVMH shares

(EUR millions)	Number of shares	Value
As of December 31, 2006	**17,618,089**	**925**
Purchases	6,360,391	527
Options exercised	(3,931,161)	(280)
Proceeds from disposals	(4,624,295)	(384)
Gross capital gain (loss) on sale	-	3
As of December 31, 2007	**15,423,024**	**791**

LVMH share-based calls

(EUR millions)	Number of calls	Value
As of December 31, 2006	**1,838,500**	**94**
Calls purchased	1,829,000	76
Calls exercised	(1,653,500)	(84)
As of December 31, 2007	**2,014,000**	**86**

14.3 Dividends paid by the parent company LVMH SA

In accordance with French regulations, dividends are deducted from the profit for the year and reserves available for distribution of the parent company, after deducting applicable withholding tax and the value of treasury shares. As of December 31, 2007, the amount available for distribution was 4,796 million euros; after taking into account the proposed dividend distribution in respect of the 2007 fiscal year, the amount available for distribution is 4,184 million euros.

(EUR millions)	**2007**	2006	2005
Interim dividend for the current year (2007: 0.35 euro; 2006: 0.30 euro; 2005: 0.25 euro)	171	147	122
Impact of treasury shares	(5)	(5)	(5)
	166	142	117
Final dividend for the previous year (2006: 1.10 euro; 2005: 0.90 euro; 2004: 0.70 euro)	539	441	343
Impact of treasury shares	(19)	(17)	(14)
	520	424	329
Total disbursement for the period (gross) [(1)]	**686**	**566**	**446**

(1) Excludes the impact of tax regulations applicable to the beneficiary.

The final dividend for 2007, as proposed to the Shareholders' Meeting of May 15, 2008 1.25 euro per share, representing a total disbursement of 612 million euros excluding the effects of treasury shares.

14.4 Revaluation reserves

Revaluation reserves record the unrealized gains and losses in respect of current and non-current available for sale financial assets, hedges of future foreign currency cash flows and vineyard land, primarily in Champagne.

These reserves changed as follows during the fiscal years presented:

Equity - Group share

(EUR millions)	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Total Group share
As of December 31, 2004	**21**	**103**	**397**	**521**
Change in value	379	(114)	38	303
Transfer to profit for the year	(129)	(52)	-	(181)
Tax impact	(26)	54	(13)	15
Gains and losses recognized in equity	224	(112)	25	137
As of December 31, 2005	**245**	**(9)**	**422**	**658**
Change in value	284	155	105	544
Transfer to profit for the year	(157)	(55)	-	(212)
Tax impact	(2)	(35)	(36)	(73)
Gains and losses recognized in equity	125	65	69	259
As of December 31, 2006	**370**	**56**	**491**	**917**
Change in value	8	198	63	269
Transfer to profit for the year	(29)	(148)	-	(177)
Tax impact	18	(30)	(21)	(33)
Gains and losses recognized in equity	(3)	20	42	59
As of December 31, 2007	**367**	**76**	**533**	**976**

Minority interests

(EUR millions)	Hedges of future foreign currency cash flows	Vineyard land	Total share of minority interests
As of December 31, 2004	**14**	**68**	**82**
Change in value	(19)	6	(13)
Transfer to profit for the year	(6)	-	(6)
Tax impact	9	(2)	7
Gains and losses recognized in equity	(16)	4	(12)
As of December 31, 2005	**(2)**	**72**	**70**
Change in value	20	29	49
Transfer to profit for the year	(6)	-	(6)
Tax impact	(4)	(10)	(14)
Gains and losses recognized in equity	10	19	29
As of December 31, 2006	**8**	**91**	**99**
Change in value	30	17	47
Transfer to profit for the year	(20)	-	(20)
Tax impact	(3)	(5)	(8)
Gains and losses recognized in equity	7	12	19
As of December 31, 2007	**15**	**103**	**118**

Revaluation reserve related to hedges of future foreign currency cash flows is fully transferred to gross margin.

Available for sale financial assets' revaluation reserve is fully transferred to "Other financial income and expenses", see Note 25 Net financial income/expense.

14.5 Cumulative translation adjustment

The change in the translation adjustment recognized under equity as of December 31, 2007, net of hedging effects of net assets denominated in foreign currency, breaks down as follows by currency:

(EUR millions)	**2007**	Change	2006	2005
US dollar	(545)	(391)	(154)	202
Japanese yen	(29)	(12)	(17)	6
Hong Kong dollar	(61)	(50)	(11)	21
Pound sterling	(7)	(36)	29	16
Other currencies	(7)	(24)	17	41
Hedges of foreign currency net assets (1)	41	24	17	6
Total	**(608)**	**(489)**	**(119)**	**292**

(1) See Note 17.5 Analysis of gross borrowings by currency.

14.6 Strategy relating to the Group's financial structure

The Group firmly believes that the management of its financial structure contributes fully, together with the development of the companies it owns and the management of its brand portfolio, to its objective of driving value creation for its shareholders. Furthermore, maintaining a strong credit rating and providing adequate security to the Group's bondholders and bank creditors are regarded as objectives in their own right.

The Group manages its financial structure so as to ensure considerable financial flexibility, allowing it both to seize opportunities and enjoy significant access to markets offering favorable conditions.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt to equity;
- net financial debt to EBITDA;
- long term resources to fixed assets;
- net cash from operating activities;
- cash flow before financing activities;
- proportion of long term debt in net financial debt, etc.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

With respect to these indicators, the Group seeks to maintain levels allowing for considerable financial flexibility.

LVMH SA observes a steady dividend distribution policy, intended to ensure stable returns for shareholders, while making them partners in the growth of the Group.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through the frequent recourse to several negotiable debt markets (both short and long term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts in undrawn confirmed credit lines.

In particular, the Group's undrawn confirmed credit lines often largely exceed the outstanding portion of its commercial paper program.

15. STOCK OPTION AND SIMILAR PLANS

Share subscription and purchase option plans

The Shareholders' Meeting of May 11, 2006 authorized the Board of Directors, for a period of thirty-eight months expiring in July 2009, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 3% of the company's share capital.

Each plan is valid for 10 years. The options may be exercised after a three and a four-year period, for the plans issued since 2004, with the exception of the share purchase option plan dated May 14, 2001 initially concerning 1,105,877 options, which is valid for eight years and for which the options may be exercised after a period of four years.

In certain circumstances, in particular in the event of retirement, the period of three or four years before options may be exercised is not applicable.

For all plans, one option entitles the holder to purchase one LVMH share.

Bonus share plans

The Shareholders' Meeting of May 12, 2005 authorized the Board of Directors, for a period of thirty-eight months expiring in July 2008, to grant bonus shares to Group company employees or directors, on one or more occasions, in an amount not to exceed 1% of the company's share capital on the date of this authorization.

The allocation of shares to their beneficiaries becomes definitive after a two-year vesting period and the shares will need to be held by the beneficiaries for an additional two years.

15.1 Share subscription option plans

Grant date	Number of options granted	Exercise price (EUR)	Vesting period of rights	Number of options exercised in 2007	Number of options expired in 2007	Number of unexercised options as of Dec. 31, 2007
January 21, 2004	2,720,425	55.70	4 years	-	51,550	2,637,625
"	27,050	58.90	"	-	3,000	23,050
May 12, 2005	1,852,150	52.82	"	-	21,125	1,828,575
"	72,250	55.83	"	-	1,500	70,750
May 11, 2006	1,674,709	78.84	"	-	12,650	1,662,059
"	114,650	82.41	"	-	700	113,950
May 10, 2007	1,679,988	86.12	"	-	604	1,679,384
				-	**91,129**	**8,015,393**

	2007		2006		2005	
	Number	Weighted average exercise price (EUR)	Number	Weighted average exercise price (EUR)	Number	Weighted average exercise price (EUR)
Options outstanding as of January 1	**6,426,534**	**61.39**	**4,637,175**	**54.57**	**2,747,475**	**55.73**
Options granted during the period	1,679,988	86.12	1,789,359	79.07	1,924,400	52.93
Expired options	(91,129)	58.76	-	-	(34,700)	55.59
Options exercised during the period	-	-	-	-	-	-
Options outstanding as of December 31	**8,015,393**	**66.60**	**6,426,534**	**61.39**	**4,637,175**	**54.57**

Options granted relate to the share subscription option plan set up on May 10, 2007 with an average unit exercise price of 86.12 euros. The vesting period is four years.

15.2 Share purchase option plans

Grant date	Number of options granted [1]	Exercise price *(EUR)* [2] [3]	Vesting period of rights	Number of options exercised in 2007 [3]	Number of options expired in 2007 [3]	Number of unexercised options as of Dec. 31, 2007 [3]
May 29, 1997	233,040	37.50	3 years	469,875	61,960	-
January 29, 1998	269,130	25.92	"	328,340		109,885
March 16, 1998	15,800	31.25	"	55,000		-
January 20, 1999	320,059	32.10	"	660,270	94,935	203,790
September 16, 1999	44,000	54.65	"	30,000	30,000	150,000
January 19, 2000	376,110	80.10	"	29,000	162,050	1,603,850
January 23, 2001	2,649,075	65.12	"	339,585	107,250	1,847,315
March 6, 2001	40,000	63.53	"	5,000		30,000
May 14, 2001	1,105,877	66.00	4 years	48,600		481,094
May 14, 2001	552,500	61.77	3 years			552,500
September 12, 2001	50,000	52.48	"			50,000
January 22, 2002	3,256,700	43.30	"	317,105	59,300	1,916,212
January 22, 2002	27,400	45.70	"			5,750
May 15, 2002	8,560	54.83	"			5,560
January 22, 2003	3,155,225	37.00	"	1,549,077	23,300	1,264,273
January 22, 2003	58,500	38.73	"	6,250	6,000	32,800
				3,838,102	**544,795**	**8,253,029**

(1) Number of options on the plan commencement date not restated for adjustments relating to the one-for-ten bonus share allocations of June 1999 and for the five-for-one stock split in July 2000.
(2) Figures for periods prior to 1999 result from the translation into euros of data originally presented in French francs.
(3) Restated following the operations referred to in (1) above.

	2007		2006		2005	
	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Options outstanding as of January 1	**12,635,926**	**51.36**	**14,927,777**	**49.48**	**17,148,615**	**48.66**
Options granted during the period	-	-	-	-	-	-
Expired options	(544,795)	56.24	(48,893)	63.59	(956,498)	61.61
Options exercised during the period	(3,838,102)	39.06	(2,242,958)	39.83	(1,264,340)	29.21
Options outstanding as of December 31	**8,253,029**	**56.74**	**12,635,926**	**51.36**	**14,927,777**	**49.48**

15.3 Bonus share plans

Date of the Shareholders' Meeting	Grant date	Number of shares granted initially	Vesting periods of rights	Expired allocations in 2007	Shares vested in 2007	Balance as of Dec. 31, 2007
May 12, 2005	May 12, 2005	97,817	2 years	4,083	93,059	-
May 12, 2005	May 11, 2006	164,306	"	4,610	-	159,696
May 12, 2005	May 10, 2007	152,076	"	268	-	151,808
				8,961	**93,059**	**311,504**

A plan for allocation of bonus shares covering 152,076 shares was instituted on May 10, 2007. Shares are allocated definitively to their beneficiaries after a two-year vesting period, which is followed by a two-year lockup period during which beneficiaries may not sell their shares.

15.4 LVMH cash-settled share-based incentives

A plan equivalent to the award of 48,248 bonus shares was set up on May 10, 2007.

LVMH cash-settled share-based incentives similar to share purchase option plans were set up on January 21, 2004 and May 12, 2005; they related initially to 206,750 and 187,300 shares respectively. Moreover, two plans equivalent to the award of 39,300 and 12,000 bonus shares were set up on May 11, 2006 and August 1, 2006, respectively.

These plans vest over a period of four years.

As of December 31, 2007, the recorded liability in relation to those plans amounts to 11 million euros.

15.5 Expense for the period

The unit value of each option plan is determined on the basis of the Black & Scholes method, as described in Note 1.25. The assumptions and criteria retained for this calculation are as follows:

	2007 Plans	2006 Plans	2005 Plans
LVMH share price on the grant date *(EUR)*	86.67	84.05	57.05
Average exercise price *(EUR)*	86.12	79.07	52.82
Volatility of LVMH shares	24.0%	24.5%	21.7%
Dividend distribution rate	2.0%	1.4%	1.65%
Risk-free investment rate	4.4%	4.1%	3.06%
Vesting period	4 years	4 years	4 years

The volatility of LVMH's shares is determined on the basis of their implicit volatility.

The unit values of share subscription options and bonus shares allocated in 2007 are 22.31 euros and 83.71 euros, respectively.

The expense for the period resulting from these valuations is presented below; in 2005, 2006 and 2007 all plans which had not yet vested as of January 1, 2004, the date of transition to IFRS, are taken into account.

(EUR millions)	**2007**	2006	2005
Share subscription and purchase option plans, bonus share plans	43	34	25
LVMH cash-settled share-based incentive plans	3	1	5
Expense for the year	**46**	**35**	**30**

16. MINORITY INTERESTS

(EUR millions)	**2007**	2006	2005
As of January 1	**991**	**1,025**	**893**
Minority interests' share of net profit	306	281	228
Dividends paid to minority interests	(156)	(120)	(120)
Changes in scope of consolidation:			
acquisition of minority interests in Millennium	-	-	(76)
acquisition of minority interests in Fendi	(27)	(2)	-
acquisition of minority interests in Donna Karan	-	(4)	-
consolidation of Wen Jun	9	-	-
other changes in scope of consolidation	3	-	(1)
Total changes in scope of consolidation	(15)	(6)	(77)
Capital increases subscribed by minority interests	1	6	3
Minority interests' share in the following changes:			
revaluation reserves	19	29	(12)
translation adjustment	(86)	(90)	107
stock option plan expenses	4	3	2
Effects of purchase commitments for minority interests	(126)	(137)	1
As of December 31	**938**	**991**	**1,025**

See also Note 14.4 concerning the analysis of minority interests' share in revaluation reserves.

17. BORROWINGS

17.1 Net financial debt

(EUR millions)	**2007**	2006	2005
Long term borrowings	2,477	3,235	3,747
Short term borrowings	3,138	2,100	2,642
Gross amount of borrowings	**5,615**	**5,335**	**6,389**
Interest rate risk derivatives	(51)	(74)	(151)
Borrowings net of interest rate risk derivatives	**5,564**	**5,261**	**6,238**
Current available for sale financial assets	(879)	(607)	(421)
Other financial assets	(32)	(32)	(29)
Cash and cash equivalents	(1,559)	(1,222)	(1,470)
Net financial debt	**3,094**	**3,400**	**4,318**

Net financial debt does not take into consideration purchase commitments for minority interests included in "Other non-current liabilities" (see Note 19).

The impact of interest rate derivatives is detailed in Note 21.

17.2 Breakdown by nature

(EUR millions)	2007	2006	2005
Perpetual bonds	-	-	32
Bonds and EMTNs	2,169	2,777	3,023
Finance and other long term leases	117	131	156
Bank borrowings	191	327	536
Long term borrowings	**2,477**	**3,235**	**3,747**
Bonds and EMTNs	791	219	1,195
Finance and other long term leases	18	22	22
Bank borrowings	117	170	146
Commercial paper	1,086	516	323
Other borrowings and credit facilities	583	624	468
Perpetual bonds	-	12	-
Bank overdrafts	472	457	390
Accrued interest	71	80	98
Short term borrowings	**3,138**	**2,100**	**2,642**
Total borrowings	**5,615**	**5,335**	**6,389**
Fair value of gross borrowings	**5,603**	**5,351**	**6,455**

The portion of financial debt recognized in accordance with the fair value option described in Note 1.18 is 290 million euros as of December 31, 2007 (292 million euros as of December 31, 2006, 308 million euros as of December 31, 2005); its nominal value is 535 million euros as of December 31, 2007 (1,297 million euros as of December 31, 2006 and 2005).

17.3 Bonds and EMTNs

(EUR millions)	Maturity	Initial effective interest rate [1] (%)	2007	2006	2005
CHF 300,000,000; 2007	2013	3.46	185	-	-
EUR 600,000,000; 2005	2012	3.43	598	598	598
EUR 600,000,000; 2004	2011	4.74	604	606	625
EUR 750,000,000; 2003	2010	5.05	742	746	773
EUR 500,000,000; 2001	2008	6.27	502	508	525
EUR 800,000,000; 1999	2006	-	-	-	808
Public bond issues			**2,631**	**2,458**	**3,329**
in euros			289	480	531
in foreign currencies			40	58	358
Private placements (EMTNs)			**329**	**538**	**889**
Total bonds and EMTNs			**2,960**	**2,996**	**4,218**

(1) Before impact of interest rate hedges set up at the time of, or subsequent to, each issuance.

17.4 Analysis of gross borrowings by payment date

(EUR millions)		**2007**
Year	2008	3,138
	2009	159
	2010	815
	2011	611
	2012	620
	Thereafter	272
Total		**5,615**

17.5 Analysis of gross borrowings by currency after hedging

(EUR millions)	**2007**	2006	2005
Euro	4,110	3,348	4,200
US dollar	217	431	384
Swiss franc	666	814	881
Yen	296	253	403
Other currencies	275	415	370
Total	**5,564**	**5,261**	**6,238**

In general, the purpose of foreign currency borrowings is to hedge net foreign currency-denominated assets acquired following the consolidation of companies located outside of the euro zone.

17.6 Analysis of gross borrowing by interest rate type after hedging

(EUR millions)	**2007**	2006	2005
Floating rate	2,963	1,756	604
Capped floating rate	-	1,400	2,531
Fixed rate	2,601	2,105	3,103
Total	**5,564**	**5,261**	**6,238**

17.7 Covenants

The Group has undertaken to comply with a certain financial covenant based on the ratio of net financial debt over cash flows for the year for certain long term credit lines.

The current level of this ratio is very far from this contractual level, which means that the Group has a high degree of financial flexibility with regard to these commitments.

17.8 Undrawn confirmed credit lines

As of December 31, 2007, unused confirmed credit lines totaled 3.9 billion euros.

17.9 Guarantees and collateral

As of December 31, 2007, borrowings hedged by collateral were less than 100 million euros.

18. PROVISIONS

(EUR millions)	2007	2006	2005
Provisions for pensions, medical costs and similar commitments	237	260	264
Provisions for contingencies and losses	712	685	631
Provisions for reorganization	27	38	54
Non-current (> 1 year)	**976**	**983**	**949**
Provisions for pensions, medical costs and similar commitments	5	4	5
Provisions for contingencies and losses	228	142	152
Provisions for reorganization	63	109	148
Current (< 1 year)	**296**	**255**	**305**
Total	**1,272**	**1,238**	**1,254**

In 2007, the changes in provisions were as follows:

(EUR millions)	Dec. 31, 2006	Increases	Amounts used	Amounts released	Changes in scope of consolidation	Other items (including translation adjustment)	Dec. 31, 2007
Provisions for pensions, medical costs and similar commitments	**264**	34	(42)	-	(1)	(13)	**242**
Provisions for contingencies and losses	**827**	239	(65)	(60)	3	(4)	**940**
Provisions for reorganization	**147**	12	(62)	(2)	-	(5)	**90**
Total	**1,238**	**285**	**(169)**	**(62)**	**2**	**(22)**	**1,272**
Of which: profit from recurring operations		138	(106)	(23)			
net financial income (expense)		-	-	-			
other		147	(63)	(39)			

Provisions for pensions, medical costs and similar commitments are examined in Note 28.

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time, and applies to areas ranging from product composition to the tax computation.

19. OTHER NON-CURRENT LIABILITIES

(EUR millions)	2007	2006	2005
Purchase commitments for minority interests	3,862	3,490	3,151
Derivatives	20	17	15
Employee profit sharing [(1)]	109	100	63
Other liabilities	156	148	128
Total	**4,147**	**3,755**	**3,357**

(1) French companies only, pursuant to legal provisions.

As of December 31, 2005, 2006 and 2007 purchase commitments for minority interests mainly include the put option granted to Diageo plc for its 34% share in Moët Hennessy, with six-month's advance notice and for 80% of its market value at the exercise date of the commitment.

With regard to this commitment valuation, the market value was determined by applying the share price multiples of comparable firms to Moët Hennessy's operating results.

Purchase commitments for minority interests also include commitments relating to minority shareholders in BeneFit (20%) and in Sephora in various countries.

The market value of the other non-current financial liabilities is identical to their carrying amount.

20. OTHER CURRENT LIABILITIES

(EUR millions)	2007	2006	2005
Derivatives	27	30	98
Employees and social institutions	514	488	485
Employee profit sharing	39	29	44
Taxes other than income taxes	234	239	212
Advances and payments on account	77	68	104
Deferred payment for tangible and financial non-current assets	271	168	192
Deferred income	49	47	46
Other	341	341	358
Total	**1,552**	**1,410**	**1,539**

The market value of the other current financial liabilities is identical to their carrying amount.

Derivatives are analyzed in Note 21.

21. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets.

21.1 Foreign exchange, interest rate and equity market risk management

The management of these risks and of transactions involving financial instruments is centralized to the greatest extent possible. The most complex instruments are those for which management is the most centralized.

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

These activities are organized based on a strict segregation of duties between risk measurement, hedging (front office), administration (back office) and financial control.

The backbone of this organization is an integrated information system which allows hedging transactions to be monitored very closely.

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

Potential counterparties are selected based on a minimum rating level and in accordance with the Group's risk diversification strategy.

21.2 Presentation of financial instruments in the balance sheet

The tables below present a breakdown of the financial assets and liabilities recognized in the balance sheet in accordance with the measurement categories defined under IAS 39 Financial Instruments: Recognition and Measurement. In addition to the accounting policies applied by LVMH described in Notes 1.13, 1.16, 1.18 and 1.19, the following explanations apply specifically to these tables:

- fair value may be considered as nearly equivalent to market value, the latter being defined as the price that an informed third party acting freely would be willing to pay or receive for the asset or liability in question;
- the category "Other and non-financial" includes prepaid expenses and deferred income as well as purchase commitments for minority interests (see Notes 1.10 and 1.19).

Fiscal year 2007

December 31, 2007 *(EUR millions)*	Notes	Balance sheet value	Fair value	Loans and receivables	Available for sale assets	Derivatives	Change in value through income	Debt at amortized cost	Other and non financial
Non-current available for sale financial assets	8	823	823		823				
Other non-current assets		586	586	562		24			
Trade accounts receivable	10	1,595	1,595	1,595					
Other current assets	11	2,001	2,001	578	879	311			233
Cash and cash equivalents	13	1,559	1,559				1,559		
Assets		**6,564**	**6,564**	**2,735**	**1,702**	**335**	**1,559**		**233**
Long term borrowings	17	2,477	2,464					2,477	
Other non-current liabilities	19	4,147	4,147			20		265	3,862
Short term borrowings	17	3,138	3,139				290	2,848	
Trade accounts payable		2,095	2,095					2,095	
Other current liabilities	20	1,552	1,552			27		1,476	49
Liabilities		**13,409**	**13,397**			**47**	**290**	**9,161**	**3,911**

Fiscal year 2006

December 31, 2006 *(EUR millions)*	Notes	Balance sheet value	Fair value	Loans and receivables	Available for sale assets	Derivatives	Change in value through income	Debt at amortized cost	Other and non financial
Non-current available for sale financial assets	**8**	504	504		504				
Other non-current assets		658	658	627		31			
Trade accounts receivable	**10**	1,461	1,461	1,461					
Other current assets	**11**	1,587	1,587	513	607	242			225
Cash and cash equivalents	**13**	1,222	1,222				1,222		
Assets		**5,432**	**5,432**	**2,601**	**1,111**	**273**	**1,222**		**225**
Long term borrowings	**17**	3,235	3,251				280	2,955	
Other non-current liabilities	**19**	3,755	3,755			17		248	3,490
Short term borrowings	**17**	2,100	2,100				12	2,088	
Trade accounts payable		1,899	1,899					1,899	
Other current liabilities	**20**	1,410	1,410			30		1,333	47
Liabilities		**12,399**	**12,415**			**47**	**292**	**8,523**	**3,537**

Fiscal year 2005

December 31, 2005 *(EUR millions)*	Notes	Balance sheet value	Fair value	Loans and receivables	Available for sale assets	Derivatives	Change in value through income	Debt at amortized cost	Other and non financial
Non-current available for sale financial assets	**8**	451	451		451				
Other non-current assets		660	660	550		110			
Trade accounts receivable	**10**	1,370	1,370	1,370					
Other current assets	**11**	1,225	1,225	463	421	136			205
Cash and cash equivalents	**13**	1,470	1,470				1,470		
Assets		**5,176**	**5,176**	**2,383**	**872**	**246**	**1,470**		**205**
Long term borrowings	**17**	3,747	3,811				308	3,439	
Other non-current liabilities	**19**	3,357	3,357			15		191	3,151
Short term borrowings	**17**	2,642	2,644					2,642	
Trade accounts payable		1,732	1,732					1,732	
Other current liabilities	**20**	1,539	1,539			98		1,395	46
Liabilities		**13,017**	**13,083**			**113**	**308**	**9,399**	**3,197**

21.3 Summary of derivatives

Derivatives are recorded in the balance sheet for the amounts and in the captions detailed as follows:

(EUR millions)		Notes	2007	2006	2005
Interest rate risk					
Assets:	non-current		18	29	94
	current		73	89	119
Liabilities:	non-current		(20)	(17)	(13)
	current		(20)	(27)	(49)
		21.4	**51**	**74**	**151**
Foreign exchange risk					
Assets:	non-current		6	2	16
	current		238	153	17
Liabilities:	non-current		-	-	(2)
	current		(7)	(3)	(49)
		21.5	**237**	**152**	**(18)**
Total					
Assets:	non-current		24	31	110
	current	**11**	311	242	136
Liabilities:	non-current	**19**	(20)	(17)	(15)
	current	**20**	(27)	(30)	(98)
			288	**226**	**133**

21.4 Derivatives used to manage interest rate risk

The Group manages its interest rate exposure on the basis of total net financial debt. The objective of its management policy is to protect net profit against a sharp rise in interest rates.

As such, the Group uses interest rate swaps and options (caps and floors).

Derivatives used to manage interest rate risk outstanding as of December 31, 2007 break down as follows:

(EUR millions)	Maturity [(1)]			Market value [(2)]		
	2008	2009 to 2012	Total	Fair value hedges	Unallocated amounts	Total
Interest rate swaps in euros:						
- fixed rate payer	-	1,000	1,000	15	10	25
- floating rate payer	1,535	1,553	3,088	23	(2)	21
Cross-currency swaps	-	35	35	-	5	5
Total				**38**	**13**	**51**

(1) Nominal amounts.
(2) Gain/(loss).

21.5 Derivatives used to manage foreign exchange risk

A significant part of both Group companies' sales to customers and their own retail subsidiaries and certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are inter-company cash flows. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations against the various companies' own currencies and are allocated to either accounts receivable or accounts payable for the fiscal year, or, under certain conditions, to transactions anticipated for future periods.

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged progressively using forward contracts or options.

The Group may also use appropriate financial instruments to hedge the net worth of foreign subsidiaries, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2007 break down as follows:

(EUR millions)	Allocated to fiscal year [(1)]				Market value [(2)]				
	2007	2008	Thereafter	Total	Future cash flow hedges	Fair value hedges	Net asset hedges	Not allocated	Total
Options purchased									
Put USD	408	1,646	61	2,115	146	7		21	174
Put JPY	55	525	39	619	25	1		2	28
	463	**2,171**	**100**	**2,734**	**171**	**8**	**-**	**23**	**202**
Ranges									
Written JPY	28	39	52	119	2				2
	28	**39**	**52**	**119**	**2**	**-**	**-**	**-**	**2**
Forward exchange contracts [(3)]									
USD	1,218	(214)	(3)	1,001			26	2	28
JPY	63	56		119	2	2		3	7
GBP	69	40		109	2	1			3
Other	78	75	16	169					-
	1,428	**(43)**	**13**	**1,398**	**4**	**3**	**26**	**5**	**38**
Foreign exchange swaps [(3)]									
CHF	460			460				4	4
USD	(446)	(34)		(480)				(11)	(11)
GBP	4			4				1	1
JPY	(81)			(81)			1	(1)	-
Other	84			84				1	1
	21	**(34)**	**-**	**(13)**	**-**	**-**	**1**	**(6)**	**(5)**
Total					**177**	**11**	**27**	**22**	**237**

(1) Nominal amounts.
(2) Gain/(loss).
(3) Sale/(purchase).

The impacts of a positive or negative change in the value of the US dollar and the Japanese yen on the net profit for the year, equity (excluding net profit), and the market value of derivatives as of December 31, 2007 would be as follows:

(EUR millions)	US dollar		Japanese yen	
	+10%	-10%	+10%	-10%
Net profit (1)	49	(5)	15	(7)
Equity, excluding net profit (1)	396	(295)	(3)	30
Market value of derivatives	(280)	317	(34)	77

(1) After tax effect.

The changes above include the impact on fair value of derivatives of exchange rate fluctuations as well as currency translation adjustments resulting from consolidation of foreign-currency denominated subsidiaries.

21.6 Financial instruments used to manage equity risk

The Group's investment policy is designed to take advantage of a long term investment horizon. Occasionally, the Group may invest in equity-based financial instruments with the aim of enhancing the dynamic management of its investment portfolio.

The Group is exposed to risks of share price changes either directly, as a result of its holding of equity investments and current available for sale financial assets, or indirectly, as a result of its holding of funds which are themselves partially invested in shares.

The Group generally uses financial instruments in this area to reduce the sensitivity of its position to changes in share price. This is the case, for example, for equity swaps in LVMH shares, which are hedging LVMH share-based incentive plans. Such plans are settled in cash rather than LVMH shares, and changes in the LVMH share price affect the income statement. The Group may also use derivatives to build a synthetic exposure to a particular asset, without directly acquiring such an asset.

The nominal amount of forward contract derivatives used to manage equity risk (forward purchases or sales, index futures, equity swaps, etc.) outstanding as of December 31, 2007 was 121 million euros. As of that date, no option derivatives (put options, call options, etc.) were held that should have been included in the Group's consolidated financial statements under financial assets or liabilities.

The fair value of these instruments as of December 31, 2007 was negligible.

21.7 Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Group's exposure to liquidity risk can be assessed through its total net short term borrowings (0.7 billion euros) before interest rate risk derivatives, or through the outstanding amount of its commercial paper program (1.1 billion euros).

Should any of these instruments not be renewed, the Group has access to undrawn confirmed credit lines totaling 3.9 billion euros.

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

The following table presents the contractual schedule of disbursements for financial liabilities recognized as of December 31, 2007, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2008	2009	2010	2011	2012	Over 5 years	Not determined	Total
Bonds and EMTNs	965	133	818	641	627	187		3,371
Bank borrowings	129	110	62	3	20	2		326
Other borrowings and credit facilities	599							599
Finance and other long term leases	22	20	18	16	14	344		434
Commercial paper	1,086							1,086
Bank overdrafts	472							472
Gross financial debt	**3,273**	**263**	**898**	**660**	**661**	**533**	**-**	**6,288**
Derivatives	27	13	6	1				47
Other financial liabilities	1,476	37	29	28	31	140		1,741
Trade accounts payable	2,095							2,095
Other financial liabilities	**3,598**	**50**	**35**	**29**	**31**	**140**	**-**	**3,883**
Total financial liabilities	**6,871**	**313**	**933**	**689**	**692**	**673**	**-**	**10,171**

22. SEGMENT INFORMATION

22.1 Information by business group

Fiscal year 2007

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing [6]	Other and holding companies	Eliminations [1] [4] [5]	2007
Sales outside the Group	3,220	5,591	2,563	818	4,167	122	-	16,481
Sales between business groups	6	37	168	15	12	6	(244)	-
Total revenue	**3,226**	**5,628**	**2,731**	**833**	**4,179**	**128**	**(244)**	**16,481**
Profit from recurring operations	1,058	1,829	256	141	439	(154)	(14)	3,555
Other operating income and expenses	(4)	(18)	(17)	(3)	(24)	(60)	-	(126)
Operating investments [2]	199	241	116	28	243	173	-	1,000
Depreciation and amortization	71	210	103	21	125	24	-	554
Impairment	-	-	-	1	-	10	-	11
Brands, trade names, licenses and goodwill [3]	3,187	4,887	927	979	2,525	45	-	12,550
Inventories	3,036	622	263	268	626	45	(48)	4,812
Other operating assets	2,429	1,739	709	266	1,745	1,622	4,869	13,379
Total assets	**8,652**	**7,248**	**1,899**	**1,513**	**4,896**	**1,712**	**4,821**	**30,741**
Equity	-	-	-	-	-	-	12,528	12,528
Operating liabilities	1,064	977	833	155	1,053	458	13,673	18,213
Total liabilities and equity	**1,064**	**977**	**833**	**155**	**1,053**	**458**	**26,201**	**30,741**

Fiscal year 2006

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing [6]	Other and holding companies	Eliminations [1] [4] [5]	2006
Sales outside the Group	2,989	5,190	2,379	724	3,879	145	-	15,306
Sales between business groups	5	32	140	13	12	6	(208)	-
Total revenue	**2,994**	**5,222**	**2,519**	**737**	**3,891**	**151**	**(208)**	**15,306**
Profit from recurring operations	962	1,633	222	80	400	(137)	12	3,172
Other operating income and expenses	(12)	(44)	(30)	(9)	(27)	2	-	(120)
Operating investments [2]	107	308	99	25	186	50	-	775
Depreciation and amortization	61	208	98	21	117	16	-	521
Impairment	-	5	-	-	7	10	-	22
Brands, trade names, licenses and goodwill [3]	2,936	4,978	920	1,009	2,643	56	-	12,542
Inventories	2,730	603	244	235	558	50	(37)	4,383
Other operating assets	2,220	1,752	648	229	1,575	1,548	3,888	11,860
Total assets	**7,886**	**7,333**	**1,812**	**1,473**	**4,776**	**1,654**	**3,851**	**28,785**
Equity	-	-	-	-	-	-	11,594	11,594
Operating liabilities	1,025	935	736	156	1,010	428	12,901	17,191
Total liabilities and equity	**1,025**	**935**	**736**	**156**	**1,010**	**428**	**24,495**	**28,785**

Fiscal year 2005

Since De Beers LV was reclassified in 2006 from Other activities and holding companies to Watches and Jewelry, data for 2005 was restated to facilitate comparability with 2006 data.

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing [6]	Other and holding companies	Eliminations [1] [4] [5]	2005
Sales outside the Group	2,639	4,781	2,161	575	3,637	117	-	13,910
Sales between business groups	5	31	124	10	11	6	(187)	-
Total revenue	**2,644**	**4,812**	**2,285**	**585**	**3,648**	**123**	**(187)**	**13,910**
Profit from recurring operations	869	1,467	173	21	347	(129)	(5)	2,743
Other operating income and expenses	(3)	(25)	(10)	-	(183)	-	-	(221)
Operating investments [2]	100	302	115	26	135	36	-	714
Depreciation and amortization	59	187	91	19	112	27	-	495
Impairment	-	-	-	-	72	11	-	83
Brands, trade names, licenses and goodwill [3]	2,830	5,033	938	1,041	2,861	86	-	12,789
Inventories	2,479	661	227	219	534	64	(50)	4,134
Other operating assets	1,899	1,672	669	220	1,542	1,647	3,481	11,130
Total assets	**7,208**	**7,366**	**1,834**	**1,480**	**4,937**	**1,797**	**3,431**	**28,053**
Equity	-	-	-	-	-	-	10,484	10,484
Operating liabilities	932	960	666	145	1,043	592	13,231	17,569
Total liabilities and equity	**932**	**960**	**666**	**145**	**1,043**	**592**	**23,715**	**28,053**

(1) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for transactions involving wholesalers or distributors outside the Group.
(2) Operating investments correspond to amounts capitalized during the fiscal year rather than payments made during the fiscal year with respect to these investments.
(3) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(4) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables.
(5) Liabilities not allocated include borrowings and both current and deferred tax liabilities.
(6) Of which revenue for the Samaritaine department store: 15, 14 and 51 million euros respectively, as of December 31, 2007, 2006 and 2005.

22.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2007	2006	2005
France	2,348	2,197	2,073
Europe (excluding France)	3,790	3,332	2,850
United States	4,124	4,009	3,686
Japan	1,856	1,985	2,013
Asia (excluding Japan)	3,044	2,651	2,301
Other	1,319	1,132	987
Revenue	**16,481**	**15,306**	**13,910**

Operating investments by geographic region break down as follows:

(EUR millions)	**2007**	2006	2005
France	399	295	317
Europe (excluding France)	231	119	126
United States	199	138	126
Japan	32	91	18
Asia (excluding Japan)	94	78	95
Other	45	54	32
Operating investments	**1,000**	**775**	**714**

Operating investments correspond to the amounts capitalized during the fiscal year rather than payments made during the fiscal year with respect to these investments.

23. REVENUE AND EXPENSES BY NATURE

23.1 Revenue

Revenue consists of the following:

(EUR millions)	**2007**	2006	2005
Revenue generated by brands and trade names	16,155	14,974	13,718
Royalties and license revenue	107	105	101
Income from investment property	39	34	33
Other	180	193	58
Total	**16,481**	**15,306**	**13,910**

23.2 Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	**2007**	2006	2005
Advertising and promotion expenses	1,953	1,783	1,541
Commercial lease expenses	978	932	870
Personnel costs	2,716	2,569	2,399

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising, and also include personnel costs dedicated to this function.

As of December 31, 2007, a total of 2,048 stores were operated by the Group worldwide (1,859 in 2006 and 1,723 in 2005), particularly by Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores are contingent on the payment of minimum amounts in addition to a variable amount, especially for stores with lease payments indexed to revenue. The total lease expense for the Group's stores breaks down as follows:

(EUR millions)	**2007**	2006	2005
Fixed or minimum lease payments	402	356	266
Variable portion of indexed leases	176	173	185
Airport concession fees - fixed portion or minimum amount	204	209	248
Airport concession fees - variable portion	196	194	171
Commercial lease expenses for the period	**978**	**932**	**870**

• Personnel costs consist of the following elements:

(EUR millions)	**2007**	2006	2005
Salaries and social charges	2,628	2,471	2,340
Pensions, medical costs and similar expenses in respect of defined benefit plans	42	63	29
Stock option plan and related expenses	46	35	30
Total	**2,716**	**2,569**	**2,399**

24. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	**2007**	2006	2005
Amortization of brands and trade names	(6)	(6)	(7)
Impairment of brands, trade names and goodwill	(10)	(15)	(49)
Impairment of tangible assets	-	(7)	(34)
Net gains (losses) on disposal of fixed assets	(81)	-	-
Restructuring costs	(25)	(63)	(132)
Other	(4)	(29)	1
Other operating income and expenses	**(126)**	**(120)**	**(221)**

In 2007, other operating income and expenses mainly comprised the net loss on the sale of La Tribune group, the logistics company Kami (Fashion and Leather Goods) and Omas writing instruments.

In 2006, restructuring costs, which were of a commercial or industrial nature, mainly relate to the Fashion and Leather Goods and the Perfumes and Cosmetics business groups.

In 2005, other operating income and expenses included an exceptional expense of 179 million euros following the closure of the Samaritaine department store in Paris, which was required in order to carry out major renovation work to bring the premises into compliance with safety regulations and other standards.

25. NET FINANCIAL INCOME/EXPENSE

(EUR millions)	**2007**	2006	2005
Borrowing costs, excluding perpetual bonds	(241)	(201)	(199)
Interest and income from current available for sale financial assets	30	23	15
Fair value adjustment of borrowings and hedges, excluding perpetual bonds	2	7	1
Net cost of perpetual bonds	2	(2)	(5)
Cost of net financial debt	**(207)**	**(173)**	**(188)**
Dividends received from non-current available for sale financial assets	29	21	44
Ineffective portion of foreign currency hedges	(97)	(45)	(106)
Net gain (loss) on the sale of available for sale financial assets	44	164	128
Other items - net	(21)	(20)	(21)
Other financial income and expenses	**(45)**	**120**	**45**
Net financial income/(expense)	**(252)**	**(53)**	**(143)**

Income from cash, cash equivalents and current available for sale financial assets includes the following items:

(EUR millions)	2007	2006	2005
Income from cash and cash equivalents	20	17	12
Interest from financial receivables	10	6	3
Interest and income from current available for sale financial assets	**30**	**23**	**15**

The revaluation effects of financial debt and interest rate derivatives, excluding perpetual bonds, are attributable to the revaluation of the following items:

(EUR millions)	2007	2006	2005
Hedged financial debt, excluding perpetual bonds	16	77	30
Hedging instruments	(15)	(77)	(29)
Unallocated derivatives	(1)	(1)	(3)
Debt recognized in accordance with the fair value option	2	8	3
Effects of revaluation of financial debt and rate instruments, excluding perpetual bonds	**2**	**7**	**1**

The ineffective portion of exchange rate derivatives breaks down as follows:

(EUR millions)	2007	2006	2005
Financial cost of commercial foreign exchange hedges	(97)	(47)	(89)
Financial cost of foreign-currency denominated net asset hedges	(1)	(7)	(11)
Change in the fair value of unallocated derivatives	1	9	(6)
Ineffective portion of foreign exchange derivatives	**(97)**	**(45)**	**(106)**

The disposals of available for sale financial assets made in 2007 generated capital gains of 44 million euros, compared to 164 million euros in 2006. The latter were essentially attributable to the disposal of Bouygues shares and of various investments held by L Capital FCPR.

In 2005, the net gain on the sale of available for sale financial assets included 99 million euros in respect of gains on the sale of Bouygues shares.

26. INCOME TAXES

26.1 Analysis of the income tax expense

(EUR millions)	2007	2006	2005
Current income taxes for the period	(984)	(986)	(594)
Current income taxes for prior periods	7	4	10
Current income taxes	**(977)**	**(982)**	**(584)**
Change in deferred income taxes	77	135	(132)
Effect of changes in tax rate on deferred income taxes	47	-	(2)
Deferred income taxes	**124**	**135**	**(134)**
Total tax expense	**(853)**	**(847)**	**(718)**
Tax on items recognized in equity	(33)	(73)	15

The effective tax rate is as follows:

(EUR millions)	2007	2006	2005
Profit before tax	3,177	2,999	2,379
Total income tax expense	(853)	(847)	(718)
Effective tax rate	**27%**	**28%**	**30%**

26.2 Analysis of the difference between the theoretical and effective income tax rates

The theoretical income tax rate, defined as the rate applicable in law to the Group's French companies, may be reconciled as follows to the effective income tax rate disclosed in the consolidated financial statements:

(as % of income before tax)	2007	2006	2005
French statutory tax rate	**34.4**	**34.4**	**34.9**
- changes in tax rates	(1.4)	0.1	0.1
- differences in tax rates for foreign companies	(4.3)	(3.4)	(2.9)
- tax losses and tax loss carry forwards	(3.8)	(5.3)	(3.3)
- difference between consolidated and taxable income, income taxable at reduced rates	1.6	2.0	0.6
- withholding taxes	0.4	0.4	0.8
Effective tax rate of the Group	**26.8**	**28.2**	**30.2**

Since 2000, French companies have been subject to additional income tax, at a rate of 4.8% for 2005 and 3.3% for 2006 and 2007, bringing the theoretical tax rate to 34.4% in 2007 and 2006, and 34.9% in 2005.

26.3 Sources of deferred taxes

In the income statement (EUR millions)	2007	2006	2005
Valuation of brands	16	(45)	(17)
Fair value adjustment of vineyard land	2	-	1
Other revaluation adjustments	-	(3)	-
Gains and losses on available for sale financial assets	10	(3)	(86)
Gains and losses on hedges of future foreign currency cash flows	8	(8)	8
Provisions for contingencies and losses [(1)]	28	22	(2)
Intercompany margin included in inventories	6	25	15
Other consolidation adjustments [(1)]	64	106	(55)
Losses carried forward	(10)	42	2
Total	**124**	**136**	**(134)**

In equity (EUR millions)	2007	2006	2005
Fair value adjustment of vineyard land	(21)	(36)	(13)
Gains and losses on available for sale financial assets	18	(2)	(26)
Gains and losses on hedges of future foreign currency cash flows	(20)	(35)	54
Total	**(23)**	**(73)**	**15**

In the balance sheet *(EUR millions)*	**2007**	2006	2005
Valuation of brands	(2,120)	(2,209)	(2,295)
Fair value adjustment of vineyard land	(443)	(412)	(350)
Other revaluation adjustments	(304)	(303)	(315)
Gains and losses on available for sale financial assets	(7)	(36)	(27)
Gains and losses on hedges of future foreign currency cash flows	(26)	(21)	20
Provisions for contingencies and losses [1]	78	94	45
Intercompany margin included in inventories	201	196	162
Other consolidation adjustments [1]	156	87	(2)
Losses carried forward	114	137	143
Total	**(2,351)**	**(2,467)**	**(2,619)**

(1) Mainly tax-driven provisions, accelerated tax depreciation and finance lease.

Net deferred taxes on the balance sheet include the following assets and liabilities:

(EUR millions)	**2007**	2006	2005
Deferred tax assets	492	395	306
Deferred tax liabilities	(2,843)	(2,862)	(2,925)
Net deferred tax asset (liability)	**(2,351)**	**(2,467)**	**(2,619)**

26.4 Tax loss carry forwards

As of December 31, 2007, unused tax loss carry forwards and tax credits, for which no deferred tax assets were recognized, had a potential impact on the future tax expense of 360 million euros (529 million euros in 2006, 763 million euros in 2005).

26.5 Tax consolidation

- Tax consolidation agreements in France allow certain French companies of the Group to combine their taxable profits to calculate the overall tax expense for which only the parent company is liable.

  This tax consolidation agreement generated a decrease in the current tax expense of 85 million euros in 2007 (46 million euros in 2006, 132 million euros in 2005).

- The application of other tax consolidation agreements in certain foreign countries, notably in the United States and Italy, generated current tax savings of 119 million euros in 2007 (113 million euros in 2006, 74 million euros in 2005).

27. EARNINGS PER SHARE

	2007	2006	2005
Group share of net profit *(EUR millions)*	**2,025**	**1,879**	**1,440**
Average number of shares in circulation during the period	489,937,410	489,937,410	489,937,410
Average number of treasury shares owned during the period	(15,609,467)	(18,035,590)	(19,731,021)
Average number of shares on which the calculation before dilution is based	**474,327,943**	**471,901,820**	**470,206,389**
Earnings per share *(EUR)*	**4.27**	**3.98**	**3.06**

Average number of shares on which the above calculation is based	474,327,943	471,901,820	470,206,389
Dilution effect of stock option plans	5,563,770	5,570,135	3,840,868
Other dilution effects	-	-	-
Average number of shares in circulation after dilution	**479,891,713**	**477,471,955**	**474,047,257**
Diluted earnings per share *(EUR)*	**4.22**	**3.94**	**3.04**

28. PROVISIONS FOR PENSIONS, MEDICAL COSTS AND SIMILAR COMMITMENTS

28.1 Expense for the year

(EUR millions)	2007	2006	2005
Current service cost	38	48	40
Impact of discounting	22	22	20
Expected return on plan assets	(18)	(14)	(13)
Amortization of actuarial gains and losses	(2)	1	-
Past service cost	2	2	2
Changes in regime	-	4	(20)
Total expense for the period for defined benefit plans	**42**	**63**	**29**

Effective return on/(cost of) plan assets	17	25	22

28.2 Net recognized commitment

(EUR millions)	**2007**	2006	2005
Benefits covered by plan assets	503	510	470
Benefits not covered by plan assets	111	131	137
Projected benefit obligation	**614**	**641**	**607**
Fair value of plan assets	**(403)**	**(385)**	**(343)**
Actuarial differences not recognized in the balance sheet	27	10	8
Past service cost not yet recognized	(8)	(10)	(12)
Unrecognized items	19	-	(4)
Net recognized commitment	**230**	**256**	**260**
Of which:			
Non-current provisions	237	260	264
Current provisions	5	4	5
Plan assets	(12)	(8)	(9)
Total	**230**	**256**	**260**

28.3 Breakdown of the change in commitment

(EUR millions)	Projected benefit obligation	Fair value of plan assets	Unrecognized items	Net recognized commitment
As of December 31, 2006	**641**	**(385)**	**-**	**256**
Net expense for the period	60	(18)	-	42
Payments to beneficiaries	(48)	32	-	(16)
Contributions to plan assets		(40)	-	(40)
Contributions of employees	2	(2)	-	-
Translation adjustment	(25)	15	(2)	(12)
Changes in scope and reclassifications	4	(5)	1	-
Changes in regime	(5)		5	-
Actuarial differences: experience impacts	(1)	-	1	-
Actuarial differences: change in assumptions	(14)	-	14	-
As of December 31, 2007	**614**	**(403)**	**19**	**230**

The actuarial assumptions applied to estimate commitments as of December 31, 2007 in the main countries where such commitments have been undertaken, were as follows:

(%)	**2007**			2006			2005		
	France	**Japan**	**United States**	France	Japan	United States	France	Japan	United States
Discount rate	5	2.25	6	4.5	2	5.75	4	2	5.75
Expected return on investments	4.75	4	7.75	4.5	4	8	4	4	8
Future rate of increase of salaries	3.25	2.5	4.5	2 to 4	2 to 4	2 to 4.5	2 to 4.5	2 to 4.5	2 to 4.5

Moreover, for all of the periods presented, the rate of increase of medical costs retained in the United States reduces from 9% to 5% over the first five years, and 5% thereafter.

28.4 Analysis of benefits

The breakdown of the projected benefit obligation by type of benefit plan is as follows:

(EUR millions)	**2007**	2006	2005
Retirement and other indemnities	90	85	85
Medical costs of retirees	36	49	53
Jubilee awards	11	11	12
Pensions	453	467	430
Early retirement indemnities	12	13	17
Other	12	16	10
Projected benefit obligation	**614**	**641**	**607**

Geographic breakdown of projected benefit obligation is as follows:

(EUR millions)	**2007**	2006	2005
France	275	278	261
Europe (excluding France)	177	190	169
United States	100	112	115
Japan	53	52	54
Asia (excluding Japan)	9	9	8
Projected benefit obligation	**614**	**641**	**607**

The main components of the Group's net commitment for retirement and other benefit obligations as of December 31, 2007 are as follows:

- in France, these commitments mainly include jubilee awards and retirement indemnities, the payment of which is determined by French law and collective bargaining agreements, respectively after a certain number of years of service or upon retirement; they also include the commitment to members of the Group's Executive Committee, who are covered by an additional pension plan after a certain number of years' service, the amount of which is linked to their last year's remuneration;
- in Europe (excluding France), the main commitments concern schemes for the reimbursement of the medical expenses of retirees, set up in the United Kingdom by certain Group companies, as well as the TFR (Trattamento di Fine Rapporto) in Italy, a legally required end-of-service allowance, paid regardless of the reason for the employee's departure from the company;
- in the United States, the commitment relates to defined benefit plans or schemes for the reimbursement of medical expenses of retirees set up by certain Group companies.

28.5 Analysis of related plan assets

Market value of the underlying investments in plan assets is as follows:

(%)	**2007**	2006	2005
Shares	51	48	46
Bonds:			
- private issues	33	32	25
- public issues	11	15	22
Real estate, cash and other assets	5	5	7
Fair value of related plan assets	**100**	**100**	**100**

Plan assets do not include any real estate assets operated by the Group or any LVMH shares.

29. OFF BALANCE SHEET COMMITMENTS

29.1 Purchase commitments

(EUR millions)	2007	2006	2005
Grapes, wines and distilled alcohol	1,690	1,547	997
Other purchase commitments for raw materials	24	41	20
Industrial and commercial fixed assets	105	151	58
Investments in joint venture shares and non-current available for sale financial assets	55	84	59

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and distilled alcohol. These commitments are valued, depending on the nature of the purchases, based on the contractual terms or known year-end prices and estimated production yields. Their increase in 2006 results from the signing of long term supply contracts.

As of December 31, 2007, the maturity dates of these commitments break down as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and distilled alcohol	584	634	472	**1,690**
Other purchase commitments for raw materials	17	7	-	**24**
Industrial and commercial fixed assets	72	33	-	**105**
Investments in joint venture shares and non-current available for sale financial assets	46	3	6	**55**

29.2 Lease and similar commitments

In addition to leasing its stores, the Group also finances some of its equipment through long term operating leases. Some fixed assets and equipment were also purchased or refinanced under finance leases.

Operating leases and concession fees

The fixed or minimum portion of commitments in respect of operating lease or concession contracts over the irrevocable period of the contracts were as follows as of December 31, 2007:

(EUR millions)	2007	2006	2005
Less than one year	687	609	553
One to five years	1,831	1,359	1,508
More than five years	935	778	825
Commitments given for operating leases and concession fees	**3,453**	**2,746**	**2,886**
Less than one year	21	20	18
One to five years	42	46	44
More than five years	4	2	8
Commitments received for sub-leases	**67**	**68**	**70**

The increase in 2007 in commitments given is primarily attributable to airport concessions, notably the concession at Singapore airport's new terminal, which was obtained during the fiscal year.

Finance leases

The amount of the Group's irrevocable commitments under finance lease agreements as of December 31, 2007 breaks down as follows:

(EUR millions)	2007		2006		2005	
	Minimum future payments	Present value of payments	Minimum future payments	Present value of payments	Minimum future payments	Present value of payments
Less than one year	22	21	27	27	32	29
One to five years	68	44	76	50	85	67
More than five years	344	70	395	76	464	81
Total future minimum payments	**434**		**498**		**581**	
Of which: financial interest	(299)		(345)		(404)	
Present value of minimum future payments	**135**	**135**	**153**	**153**	**177**	**177**

29.3 Contingent liabilities and outstanding litigation

As part of its day-to-day management, the Group is party to various legal proceedings concerning brand rights, the protection of intellectual property rights, the set-up of selective retailing networks, licensing agreements, employee relations, tax audits and other areas relating to its business.

The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation or disputes, known or outstanding at year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

29.4 Collateral and other guarantees

As of December 31, 2007, these commitments breaks down as follows:

(EUR millions)	2007	2006	2005
Securities and deposits	61	56	37
Other guarantees	28	56	54
Guarantees given	**89**	**112**	**91**
Guarantees received	**32**	**63**	**35**

Maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	22	25	14	61
Other guarantees	17	11	-	28
Guarantees given	39	36	14	**89**
Guarantees received	12	15	5	**32**

29.5 Other commitments

The Group is not aware of any significant off balance sheet commitments other than those described above.

30. RELATED PARTY TRANSACTIONS

30.1 Relations of LVMH with Christian Dior and Groupe Arnault

The parent company of LVMH is Christian Dior SA, a public company listed on the Eurolist by Euronext Paris, which is controlled by Groupe Arnault SAS via its subsidiary Financière Agache SA.

Relations of LVMH with Christian Dior

LVMH, via its subsidiaries Parfums Christian Dior and Montres Dior, coordinates its communications efforts with Christian Dior SA and its subsidiaries. Christian Dior also provides creative assistance to LVMH for the design of perfume bottles and watches, as well as its advertising and promotional campaigns.

LVMH distributes the products marketed by Christian Dior through its Selective Retailing businesses. Christian Dior purchases the products manufactured by Parfums Christian Dior and Montres Dior from LVMH, which it sells in its network of retail stores.

Finally, LVMH provides administrative assistance to the foreign subsidiaries of Christian Dior.

Transactions between LVMH and Christian Dior, which are completed at market prices, may be summarized as follows:

(EUR millions)	**2007**	2006	2005
LVMH purchases from Christian Dior	(16)	(13)	(17)
Trade accounts payable as of December 31	(9)	(7)	(11)
LVMH sales to Christian Dior	16	15	9
Trade accounts receivable as of December 31	3	1	2

Relations of LVMH with Groupe Arnault and Financière Agache

Groupe Arnault SAS provides assistance to LVMH in the areas of development, engineering, corporate and real estate law. In addition, Groupe Arnault leases office premises to LVMH.

LVMH leases office space to both of these companies and also provides them with various forms of administrative assistance.

Transactions between LVMH and Groupe Arnault and Financière Agache may be summarized as follows:

(EUR millions)	**2007**	2006	2005
Amounts billed by Groupe Arnault SAS and Financière Agache to LVMH	(6)	(5)	(5)
Trade accounts payable as of December 31	(1)	(2)	(2)
Amounts billed by LVMH to Groupe Arnault SAS and Financière Agache	2	2	1
Trade accounts receivable as of December 31	-	-	-

30.2 Relations with Diageo

Moët Hennessy is the holding company for LVMH's Wines and Spirits businesses, with the exception of Château d'Yquem and certain champagne vineyard. Since 1994, Diageo has held a 34% stake in Moët Hennessy. At this time an agreement has been concluded between Diageo and Moët Hennessy for the apportionment of holding company expenses between Moët Hennessy and the other holding companies of the LVMH Group.

Under this agreement, Moët Hennessy assumed 24% of shared expenses in 2007 (24% in 2006, 23% in 2005). After taking into consideration the effects of the agreement, Moët Hennessy's total administrative expenses amounted to 33 million euros in 2007 (27 million euros in 2006, 25 million euros in 2005); the total administrative expenses borne by the Wines and Spirits business group amounted to 55 million euros in 2007 (48 million euros in 2006, 44 million euros in 2005).

30.3 Executive bodies

The total compensation paid to the members of the Executive Committee and the Board of Directors, in respect of their functions within the Group, breaks down as follows:

(EUR millions)	**2007**	2006	2005
Gross compensation, employers' charges and benefits in kind	46	42	50
Post-employment benefits	9	8	7
Other long term benefits	13	6	2
End of contract indemnities	-	-	-
Stock option and similar plans	20	16	15
Total	88	72	74

The net commitment recognized as of December 31, 2007 for post-employment benefits is 5 million euros (9 million euros as of December 31, 2006 and 2005).

31. SUBSEQUENT EVENTS

There were no significant subsequent events as of the date on which the accounts were approved for publication.

CONSOLIDATED COMPANIES IN 2007

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
WINES AND SPIRITS			
Champagne Moët & Chandon SCS	Epernay, France	100%	66%
Moët Hennessy UK Ltd	London, United Kingdom	100%	66%
Moët Hennessy España SA	Barcelona, Spain	100%	66%
Moët Hennessy (Suisse) SA	Geneva, Switzerland	100%	66%
Champagne Des Moutiers SA	Epernay, France	100%	66%
Schieffelin Partner Inc	New York, USA	100%	66%
Moët Hennessy de Mexico, SA de C.V.	Mexico, Mexico	100%	66%
Chamfipar SA	Ay, France	100%	66%
Société Viticole de Reims SA	Ay, France	100%	66%
Cie Française du Champagne et du Luxe SA	Ay, France	100%	66%
Moët Hennessy Belux SA	Brussels, Belgium	100%	66%
Champagne de Mansin SAS	Gye sur Seine, France	100%	66%
Moët Hennessy Osterreich GmbH	Vienna, Austria	90%	59%
Schieffelin & Somerset	New York, USA	100%	66%
Moët Hennessy (Nederland) BV	Baarn, Netherlands	100%	66%
Moët Hennessy USA, Inc	New York, USA	100%	66%
MHD Moët Hennessy Diageo SAS	Courbevoie, France (3)	100%	66%
Opera Vineyards SA	Buenos Aires, Argentina (1)	50%	33%
France Champagne SA	Epernay, France	100%	66%
Domaine Chandon, Inc	Yountville (California), USA	100%	66%
Cape Mentelle Vineyards Ltd	Margaret River, Australia	100%	66%
Veuve Clicquot Properties, Pty Ltd	Sydney, Australia	100%	66%
Moët Hennessy do Brasil - Vinhos E Destilados Ltda	Sao Paulo, Brazil	100%	66%
Cloudy Bay Vineyards Ltd	Blenheim, New Zealand	100%	66%
Bodegas Chandon Argentina SA	Buenos Aires, Argentina	100%	66%
Domaine Chandon Australia Pty Ltd	Coldstream Victoria, Australia	100%	66%
Newton Vineyards LLC	St Helena (California), USA	90%	59%
Veuve Clicquot Ponsardin SCS	Reims, France	100%	66%
Société Civile des Crus de Champagne SA	Reims, France	100%	66%
Veuve Clicquot U.K. Ltd	London, United Kingdom	100%	66%
Clicquot, Inc	New York, USA (*)	100%	66%
Veuve Clicquot Japan KK	Tokyo, Japan	100%	66%
Moët Hennessy Suomi OY	Helsinki, Finland	100%	66%
Moët Hennessy Sverige AB	Stockholm, Sweden	100%	66%
Moët Hennessy Norge AS	Hoevik, Norway	100%	66%
Moët Hennessy Danmark A/S	Copenhagen, Denmark	100%	66%
Moët Hennessy Deutschland GmbH	Munich, Germany	100%	66%
Moët Hennessy Italia S.p.a.	Milan, Italy	100%	66%
Krug SA	Reims, France	100%	66%
Champagne Ruinart SA	Reims, France	100%	66%
Ruinart UK Ltd	London, United Kingdom	100%	66%
Ruinart Japan KK	Tokyo, Japan	100%	66%
Ruinart España S.L.	Madrid, Spain	100%	66%
Château d'Yquem SA	Sauternes, France	65%	65%
Château d'Yquem SC	Sauternes, France	64%	64%
Jas Hennessy & Co SCS	Cognac, France	99%	65%
Diageo Moët Hennessy BV LLC	Amsterdam, Netherlands (3)	100%	66%
Hennessy Dublin Ltd	Dublin, Ireland	100%	66%
Edward Dillon & Co Ltd	Dublin, Ireland (2)	40%	26%
Hennessy Far East Ltd	Hong Kong, China	100%	65%
Riche Monde Orient Ltd	Hong Kong, China	100%	66%
Moët Hennessy Diageo Hong Kong Ltd	Hong Kong, China (3)	100%	66%
Riche Monde (China) Ltd	Shanghai, China (3)	100%	66%
M.H. - U.D.G. (Far East) Ltd	Hong Kong, China	100%	66%
Moët Hennessy Diageo Singapore Pte Ltd	Singapore (3)	100%	66%
Riche Monde Malaysia Inc	Petaling Jaya, Malaysia (3)	50%	33%
Riche Monde Taipei Ltd	Taipei, Taiwan (3)	100%	66%
Diageo Moët Hennessy Thailand Ltd	Bangkok, Thailand (3)	100%	66%
Moët Hennessy Korea Ltd	Seoul, South Korea	100%	65%
Moët Hennessy Shanghai Ltd	Shanghai, China	100%	66%
Moët Hennessy India Pvt. Ltd	New Delhi, India	100%	66%
Moët Hennessy Taiwan Ltd	Taipei, Taiwan	100%	65%
MHD Chine Co Ltd	Shanghai, China	100%	66%
MHWH Limited	Limassol, Cyprus	50%	33%
Moët Hennessy Whitehall Russia SA	Moscow, Russia	100%	33%
Moët Hennessy Diageo KK	Tokyo, Japan (3)	100%	66%
Moët Hennessy Asia Pacific Pte Ltd	Singapore	100%	65%
Moët Hennessy Australia Ltd	Rosebury, Australia	100%	65%
Millennium Import LLC	Minneapolis, Minnesota, USA	100%	66%
Millennium Brands Ltd	Dublin, Ireland	100%	66%
Polmos Zyrardow	Zyrardow, Poland	99%	65%
Moët Hennessy VR Ltd	London, United Kingdom	100%	66%
The Glenmorangie Company Ltd	Edinburgh, United Kingdom	100%	66%
Macdonald & Muir Ltd	Edinburgh, United Kingdom	100%	66%
Glenaird Ltd	Edinburgh, United Kingdom	50%	33%
The Scotch Malt Whisky Society Ltd	Edinburgh, United Kingdom	100%	66%
Wenjun Spirits Company Ltd	Chengdu, China	55%	36%
Wenjun Spirits Sales Company Ltd	Chengdu, China	55%	36%
FASHION AND LEATHER GOODS			
Louis Vuitton Malletier SA	Paris, France	100%	100%
Manufacture de souliers Louis Vuitton S.r.l.	Fiesso d'Artico, Italy	100%	100%
Louis Vuitton Saint Bartholomy SNC	Saint Bartholomew, French Antilles	100%	100%
Les Ateliers de Pondichery Private Ltd	Pondichery, India	100%	100%
Société des Ateliers Louis Vuitton SNC	Paris, France	100%	100%
Société Louis Vuitton Services SNC	Paris, France	100%	100%
Société des Magasins Louis Vuitton France SNC	Paris, France	100%	100%
Belle Jardinière SA	Paris, France	100%	100%
Belle Jardinière Immo SAS	Paris, France	100%	100%
Sedivem SNC	Paris, France	100%	100%
Les Ateliers Horlogers Louis Vuitton SA	La Chaux-de-Fonds, Switzerland	100%	100%
Louis Vuitton Monaco SA	Monte Carlo, Monaco	100%	100%
ELV SARL	Paris, France	100%	100%
LVMH Fashion Group UK Ltd	London, United Kingdom	100%	100%
Louis Vuitton Deutschland GmbH	Düsseldorf, Germany	100%	100%
Louis Vuitton Ukraine LLC	Kiev, Ukraine	100%	100%
LV Cup España S.L	Valencia, Spain	100%	100%
Sociedad Catalana Talleres Artesanos Louis Vuitton SA	Barcelona, Spain	100%	100%
Louis Vuitton BV	Amsterdam, Netherlands	100%	100%
LVMH Fashion Group Belgium SA	Brussels, Belgium	100%	100%
Louis Vuitton Hellas SA	Athens, Greece	100%	100%
Louis Vuitton Cyprus Limited	Nicosia, Cyprus	100%	100%
Louis Vuitton Portugal Maleiro, Ltda.	Lisbon, Portugal	100%	100%
Louis Vuitton Ltd	Tel Aviv, Israel	100%	100%
Louis Vuitton Danmark A/S	Copenhagen, Denmark	100%	100%
Louis Vuitton Aktiebolag SA	Stockholm, Sweden	100%	100%
Louis Vuitton Suisse SA	Geneva, Switzerland	100%	100%
Louis Vuitton Ceska s.r.o.	Prague, Czech Republic	100%	100%
Louis Vuitton Osterreich G.m.b.H	Vienna, Austria	100%	100%
Louis Vuitton Cantacilik Ticaret Anonim Sirketi	Istanbul, Turkey	99%	99%
LV US Manufacturing, Inc	New York, USA	100%	100%
Somarest SARL	Sibiu, Romania	100%	100%
LVMH Fashion Group Hawaii Inc	Honolulu (Hawaii), USA	100%	100%
Atlantic Luggage Company Ltd	Hamilton, Bermuda	100%	40%
Louis Vuitton Guam, Inc	Guam	100%	100%
Louis Vuitton Saipan, Inc	Saipan, Mariana Islands	100%	100%
Louis Vuitton Norge	Oslo, Norway	100%	100%
San Dimas Luggage Company	New York, USA	100%	100%
Louis Vuitton Vietnam Company Ltd	Hanoi, Vietnam	100%	100%
LVMH FG Brasil Ltda	Sao Paulo, Brazil	100%	100%
Louis Vuitton Panama	Panama City, Panama	100%	100%
Louis Vuitton Mexico S de RL de CV	Mexico, Mexico	100%	100%
Blinfar SA	Montevideo, Uruguay	100%	100%
Louis Vuitton Chile Ltda	Santiago de Chile, Chile	100%	100%
Louis Vuitton (Aruba) N.V	Oranjestad, Aruba	100%	100%
LVMH Fashion Group Pacific Ltd	Hong Kong, China	100%	100%
LV Trading Hong Kong Limited	Hong Kong, China	100%	100%
Louis Vuitton Hong Kong Ltd	Hong Kong, China	100%	100%
Louis Vuitton (Philippines), Inc	Makati, Philippines	100%	100%
LVMH Fashion (Singapore) Pte Ltd	Singapore	100%	100%
PT Louis Vuitton Indonesia	Jakarta, Indonesia	98%	98%
Louis Vuitton (Malaysia) SDN BHD	Kuala-Lumpur, Malaysia	100%	100%
Louis Vuitton (Thailand) SA	Bangkok, Thailand	100%	100%

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
Louis Vuitton Taiwan, Ltd	Taipei, Taiwan	98%	98%
Louis Vuitton Australia, PTY Ltd	Sydney, Australia	100%	100%
Louis Vuitton (China) Co Ltd	Shanghai, China	100%	100%
LV New Zealand Limited	Auckland, New Zealand	100%	100%
Louis Vuitton Kuweit CSP	Safat, Kuwait	(4)	(4)
Louis Vuitton Trading India Private Ltd	New Delhi, India	51%	51%
Louis Vuitton UAE LLC	Dubai, United Arab Emirates	65%	65%
LV Saudi Arabia LLC	Jeddah, Saudi Arabia	(4)	(4)
Louis Vuitton Korea Ltd	Seoul, South Korea	100%	100%
LVMH Fashion Group Trading Korea Ltd	Seoul, South Korea	100%	100%
Louis Vuitton Hungaria Sarl	Budapest, Hungary	100%	100%
Louis Vuitton Argentina SA	Buenos Aires, Argentina	100%	100%
Louis Vuitton Vostock LLC	Moscow, Russia	100%	100%
LV Colombia SA	Santafe de Bogota, Columbia	100%	100%
Louis Vuitton Maroc Sarl	Casablanca, Morocco	100%	100%
Louis Vuitton Venezuela SA	Caracas, Venezuela	100%	100%
Louis Vuitton South Africa Ltd	Johannesburg, South Africa	100%	100%
Louis Vuitton Macau Company Ltd	Macao, China	100%	100%
LVMH Fashion Group (Shanghai) Trading Co Ltd	Shanghai, China	100%	100%
LVJ Group KK	Tokyo, Japan	99%	99%
LVMH Fashion Group Americas Inc	New York, USA (*)	100%	100%
Louis Vuitton Canada, Inc	Toronto, Canada	100%	100%
Marc Jacobs International, LLC	New York, USA (*)	96%	96%
Marc Jacobs International (UK) Ltd	London, United Kingdom	100%	100%
Marc Jacobs Trademark, LLC	New York, USA (*)	33%	33%
Marc Jacobs International Japan Co., Ltd	Tokyo, Japan	100%	99%
Loewe SA	Madrid, Spain	100%	100%
Loewe Hermanos SA	Madrid, Spain	100%	100%
Manufacturas Loewe SA.	Madrid, Spain	100%	100%
LVMH Fashion Group France SNC	Paris, France	100%	100%
Loewe Hermanos UK Ltd	London, United Kingdom	100%	100%
Loewe Saipan, Inc	Saipan, Mariana Islands	100%	100%
Loewe Guam, Inc	Guam	100%	100%
Loewe Hong Kong Ltd	Hong Kong, China	100%	100%
Loewe Commercial & Trading Co, LTD	Shanghai, China	100%	100%
Loewe Fashion Pte Ltd	Singapore	100%	100%
Loewe Fashion (M) SDN BHD	Kuala Lumpur, Malaysia	100%	100%
Loewe Taiwan Ltd	Taipei, Taiwan	100%	98%
Loewe Australia Pte Ltd	Sydney, Australia	100%	100%
Loewe Korea Ltd	Seoul, South Korea	100%	100%
Berluti SA	Paris, France	100%	100%
Société de Distribution Robert Estienne SNC	Paris, France	100%	100%
Manifattura Ferrarese S.r.l.	Ferrare, Italy	100%	100%
Rossimoda SpA	Vigonza, Italy	97%	97%
Rossimoda USA Ltd	New York, USA	100%	97%
Rossimoda France SARL	Paris, France	100%	97%
Brenta Suole S.r.l.	Vigonza, Italy	65%	63%
LVMH Fashion Group Services SAS	Paris, France	100%	100%
Montaigne KK	Tokyo, Japan	100%	99%
Modulo Italia S.r.l.	Milan, Italy	100%	100%
Celine SA	Paris, France	100%	100%
Avenue M International SCA	Paris, France	100%	100%
Enilec Gestion SARL	Paris, France	100%	100%
Celine Montaigne SA	Paris, France	100%	100%
Celine Monte Carlo SA	Monte Carlo, Monaco	100%	100%
Celine Production S.r.l.	Florence, Italy	100%	100%
Celine Suisse SA	Geneva, Switzerland	100%	100%
Celine UK Ltd	London, United Kingdom	100%	100%
Celine Inc	New York, USA (*)	100%	100%
Celine Hong Kong Ltd	Hong Kong, China	99%	99%
Celine Commercial & Trading (Shanghai) Co Ltd	Shanghai, China	100%	100%
Celine (Singapour) Pte Ltd	Singapore	100%	100%
Celine Guam Inc	Tumon, Guam	100%	100%
Celine Korea Ltd	Seoul, South Korea	100%	100%
Céline Taiwan Ltd	Taipei, Taiwan	100%	99%
CPC International Ltd	Hong Kong, China	100%	100%
Kami SA	Montbazon, France	100%	100%
Kenzo SA	Paris, France	100%	100%
Kenzo Belgium SA	Brussels, Belgium	100%	100%
Kenzo UK Ltd	London, United Kingdom	100%	100%
Kenzo Homme UK Ltd	London, United Kingdom	100%	100%
Kenzo Japan KK	Tokyo, Japan	100%	100%
Givenchy SA	Paris, France	100%	100%
Givenchy Corporation	New York, USA	100%	100%
Givenchy Co Ltd	Tokyo, Japan	100%	100%
Gentleman Givenchy Far East Ltd	Hong Kong, China	100%	100%

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
Givenchy China Co Ltd	Hong Kong, China	100%	100%
Givenchy Shanghai Commercial and Trading Co, Ltd	Shanghai, China	100%	100%
Gabrielle Studio, Inc	New York, USA	100%	100%
Donna Karan International Inc	New York, USA (*)	100%	100%
The Donna Karan Company LLC	New York, USA	100%	100%
Donna Karan Service Company BV	Oldenzaal, Netherlands	100%	100%
Donna Karan Studio LLC	New York, USA	100%	100%
The Donna Karan Company Store LLC	New York, USA	100%	100%
Donna Karan Company Store UK Holdings Ltd	London, United Kingdom	100%	100%
Donna Karan Management Company UK Ltd	London, United Kingdom	100%	100%
Donna Karan Company Stores UK Retail Ltd	London, United Kingdom	100%	100%
Donna Karan Company Store (UK) Ltd	London, United Kingdom	100%	100%
Donna Karan H. K. Ltd	Hong Kong, China	100%	100%
Donna Karan (Italy) S.r.l.	Milan, Italy	100%	100%
Donna Karan (Italy) Production Services S.r.l.	Milan, Italy	100%	100%
Fendi International BV	Amsterdam, Netherlands	100%	100%
Fendi International SA	Paris, France	100%	100%
Fun Fashion Emirates LLC	Dubai, United Arab Emirates	60%	60%
Fendi SA	Luxembourg, Luxembourg	100%	100%
Fun Fashion Bahrain WLL	Manama, Bahrain	80%	80%
Fendi S.r.l.	Rome, Italy	100%	100%
Fendi Dis Ticaret Limited Sirketi	Istanbul, Turkey	100%	100%
Fendi Adele S.r.l.	Rome, Italy	100%	100%
Fendi Immobili Industriali S.r.l.	Rome, Italy	100%	100%
Fendi Italia S.r.l.	Rome, Italy	100%	100%
Fendi U.K. Ltd	London, United Kingdom	100%	100%
Fendi France SAS	Paris, France	100%	100%
Fendi North America Inc	New York, USA (*)	100%	100%
Fendi Australia Pty Ltd	Sydney, Australia	100%	100%
Fendi Guam Inc	Tumon, Guam	100%	100%
Fendi (Thailand) Company Ltd	Bangkok, Thailand	100%	100%
Fendi Asia Pacific Ltd	Hong Kong, China	100%	100%
Fendi Korea Ltd	Seoul, South Korea	100%	100%
Fendi Taiwan Ltd	Taipei, Taiwan	100%	100%
Fendi Hong Kong Ltd	Hong Kong, China	100%	100%
Fendi China Boutiques Ltd	Hong Kong, China	100%	100%
Fendi (Singapore) Pte Ltd	Singapore	100%	100%
Fendi Fashion (Malaysia) Snd. Bhd.	Kuala Lumpur, Malaysia	100%	100%
Fendi Switzerland SA	Geneva, Switzerland	100%	100%
Fun Fashion FZCO LLC	Dubai, United Arab Emirates	60%	60%
Fendi Marianas, Inc	Tumon, Guam	100%	100%
Fun Fashion Kuwait Co WLL	Kuwait City, Kuwait	80%	80%
Fun Fashion Germany GmbH & Co KG	Stuttgart, Germany	51%	51%
Fendi Macau Company Ltd	Macao, China	100%	100%
Fendi Germany GmbH	Stuttgart, Germany	100%	100%
Fun Fashion Napoli Srl	Rome, Italy	51%	51%
Fendi (Shanghai) Co Ltd	Shanghai, China	100%	100%
Fendi Jeddah	Jeddah, Saudi Arabia	(4)	(4)
Fendi Ryiadh	Riyadh, Saudi Arabia	(4)	(4)
Fun Fashion Spain SL	Marbella, Spain	70%	70%
Fun Fashion India Pte Ltd	Mumbai, India	70%	70%
Interservices & Trading SA	Lugano, Switzerland	100%	100%
Fendi Silk SA	Lugano, Switzerland	51%	51%
Outshine Mexico S.r.l.	Mexico City, Mexico	100%	100%
Emilio Pucci S.r.l.	Florence, Italy	100%	100%
Emilio Pucci International BV	Baarn, Netherlands	67%	67%
Emilio Pucci, Ltd	New York, USA	100%	100%
Thomas Pink Holdings Ltd	London, United Kingdom	100%	100%
Thomas Pink Ltd	London, United Kingdom	100%	100%
Thomas Pink BV	Rotterdam, Netherlands	100%	100%
Thomas Pink Inc	New York, USA (*)	100%	100%
Thomas Pink Ireland Ltd	Dublin, Ireland	100%	100%
Thomas Pink Belgium SA	Brussels, Belgium	100%	100%
Thomas Pink France SAS	Paris, France	100%	100%
e-Luxury.com Inc	San Francisco (California), USA	100%	100%

PERFUMES AND COSMETICS

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
Parfums Christian Dior SA	Paris, France	100%	100%
LVMH P&C Thailand Co Ltd	Bangkok, Thailand	49%	49%
LVMH Parfums & Cosmétiques do Brasil Ltda	Sao Paulo, Brazil	100%	100%
France Argentina Cosmetics SA	Buenos Aires, Argentina	100%	100%
LVMH P&C Shanghai Co Ltd	Shanghai, China	100%	100%
Parfums Christian Dior Finland Oy	Helsinki, Finland	100%	100%
LVMH P&C Inc	New York, USA	100%	100%
SNC du 33 avenue Hoche	Paris, France	100%	100%
LVMH Fragrances & Cosmetics (Sinpagore) Pte Ltd	Singapore	100%	100%

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
Parfums Christian Dior Orient Co	Dubai, United Arab Emirates	60%	60%
Parfums Christian Dior Emirates	Dubai, United Arab Emirates	51%	31%
Parfums Christian Dior (UK) Ltd	London, United Kingdom	100%	100%
Parfums Christian Dior BV	Rotterdam, Netherlands	100%	100%
Iparkos BV	Rotterdam, Netherlands	100%	100%
Parfums Christian Dior S.A.B.	Brussels, Belgium	100%	100%
Parfums Christian Dior (Ireland) Ltd	Dublin, Ireland	100%	100%
Parfums Christian Dior Hellas SA	Athens, Greece	100%	100%
Parfums Christian Dior A.G.	Zurich, Switzerland	100%	100%
Christian Dior Perfumes LLC	New York, USA	100%	100%
Parfums Christian Dior Canada Inc	Montreal, Canada	100%	100%
LVMH P&C de Mexico SA de CV	Mexico, Mexico	100%	100%
Parfums Christian Dior Japan K.K.	Tokyo, Japan	100%	100%
Parfums Christian Dior (Singapore) Pte Ltd	Singapore	100%	100%
Inalux SA	Luxembourg, Luxembourg	100%	100%
LVMH P&C Asia Pacific Ltd	Hong Kong, China	100%	100%
Fa Hua Fragrance & Cosmetic Co Ltd	Hong Kong, China	100%	100%
LVMH P&C Shanghai Co, Ltd	Shanghai, China	100%	100%
LVMH P&C Korea Ltd	Seoul, South Korea	100%	100%
Parfums Christian Dior Hong Kong Ltd	Hong Kong, China	100%	100%
LVMH P&C Malaysia Sdn berhad Inc	Kuala-Lumpur, Malaysia	100%	100%
Fa Hua Hong Kong Co, Ltd	Hong Kong, China	100%	100%
Pardior SA de CV	Mexico, Mexico	100%	100%
Parfums Christian Dior A/S Ltd	Copenhagen, Denmark	100%	100%
LVMH Perfumes & Cosmetics Group Pty Ltd	Sydney, Australia	100%	100%
Parfums Christian Dior AS Ltd	Hoevik, Norway	100%	100%
Parfums Christian Dior AB	Stockholm, Sweden	100%	100%
Parfums Christian Dior (New Zealand) Ltd	Auckland, New Zealand	100%	100%
Parfums Christian Dior GmbH Austria	Vienna, Austria	100%	100%
Cosmetic of France Inc	Miami (Florida), USA	100%	100%
GIE LVMH P&C Recherche	Paris, France	100%	100%
GIE Parfums et Cosmétiques Information Services - PCIS	Levallois Perret, France	100%	100%
Perfumes Loewe SA	Madrid, Spain	100%	100%
Acqua Di Parma S.r.l.	Milan, Italy	100%	100%
Acqua Di Parma LLC	New York, USA	100%	100%
Guerlain SA	Paris, France	100%	100%
LVMH Parfums & Kosmetik Deutschland GmbH	Wiesbaden, Germany	100%	100%
Guerlain GesmbH	Vienna, Austria	100%	100%
Cofra GesmbH	Vienna, Austria	100%	100%
Guerlain SA (Belgium)	Fleurus, Belgium	100%	100%
Oy Guerlain AB	Helsinki, Finland	100%	100%
Guerlain Ltd	London, United Kingdom	100%	100%
LVMH Perfumes e Cosmetica Lda	Lisbon, Portugal	100%	100%
Guerlain SA (Switzerland)	Geneva, Switzerland	100%	100%
Guerlain Inc	New York, USA	100%	100%
Guerlain Canada Ltd	Montreal, Canada	100%	100%
Guerlain De Mexico SA	Mexico, Mexico	100%	100%
Guerlain Asia Pacific Ltd (Hong Kong)	Hong Kong, China	100%	100%
Guerlain KK	Tokyo, Japan	100%	100%
Guerlain Oceania Australia Pty Ltd	Melbourne, Australia	100%	100%
Make Up For Ever SA	Paris, France	100%	100%
Make Up For Ever UK Ltd	London, United Kingdom	100%	100%
Make Up For Ever LLC	New York, USA [*]	100%	100%
Make Up For Ever Italy S.r.l.	Milan, Italy	100%	100%
Parfums Givenchy SA	Levallois Perret, France	100%	100%
Parfums Givenchy Ltd	London, United Kingdom	100%	100%
Parfums Givenchy GmbH	Düsseldorf, Germany	100%	100%
Parfums Givenchy LLC	New York, USA [*]	100%	100%
Parfums Givenchy Canada Ltd	Toronto, Canada	100%	100%
Parfums Givenchy KK	Tokyo, Japan	100%	100%
Parfums Givenchy WHD, Inc	New York, USA [*]	100%	100%
Kenzo Parfums France SA	Paris, France	100%	100%
Kenzo Parfums NA LLC	New York, USA [*]	100%	100%
La Brosse et Dupont SAS	Villepinte, France	100%	100%
La Brosse et Dupont Portugal SA	S. Domingos de Rana, Portugal	100%	100%
Mitsie SAS	Tarare, France	100%	100%
LBD Iberica SA	Barcelona, Spain	100%	100%
LBD Ménage SAS	Beauvais, France	100%	100%
LBD Belux SA	Brussels, Belgium	100%	100%
SCI Masurel	Tourcoing, France	100%	100%
SCI Sageda	Orange, France	100%	100%
LBD Italia S.r.l.	Stezzano, Italy	100%	100%
Etablissements Mancret Père & Fils SA	Grenoble, France	100%	100%
Inter-Vion Spolka Akeyjna SA	Warsaw, Poland	51%	51%
Europa Distribution SAS	Saint Etienne, France	100%	100%

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
LBD Hong Kong	Hong Kong, China	100%	100%
LBD Antilles SAS	Ducos, Martinique, France	100%	100%
BeneFit Cosmetics LLC	San Francisco (California), USA	80%	80%
BeneFit Cosmetics UK Ltd	London, United Kingdom	100%	80%
BeneFit Cosmetics Korea	Seoul, South Korea	100%	80%
BeneFit Cosmetics SAS	Boulogne Billancourt, France	100%	80%
BeneFit Cosmetics Hong Kong	Hong Kong, China	100%	80%
BeneFit Cosmetics Ireland Ltd	Dublin, Ireland	100%	80%
Fresh Inc	Boston (Massachusetts), USA	80%	80%
LVMH Cosmetics Services KK	Tokyo, Japan	100%	100%
Parfums Luxe International SAS	Boulogne Billancourt, France	100%	100%

WATCHES AND JEWELRY

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
TAG Heuer International SA	Luxembourg, Luxembourg	100%	100%
TAG Heuer SA	La Chaux-de-Fonds, Switzerland	100%	100%
LVMH Relojeria & Joyeria España SA	Madrid, Spain	100%	100%
LVMH Montres & Joaillerie France SA	Paris, France	100%	100%
LVMH Watch & Jewelry Italy Holding SpA	Milan, Italy	100%	100%
LVMH Watch & Jewelry Central Europe GmbH	Bad Homburg, Germany	100%	100%
Timecrown Ltd	Manchester, United Kingdom	100%	100%
LVMH Watch & Jewelry UK Ltd	Manchester, United Kingdom	100%	100%
Ebel Ltd	Manchester, United Kingdom	100%	100%
TAG Heuer Ltd	Manchester, United Kingdom	100%	100%
LVMH Watch & Jewelry USA (Inc)	Springfield (New Jersey), USA	100%	100%
LVMH Watch & Jewelry Canada Ltd	Toronto, Canada	100%	100%
LVMH Watch & Jewelry Far East Ltd	Hong Kong, China	99%	99%
LVMH Watch & Jewelry Singapore Pte Ltd	Singapore	100%	100%
LVMH Watch & Jewelry Malaysia Sdn Bhd	Kuala Lumpur, Malaysia	100%	100%
LVMH Watch & Jewelry Capital Pte Ltd	Singapore	100%	100%
LVMH Watch & Jewelry Japan K.K.	Tokyo, Japan	100%	100%
LVMH Watch & Jewelry Australia Pty Ltd	Melbourne, Australia	100%	100%
LVMH Watch & Jewelry Hong Kong Ltd	Hong Kong, China	100%	100%
LVMH Watch & Jewelry Taiwan Ltd	Taipei, Taiwan	100%	100%
Cortech SA	Cornol, Switzerland	100%	100%
LVMH Watch et Jewelry Carribean & Latin America Inc	Coral Gables (Florida), USA	100%	100%
LVMH Watch & Jewelry India Pvt Ltd	New Delhi, India	100%	100%
LVMH Watch & Jewelry China	Shanghai, China	100%	100%
Chaumet International SA	Paris, France	100%	100%
Chaumet London Ltd	London, United Kingdom	100%	100%
Chaumet Horlogerie SA	Bienne, Switzerland	100%	100%
Chaumet Monte Carlo SAM	Monte Carlo, Monaco	100%	100%
Chaumet Korea Chusik Hoesa	Seoul, South Korea	51%	51%
Zenith International SA	Le Locle, Switzerland	100%	100%
Zenith Time Co Ltd	Manchester, United Kingdom	100%	100%
LVMH Watch et Jewelry Italy SpA	Milan, Italy	100%	100%
Delano SA	La Chaux-de-Fonds, Switzerland	100%	100%
Les Ateliers Horlogers LVMH SA	La Chaux-de-Fonds, Switzerland	100%	100%
Fred Paris SA	Paris, France	100%	100%
Joaillerie de Monaco SA	Monte Carlo, Monaco	100%	100%
Fred Inc	Beverly Hills (California), USA [*]	100%	100%
Fred London Ltd	London, United Kingdom	100%	100%
Benedom SARL	Paris, France	100%	100%
De Beers LV Ltd	London, United Kingdom [1]	50%	50%

SELECTIVE RETAILING

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
Sephora SA	Boulogne Billancourt, France	100%	100%
Sephora Luxembourg SARL	Luxembourg, Luxembourg	100%	100%
LVMH Iberia SL	Madrid, Spain	100%	100%
LVMH Italia SpA	Milan, Italy	100%	100%
Sephora Portugal Perfumaria Lda	Lisbon, Portugal	100%	100%
Sephora Poland Spzoo	Warsaw, Poland	76%	76%
Sephora Deutschland GmbH	Bad Homburg, Germany	100%	100%
Clab S.r.l.	Milan, Italy	100%	100%
Sephora Marinopoulos SA	Alimos, Greece	50%	50%
Beauty Shop Romania SA	Bucharest, Romania	100%	50%
Spring Time Cosmetics SA	Athens, Greece	100%	50%
Sephora S.R.O.	Prague, Czech Republic	100%	100%
Sephora Monaco SAM	Monaco	99%	99%
Sephora Patras	Alimos, Greece	51%	25%
Sephora Cosmeticos España	Madrid, Spain [1]	50%	50%
S+	Boulogne Billancourt, France	100%	100%
Sephora Marinopoulos Cyprus Ltd	Nicosia, Cyprus	100%	50%
Sephora Slovensko S.R.O.	Bratislava, Slovakia	100%	100%
Sephora Unitim Kozmetik AS	Istanbul, Turkey	60%	60%
Sephora Marinopoulos D.O.O.	Zagreb, Croatia	100%	50%

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
Trion SA	Alimos, Greece	100%	50%
Sephora Marinopoulos Cosmetics DOO	Belgrade, Serbia	100%	50%
Sephora Moyen Orient SA	Fribourg, Switzerland	60%	60%
Sephora Middle East FZE	Dubai, United Arab Emirates	(4)	(4)
Sephora Emirates	Dubai, United Arab Emirates	(4)	(4)
Sephora Bahrain	Manama, Bahrain	(4)	(4)
Sephora Qatar	Doha, Qatar	(4)	(4)
Sephora KSA	Jeddah, Saudi Arabia	(4)	(4)
Sephora Oman	Muscat, Oman	(4)	(4)
Sephora China	Shanghai, China	81%	81%
Sephora Holding Asia	Shanghai, China	100%	100%
Sephora (Beijing) Cosmetics Co. Ltd	Beijing, China	81%	81%
Sephora USA, Inc	San Francisco (California), USA (*)	100%	100%
Sephora Beauty Canada, Inc	San Francisco (California), USA	100%	100%
Magasins de la Samaritaine SA	Paris, France	55%	57%
Le Bon Marché SA	Paris, France	100%	100%
SEGEP SNC	Paris, France	99%	99%
Franck & Fils SA	Paris, France	100%	100%
DFS Holdings Ltd	Hamilton, Bermuda	61%	61%
DFS Australia Pty Ltd	Sydney, Australia	100%	61%
Travel Retail Shops Pte Ltd	Sydney, Australia (2)	45%	28%
DFS European Logistics Ltd	Hamilton, Bermuda	100%	61%
DFS Credit Systems Limited	Hamilton, Bermuda	100%	61%
DFS Group Ltd	Delaware, USA	100%	61%
DFS China Partners Ltd	Hong Kong, China	100%	61%
DFS Macau Ltd	Hong Kong, China	100%	61%
DFS Hong Kong Ltd	Hong Kong, China	100%	61%
Hong Kong International Boutique Partners	Hong Kong, China	50%	31%
TRS Hong Kong Ltd	Hong Kong, China (2)	45%	28%
Preferred Products Limited	Hong Kong, China	100%	61%
DFS Okinawa K.K.	Okinawa, Japan	100%	61%
TRS Okinawa	Okinawa, Japan (2)	45%	28%
JAL/DFS Co., Ltd	Chiba, Japan (2)	40%	24%
DFS Korea Ltd	Seoul, South Korea	100%	61%
DFS Seoul Ltd	Seoul, South Korea	100%	61%
DFS Cotai Limitada	Macao, China	100%	61%
DFS Sdn. Bhd.	Kuala Lumpur, Malaysia	100%	61%
Gateshire Marketing Sdn Bhd.	Kuala Lumpur, Malaysia	100%	61%
DFS Merchandising Ltd	Dutch West Indies	100%	61%
DFS New Caledonia Sarl	Noumea, New Caledonia	100%	61%
DFS New Zealand Ltd	Auckland, New Zealand	100%	61%
TRS New Zealand Ltd	Auckland, New Zealand (2)	45%	28%
Commonwealth Investment Company, Inc	Saipan, Mariana Islands	97%	59%
DFS Saipan Ltd	Saipan, Mariana Islands	100%	61%
Kinkaï Saipan L.P.	Saipan, Mariana Islands	100%	61%
Saipan International Boutique Partners	Saipan, Mariana Islands	50%	31%
DFS Palau Ltd	Koror, Palau	100%	61%
Difusi Information Technology & Development Co. Ltd	Shanghai, China	100%	61%
DFS Information Technology (Shanghai) Company Limited	Shanghai, China	100%	61%
Hainan DFS Retail Company Limited	Hainan, China	100%	61%
DFS Galleria Taiwan Ltd	Taipei, Taiwan	100%	61%
DFS Taiwan Ltd	Taipei, Taiwan	100%	61%
Tou You Duty Free Shop Co. Ltd	Taipei, Taiwan	100%	61%
DFS Singapore (Pte) Ltd	Singapore	100%	61%
DFS Trading Singapore (Pte) Ltd	Singapore	100%	61%
DFS Venture Singapore (Pte) Ltd	Singapore	100%	61%
TRS Singapore Pte Ltd	Singapore (2)	45%	28%
Singapore International Boutique Partners	Singapore	50%	31%
DFS India Private Ltd	Mumbai, India	100%	61%
DFS Vietnam (S) Pte Ltd	Singapore	70%	43%
New Asia Wave International (S) Pte Ltd	Singapore	70%	43%
IPP Group (S) Pte Ltd	Singapore	70%	43%
DFS Group L.P.	Delaware, USA	61%	61%
LAX Duty Free Joint Venture 2000	Los Angeles (California), USA	77%	47%
Royal Hawaiian Insurance Company Ltd	Hawaii, USA	100%	61%
Hawaii International Boutique Partners	Honolulu (Hawaii), USA	50%	31%
JFK Terminal 4 Joint Venture 2001	New York, USA	80%	49%
DFS Guam L.P.	Tamuring, Guam	61%	61%
Guam International Boutique Partners	Tamuring, Guam	50%	31%
DFS Liquor Retailing Ltd	Delaware, USA	61%	61%
Twenty –Seven - Twenty Eight Corp.	Delaware, USA	61%	61%
TRS Hawaii LLC	Honolulu (Hawaii), USA (2)	45%	28%
TRS Saipan	Saipan, Mariana Islands (2)	45%	28%
TRS Guam	Tumon, Guam (2)	45%	28%

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
Tumon Entertainment LLC	Tamuning, Guam	100%	100%
Comete Guam Inc	Tamuning, Guam	100%	100%
Tumon Aquarium LLC	Tamuning, Guam	97%	97%
Comete Saipan Inc	Saipan, Mariana Islands	100%	100%
Tumon Games LLC	Tamuning, Guam	100%	100%
Cruise Line Holdings Co	Delaware, USA	100%	100%
On Board Media, Inc	Delaware, USA	100%	100%
Starboard Cruise Services, Inc	Delaware, USA	100%	100%
Starboard Holdings Ltd	Delaware, USA	100%	100%
International Cruise Shops, Ltd	Cayman Islands	100%	100%
Miami Airport Duty-Free Joint Venture	Miami (Florida), USA	66%	66%
Fort Lauderdale Partnership	Ft Lauderdale (Florida), USA	75%	75%
Vacation Media Ltd	Kingston, Jamaica	100%	100%
STB S.r.l	Florence, Italy	100%	100%
Parazull LLC	Delaware, USA	100%	100%

OTHER ACTIVITIES

COMPANIES	REGISTERED OFFICE	PERCENTAGE OF CONTROL	PERCENTAGE OF INTEREST
DI Group SA	Paris, France	100%	100%
DI Services SAS	Paris, France	100%	100%
Imprimerie Desfossés SARL	Paris, France	100%	100%
Atelier Desfossés	Paris, France	100%	100%
Tribune Desfossés SAS	Paris, France	100%	100%
Radio Classique SAS	Paris, France	100%	100%
Les Editions Classique Affaires SARL	Paris, France	100%	100%
DI Régie SAS	Paris, France	100%	100%
SFPA SARL	Paris, France	100%	100%
Investir Publications SAS	Paris, France	100%	100%
Investir Formation SARL	Paris, France	100%	100%
Compo Finance SARL	Paris, France	100%	100%
SID Développement SAS	Paris, France	100%	100%
SID Editions SAS	Paris, France	100%	100%
Ufipar SAS	Boulogne Billancourt, France	100%	100%
L Capital Management SAS	Paris, France	100%	100%
Sofidiv SAS	Boulogne Billancourt, France	100%	100%
GIE LVMH Services	Boulogne Billancourt, France	100%	85%
Moët Hennessy SNC	Boulogne Billancourt, France	66%	66%
LVMH Services Ltd	London, United Kingdom	100%	100%
Moët Hennessy Investissements	Boulogne Billancourt, France	100%	66%
LVMH Fashion Group SA	Paris, France	100%	100%
Moët Hennessy International SAS	Boulogne Billancourt, France	66%	66%
Creare SA	Luxembourg, Luxembourg	100%	86%
Creare Pte Ltd	Singapore	100%	86%
Société Montaigne Jean Goujon SAS	Paris, France	100%	100%
Delphine SAS	Boulogne Billancourt, France	100%	100%
LVMH Finance SA	Boulogne Billancourt, France	100%	100%
Primae SA	Boulogne Billancourt, France	100%	100%
Eutrope SAS	Boulogne Billancourt, France	100%	100%
Flavius Investissements SA	Paris, France	100%	100%
LBD Holding SA	Boulogne Billancourt, France	100%	100%
LV Capital SA	Paris, France	100%	100%
Micromania SAS	Nice, France (2)	23%	23%
Moët Hennessy Inc	New York, USA (*)	100%	66%
One East 57th Street LLC	New York, USA (*)	100%	100%
LVMH Moët Hennessy Louis Vuitton Inc	New York, USA (*)	100%	100%
598 Madison Leasing Corp	New York, USA (*)	100%	100%
1896 Corp	New York, USA (*)	100%	100%
LVMH Participations BV	Baarn, Netherlands	100%	100%
LVMH Moët Hennessy Louis Vuitton BV	Baarn, Netherlands	100%	100%
Louis Vuitton Prada Holding BV	Amsterdam, Netherlands	100%	100%
Sofidiv UK Ltd	London, United Kingdom	100%	100%
LVMH Moët Hennessy Louis Vuitton KK	Tokyo, Japan	100%	100%
Osaka Fudosan Company Ltd	Tokyo, Japan	100%	100%
LVMH Asia Pacific Ltd	Hong Kong, China	100%	100%
LVMH Shanghai Management and Consultancy Co, Ltd	Shanghai, China	100%	100%
LVMH Moët Hennessy Louis Vuitton SA	Paris, France	Parent Company	

(*) The address given corresponds to the company's administrative headquarters; the corporate registered office is located in the state of Delaware.

(1) Consolidated on a proportional basis.

(2) Accounted for using the equity method.

(3) Joint venture companies with Diageo: only the Moët Hennessy activity is consolidated.

(4) The Group's percentages of control and interest are not disclosed, the results of these companies being consolidated on the basis of the Group's contractual share in their business.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of LVMH Moët Hennessy-Louis Vuitton for the year ended December 31, 2007.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group in accordance with IFRS as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- we have verified that Note 1.10 to the consolidated financial statements provides appropriate disclosure on the accounting treatment of commitments to purchase minority interest securities as such treatment is not provided for by the IFRS framework as adopted by the European Union;
- the brand and goodwill valuation has been tested under the method described in Note 1.12 to the consolidated financial statements. We have assessed the appropriateness of the methodology applied based on all estimates and reviewed the data and assumptions used by the Group to perform these valuations.

These assessments were made in the context of the performance of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. SPECIFIC PROCEDURE

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, March 10, 2008

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG Audit	
Thierry Benoit	Alain Pons	Jeanne Boillet	Olivier Breillot

STATUTORY AUDITORS' FEES

STATUTORY AUDITORS' FEES

Statutory Auditors

	Start date of first term	Current term	
		Date appointed	End of term
• ERNST & YOUNG Audit Tour Ernst & Young, Faubourg de l'Arche 92037 Paris La Défense Represented by Jeanne BOILLET and Olivier BREILLOT	June 6, 1998	May 13, 2004	Annual Meeting convened to approve the financial statements for the 2009 fiscal year
• DELOITTE & ASSOCIÉS 185, avenue Charles de Gaulle 92524 Neuilly sur Seine Cedex Represented by Thierry BENOIT and Alain PONS	May 13, 2004	May 13, 2004	Annual Meeting convened to approve the financial statements for the 2009 fiscal year

Alternate Statutory Auditors

• Mr. Denis GRISON 61, rue Henri Regnault 92075 Paris La Défense	June 6, 1986	May 13, 2004	Annual Meeting convened to approve the financial statements for the 2009 fiscal year
• Mr. Dominique THOUVENIN Tour Ernst & Young, Faubourg de l'Arche 92037 Paris La Défense	June 9, 1986	May 13, 2004	Annual Meeting convened to approve the financial statements for the 2009 fiscal year

Fees paid in 2007

(in thousands of euros, excluding VAT)	ERNST & YOUNG Audit				DELOITTE & ASSOCIÉS			
	2007		2006		2007		2006	
	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, audit of the individual company and consolidated financial statements:								
- LVMH Moët Hennessy-Louis Vuitton SA	1,633	15	1,652	15	921	14	1,150	17
- Fully-consolidated subsidiaries	7,854	71	7,753	71	5,179	78	4,936	74
Other services relating directly to the statutory audit assignment:								
- LVMH Moët Hennessy-Louis Vuitton SA	-	-	-	-	38	-	-	-
- Fully-consolidated subsidiaries	344	3	418	4	176	3	178	3
	9,831	**89**	**9,823**	**90**	**6,314**	**95**	**6,264**	**94**
Other services provided by the firms to fully-consolidated subsidiaries								
- Legal, tax, employee-related	1,220	11	1,017	9	316	5	245	4
- Other	17	-	62	1	30	-	122	2
	1,237	**11**	**1,079**	**10**	**346**	**5**	**367**	**6**
Total	**11,068**	**100**	**10,902**	**100**	**6,660**	**100**	**6,631**	**100**

LVMH MOËT HENNESSY • LOUIS VUITTON SA

REPORT OF THE BOARD OF DIRECTORS ON COMPANY MANAGEMENT

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REPORT OF THE BOARD OF DIRECTORS ON COMPANY MANAGEMENT

1. COMMENTS ON THE LVMH PARENT COMPANY FINANCIAL STATEMENTS

The balance sheet, income statement and notes to the financial statements of LVMH for the year ended December 31, 2007 have been prepared in accordance with French legal requirements and the same accounting policies and methods as those used in the previous year.

1.1 Comments on the balance sheet

1.1.1 Change in the equity investment portfolio

The gross value of the equity investment portfolio was 11.3 billion euros, an increase of 1.2 billion euros compared to year-end 2006. This change corresponds to the amount of LVMH's subscription to the capital increase of its French subsidiary Sofidiv S.A.S., with its interest remaining unchanged at 100% following this operation.

1.1.2 Financial structure

In addition to its portfolio management activities, LVMH has a cash pooling arrangement in euros and foreign currencies with its French subsidiaries and certain European subsidiaries. It also centralizes their financing requirements and manages interest rate risk on borrowings. The changes in financial structure from one year to the next chiefly reflect changes in the balances relating to these arrangements. In particular, in the balance sheet the amounts of receivables from controlled entities and miscellaneous loans and borrowings vary depending on the financing needs of subsidiaries and on any cash surplus they have generated.

LVMH also provides foreign currency hedges to its French subsidiaries and certain European subsidiaries and takes out similar cover in the financial markets. This centralized approach to hedging affects the foreign currency gains and losses recognized in the income statement, although these effects offset each other.

In 2007, LVMH issued 300 million Swiss francs worth of 3.375% bonds (the total issue equivalent to 183 million euros), redeemable at par in full in 2013. Excess cash flows, after all management and investment activities and after dividend payments, enabled the company to amortize 350 million euros worth of long term borrowings at their maturity, comprising 200 million euros in bonds issued in 2004 and 150 million euros in respect of a bank loan approved in 2001. Finally, the amount of commercial paper outstanding increased by 550 million euros during the year.

1.1.3 Hedging transactions

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

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

Lastly, with respect to the company's centralization of foreign exchange hedging transactions, the hedging contracts underwritten by LVMH on behalf of its French subsidiaries and certain European subsidiaries are symmetrically covered in the market in terms of hedge types, currencies, amounts and hedging periods. As a result, the company has no net foreign exchange exposure.

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

1.1.4 Share capital

Share capital remained unchanged at 146.9 million euros.

1.2 Treasury share transactions

The company performed the following treasury share transactions during the year:

	Short term investments								Long term investments	
	Share purchase option plans		Other plans		Liquidity contract		Total			
(EUR millions)	Number	EUR	Number	EUR	Number	EUR	Number	EUR	Number	EUR
As of January 1	**10,797,426**	**532.0**	**261,267**	**15.3**	**217,000**	**17.0**	**11,275,693**	**564.3**	**6,342,396**	**300.4**
Purchases	1,653,500	137.3	169,596	14.8	4,537,295	375.0	6,360,391	527.2	-	-
Sales	-	-	-	-	(4,624,295)	(381.3)	(4,624,295)	(381.3)	-	-
Transfers	(2,373,795)	(115.9)	708,603	37.7	-	-	(1,665,192)	(78.2)	1,665,192	78.2
Options exercised	(3,838,102)	(221.9)	-	-	-	-	(3,838,102)	(221.9)	-	-
Shares granted	-	-	(93,059)	(5.6)	-		(93,059)	(5.6)	-	-
As of December 31	**6,239,029**	**331.5**	**1,046,407**	**62.4**	**130,000**	**10.7**	**7,415,436**	**404.6**	**8,007,588**	**378.7**

Share purchases were completed under the stock repurchase program authorized by the Combined Shareholders' Meeting of May 10, 2007.

Reflecting the impact of the liquidity line, the average share purchase and sales price was 83 euros.

As of December 31, 2007, LVMH treasury shares represented a total of 3.15% of share capital.

Costs incurred in the above transactions totaled 0.25 million euros.

1.3 Parent company results and outlook for the future

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

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

Income tax includes the portion calculated on the basis of a group tax consolidation regime with certain subsidiaries, in the amount of 13 million euros.

Net exceptional income chiefly consists of the gain of 449 million euros recorded as a result of the retirement of perpetual bonds issued in 1990, with net changes in the impairment of equity investments accounting for the remainder.

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

2. AUTHORIZED SHARE CAPITAL

As of December 31, 2007, the company had 601,166,185 shares of authorized share capital with a par value of 0.30 euro each.

2.1 Authorizations to increase the company's share capital

The Combined Shareholders' Meeting of May 10, 2007 authorized the company's Board of Directors to:

- increase the company's share capital, notably by issuing any type of securities giving immediate or future access to the company's share capital or giving access to debt securities, with the understanding that these issues may be carried out with or without preemptive subscription rights.

  These authorizations, granted for a period of twenty-six months, has not been used;
- increase the company's share capital as consideration either for shares contributed to a public exchange offer or, in an amount not to exceed 10% of the company's share capital, for contributions in kind consisting of company shares or securities giving access to the company's share capital.

  This authorization, granted for a period of twenty-six months, has not been used;
- increase the company's share capital through an issue reserved for certain categories of investors, particularly credit institutions or companies governed by the French Insurance Code or its foreign equivalent.

  This authorization has not been used. The Shareholders' Meeting of May 15, 2008 will be invited to renew this authorization for a period of eighteen months.

These delegations include the power of the Board of Directors to increase the number of securities to be issued under the terms of the issue in the event of surplus demand.

- increase the company's share capital through an issue reserved for Group employees enrolled in a company savings plan, in an amount not to exceed 3% of the company's share capital.

  This authorization has not been used. The Board of Directors will present a resolution to the Combined Shareholders' Meeting of May 15, 2008 renewing this authorization for a period of twenty-six months.

The overall ceiling for the above-mentioned capital increases is 30 million euros.

2.2 Authorization to grant options to purchase or subscribe to shares

The Combined Shareholders' Meeting of May 11, 2006 authorized the Board of Directors to grant options to purchase or subscribe to shares in an amount not to exceed 3% of the company's share capital, a portion equivalent to 14,698,122 shares as of December 31, 2007. As of this date, there were a total of 11,228,775 options remaining to be granted under this authorization.

2.3 Authorization to grant bonus shares

The Combined Shareholders' Meeting of May 12, 2005 authorized the Board of Directors to grant bonus shares in an amount not to exceed 1% of the company's share capital, a portion equivalent to 4,899,374 shares as of December 31, 2007. As of this date, there were a total of 4,485,175 shares remaining to be granted under this authorization.

The total amount of these allocations is deducted from the aforementioned total maximum amount of 30 million euros.

The Board of Directors will present a resolution to the Combined Shareholders' Meeting of May 15, 2008 renewing this authorization for a period of thirty eight months.

2.4 Authorization to reduce the company's share capital

The Combined Shareholders' Meeting of May 10, 2007 authorized the Board of Directors to reduce the company's share capital by no more than 10% of its total amount through the retirement of shares bought back under share repurchase programs.

The Board of Directors will present a resolution to the Shareholders' Meeting of May 15, 2008 renewing this authorization for a period of eighteen months.

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

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

- Capital structure of the company: the company is controlled by Groupe Arnault SAS, which controlled 47.42% of the capital and 63.46% of the voting rights as of December 31, 2007.
- Share issuance and buybacks: under various resolutions, the Shareholders' Meeting has delegated to the Board of Directors full powers to:
  - increase the share capital, with or without shareholders' pre-emption rights, in a total nominal amount not to exceed 30 million euros, or 20% of the Company's current share capital; and
  - grant share subscription options, within the limit of 3% of the share capital;
  - grant free shares, to be issued, within the limit of 1% of the share capital.

The law provides for the suspension during the period of a takeover bid or exchange offer of any delegation whose application would be likely to cause the operation to fail.

4. INFORMATION CONCERNING THE EMPLOYMENT-RELATED AND ENVIRONMENTAL CONSEQUENCES OF THE COMPANY'S OPERATIONS

The information concerning the employment-related and environmental consequences of the operations of the company and its subsidiaries is provided in the Report of the Board of Directors on Group management.

5. SUBSEQUENT EVENTS

There were no significant subsequent events as of the date on which the accounts were approved for publication.

LVMH MOËT HENNESSY ◆ LOUIS VUITTON SA

STOCK REPURCHASE PROGRAMS

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STOCK REPURCHASE PROGRAMS

1. SPECIAL REPORT ON THE STOCK REPURCHASE PROGRAMS

This report is presented in application of the provisions of Article L. 225-209 of the Commercial Code, in order to provide information to the Shareholders' Meeting concerning any transactions by the Company involving its own shares performed between March 1, 2007 and December 31, 2007 as part of the stock repurchase programs authorized by the Combined Shareholders' Meetings of May 11, 2006 and May 10, 2007, respectively.

Under the liquidity contract concluded by the Company with Oddo & Cie Entreprise d'Investissement and Oddo Corporate Finance on September 23, 2005, the Company acquired 3,801,795 LVMH shares at the average price per share of 83.10 euros and sold 3,769,595 LVMH shares at the average price per share of 83.62 euros.

LVMH also directly acquired 169,596 of its own shares to cover plans.

In addition, the Company exercised 1,375,500 options to purchase its own shares.

The table below provides an overview of the transactions carried out, at value date between March 1, 2007 and May 10, 2007, and between May 11, 2007 and December 31, 2007, grouped by purpose:

(Number of shares)	Liquidity contract	Coverage of plans	Coverage of securities giving access to Company shares	Exchange or payment in connection with acquisitions	Shares retired	Total
Balance as of February 28, 2007	**97,800**	**17,001,492**	**-**	**-**	**-**	**17,099,292**
Purchases	959,877	100,000	-	-	-	1,059,877
Average price *(in euros)*	83.40	87.95				83.83
Sales	(957,618)	-	-	-	-	(957,618)
Average price *(in euros)*	84.36					84.36
Exercise of stock option plans	-	(391,582)	-	-	-	(391,582)
Average price *(in euros)*		41.43				41.43
Exercise of call options	-	434,000	-	-	-	434,000
Average price *(in euros)*		37.00				37.00
Bonus share awards	-	-	-	-	-	-
Reallocations for other purposes	-	-	-	-	-	-
Balance as of May 10, 2007	**100,059**	**17,143,910**	**-**	**-**	**-**	**17,243,969**
Purchases	2,841,918	69,596	-	-	-	2,911,514
Average price *(in euros)*	83.00	86.98				83.10
Sales	(2,811,977)	-	-	-	-	(2,811,977)
Average price *(in euros)*	83.37					83.37
Exercise of stock option plans	-	(2,768,923)	-	-	-	(2,768,923)
Average price *(in euros)*		37.37				37.37
Exercise of call options	-	941,500	-	-	-	941,500
Average price *(in euros)*		30.52				30.52
Bonus share awards		(93,059)				(93,059)
Reallocations for other purposes	-	-	-	-	-	-
Balance as of December 31, 2007	**130,000**	**15,293,024**	**-**	**-**	**-**	**15,423,024**

During this period, the Company bought call options on 1,429,000 shares, thus 0.3% of its share capital, of which 1,089,000 from March 1, 2007 to May 10, 2007, and 340,000 from May 11, 2007 to December 31, 2007. As of December 31, 2007, taking into account the 1,375,500 options exercised during this period, call options on 2,014,000 shares were held by the Company, in order to cover stock option plans.

The Company did not retire any shares during the twenty-four months preceding December 31, 2007.

2. SUMMARY TABLE DISCLOSING THE TRANSACTIONS PERFORMED BY THE ISSUER INVOLVING ITS OWN SHARES FROM MARCH 1, 2007 TO DECEMBER 31, 2007

The table below, prepared in accordance with the provisions of AMF Instruction No. 2005-06 of February 22, 2005 in application of Article 241-2 of the AMF's General Rules and Regulations, provides a summary overview of the transactions performed by the Company involving its own shares from March 1, 2007 to December 31, 2007.

Number of shares held in the portfolio as of February 28, 2007: 17,099,292

As of December 31, 2007:

Percentage of own share capital held directly or indirectly:	3.15%
Number of shares retired in the last 24 months:	nil
Number of shares held in the portfolio:	15,423,024
Book value of the portfolio:	745,117,000 euros
Market value of the portfolio:	1,275,175,624 euros

	Cumulative gross transactions		Open positions as of December 31, 2007			
	Purchases	Sales / Transfers	Open buy positions		Open sell positions	
			Purchased call options	Forward purchases	Sold call options	Forward sales
Number of shares	5,346,891	7,023,159	2,014,000	-	-	-
of which:						
- liquidity contract	3,801,795	3,769,595				
- purchases to cover plans	169,596					
- exercise of stock option plans		3,160,505				
- bonus share awards		93,059				
- exercise of call options	1,375,500					
Average maximum maturity			35 months	-	-	-
Average trading price* *(in euros)*	83.10	83.62				
Average exercise price *(in euros)*	32.57	37.87	42.06	-	-	-
Amounts *(in euros)*	315,940,062	434,905,627				

* *Excluding bonus share awards.*

LVMH MOËT HENNESSY ◆ LOUIS VUITTON SA

PARENT COMPANY FINANCIAL STATEMENTS AND STATUTORY AUDITORS' REPORT

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BALANCE SHEET

ASSETS

(EUR millions)	Notes	2007			2006	2005
		Gross	Depreciation, amortization and impairment	Net	Net	Net
NON-CURRENT ASSETS						
Intangible assets						
Start-up costs		-	-	-	-	-
Other intangible assets		-	-	-	-	-
Property, plant and equipment	9					
Vineyards and other land		28.0	-	28.0	27.8	25.6
Buildings		-	-	-	-	-
Technical fittings and machinery		-	-	-	-	-
Other property, plant and equipment		8.8	(0.9)	7.9	7.9	7.9
Advances and downpayments		-	-	-	-	-
Non-current financial assets						
Investments	10	11,283.2	(1,702.2)	9,581.0	8,463.4	7,952.6
Receivables from controlled entities	11	3,909.5	-	3,909.5	4,109.8	4,046.2
Other investment securities		56.1	(41.6)	14.6	25.6	36.3
Loans		-	-	-	0.6	0.6
Treasury shares	13	378.7	-	378.7	300.4	204.4
Other non-current financial assets		0.4	-	0.4	0.4	0.4
		15,664.8	**(1,744.7)**	**13,920.1**	**12,936.0**	**12,274.0**
CURRENT ASSETS						
Advances and downpayments		-	-	-	-	-
Trade accounts receivable		-	-	-	-	-
Other receivables	12	615.2	(90.5)	524.7	534.1	842.2
Treasury shares	13	404.6	(0.1)	404.5	563.7	710.9
Short term investments		-	-	-	-	400.1
Cash and cash equivalents		189.3	-	189.3	70.3	107.1
PREPAYMENTS AND ACCRUED INCOME						
Prepaid expenses	14	3.6	-	3.6	1.0	0.3
		1,212.7	**(90.6)**	**1,122.1**	**1,169.2**	**2,060.6**
Deferred charges		-	-	-	-	-
Bond redemption premiums		2.9	-	2.9	3.7	5.8
Cumulative translation adjustments	15	0.1	-	0.1	0.3	0.1
TOTAL ASSETS		**16,880.4**	**(1,835.3)**	**15,045.1**	**14,109.3**	**14,340.5**

LIABILITIES AND EQUITY

(EUR millions)	Notes	2007	2006	2005
		Before appropriation	Before appropriation	Before appropriation
EQUITY				
Share capital (fully paid up)	16	147.0	147.0	147.0
Share premium account	16	1,736.3	1,736.3	1,736.3
Revaluation adjustments	17	41.5	41.5	41.6
Legal reserve		14.7	14.7	14.7
Regulated reserves	18	331.3	331.3	331.3
Other reserves		195.0	195.0	195.0
Retained earnings		2,759.6	2,394.1	1,493.6
Interim dividends		(166.1)	(141.7)	(122.5)
Profit for the year		783.4	1,027.5	1,447.5
Regulated provisions		0.1	0.1	0.1
		5,842.8	**5,745.8**	**5,284.6**
PROVISIONS	19			
Provisions for contingencies		378.2	308.9	309.6
Provisions for losses		44.7	30.3	19.8
		422.9	**339.2**	**329.4**
LIABILITIES	20			
Perpetual bonds		88.6	546.1	551.7
Convertible bonds		-	-	-
Other bonds		3,000.7	3,016.3	3,993.3
Bank loans and borrowings		372.7	597.6	541.4
Miscellaneous loans and borrowings		5,016.5	3,526.3	3,271.1
Trade accounts payable (1)		122.8	21.6	22.6
Tax and social security liabilities		24.6	89.7	32.5
Other liabilities (1)		121.8	217.4	313.1
ACCRUALS AND DEFERRED INCOME				
Prepaid income		31.7	9.3	0.8
		8,779.4	**8,024.3**	**8,726.5**
Cumulative translation adjustments		-	-	-
TOTAL LIABILITIES AND EQUITY		**15,045.1**	**14,109.3**	**14,340.5**

(1) After reclassification, in 2007, of accrued invoices from "Other liabilities" to "Trade accounts payable", in the amount of 102 million euros.

INCOME STATEMENT

(EUR millions)	Notes	2007	2006	2005
Income from investments		737.9	945.9	664.2
Services provided, other revenues		179.2	177.1	153.5
Income from investments and other revenues	3	**917.1**	**1,123.0**	**817.7**
Reversal of depreciation, amortization and provisions	19	16.5	4.0	1.5
Other operating income		-	0.1	0.6
Total operating income		**933.7**	**1,127.1**	**819.8**
Purchases and external charges		189.3	184.1	160.6
Taxes, duties and similar levies		3.5	3.2	3.9
Wages, salaries and social security expenses		44.5	39.8	47.5
Depreciation and amortization		0.2	0.1	0.1
Provisions	19	49.8	27.5	13.6
Other expenses		2.0	1.2	1.2
Total operating expenses		**289.4**	**256.0**	**226.8**
Provisions released and expense transfers	19	86.6	-	26.1
Interest and similar income	4	206.8	178.3	146.1
Foreign exchange gains	5	1,154.5	795.8	1,279.2
Net gains on sales of short term investments		5.7	8.1	4.6
Total financial income		**1,453.6**	**982.2**	**1,455.9**
Provisions	19	88.9	106.4	17.9
Interest and similar expenses	6	386.7	272.0	294.2
Foreign exchange losses	5	1,146.1	797.5	1,264.3
Net losses on sales of short term investments		3.1	5.5	9.5
Total financial expenses		**1,624.9**	**1,181.3**	**1,586.0**
PROFIT FROM RECURRING OPERATIONS BEFORE TAX		**473.0**	**672.0**	**462.9**
Exceptional income from operations	7	454.0	-	-
Exceptional capital gains	7	-	2.8	0.1
Provisions released and expense transfers	19	37.8	507.4	852.7
Total exceptional income		**491.9**	**510.2**	**852.8**
Exceptional expenses from operations	7	-	-	-
Exceptional capital losses	7	0.1	0.1	-
Depreciation, amortization and provisions	19	173.4	54.8	1.6
Total exceptional expenses		**173.5**	**54.9**	**1.6**
EXCEPTIONAL INCOME (LOSS)		**318.4**	**455.3**	**851.2**
Income tax (income)/expense	8	8.0	99.8	(133.4)
NET PROFIT		**783.4**	**1,027.5**	**1,447.5**

CASH FLOW STATEMENT

(EUR millions)	2007	2006	2005
OPERATING ACTIVITIES			
Net profit	783.4	1,027.0	1,447.5
Depreciation and amortization of fixed assets	93.7	(493.7)	(841.7)
Change in other provisions	83.8	104.0	4.5
Gains on sale of fixed assets and treasury shares	(3.0)	(5.0)	3.0
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**957.9**	**632.3**	**613.3**
Inter-company current accounts	1,140.4	(8.3)	(67.4)
Current assets and liabilities	(29.2)	184.3	12.8
NET CASH FROM OPERATING ACTIVITIES	**2,069.1**	**808.3**	**558.7**
INVESTING ACTIVITIES			
Purchase of tangible and intangible fixed assets	-	(2.0)	-
Purchase of equity investments	-	-	-
Proceeds from sale of equity investments and similar transactions	-	-	-
Subscription to capital increases carried out by subsidiaries	(1,200.0)	(6.0)	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**(1,200.0)**	**(8.0)**	**0.0**
FINANCING ACTIVITIES			
Capital increase	-	-	-
Change in treasury shares	83.4	53.0	33.0
Dividends and interim dividends paid during the year	(686.4)	(566.0)	(449.0)
Proceeds from financial debt	690.2	359.0	816.6
Repayments in respect of financial debt	(837.3)	(1,083.0)	(888.0)
Changes in listed securities	-	-	-
NET CASH USED IN FINANCING ACTIVITIES	**(750.1)**	**(1,237.0)**	**(487.4)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**119.0**	**(436.7)**	**71.3**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**70.3**	**507.2**	**436.0**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**189.3**	**70.3**	**507.2**

COMPANY RESULTS OVER THE LAST FIVE FISCAL YEARS

(EUR millions, except earnings per share, expressed in euros)	2003	2004	2005	2006	**2007**
1. Share capital at year-end					
• Share capital	147.0	147.0	147.0	147.0	147.0
• Number of ordinary shares outstanding	489,937,410	489,937,410	489,937,410	489,37,410	489,937,410
• Maximum number of future shares to be created:					
- through conversion of bonds	-	-	-	-	-
- through exercise of equity warrants	-	-	-	-	-
- through exercise of share subscription options	-	2,747,475	4,637,175	6,426,534	8,015,393
2. Operations and profit for the year					
• Income from investments and other revenues	1,349.5	960.8	817.7	1,123.0	917.1
• Profit before taxes, depreciation, amortization and movements in provisions	961.0	641.1	467.1	804.7	962.7
• Income tax (income)/expense (1)	-	-	-	-	-
• Profit after taxes, depreciation, amortization and movements in provisions (2)	768.4	1,011.1	1,447.5	1,027.5	783.4
• Profit distributed as dividends (3)	416.4	465.4	563.4	685.9	783.9
3. Earnings per share					
• EPS after taxes but before depreciation, amortization and movements in provisions	2.57	1.87	1.23	1.44	1.95
• EPS after taxes, depreciation, amortization and movements in provisions (2)	1.57	2.06	2.95	2.10	1.60
• Net dividend distributed per share (3)(4)	0.85	0.95	1.15	1.40	1.60
4. Employees					
• Average number of employees	36	33	27	24	25
• Total payroll	34.5	28.5	35.9	31.0	44.5
• Amounts paid in respect of social security	10.2	8.6	10.7	9.0	10.7

(1) Excludes the impact of the tax consolidation agreement.
(2) Includes the impact of the tax consolidation agreement.
(3) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the effects of LVMH treasury shares at the date of distribution. For fiscal year 2007, amount proposed to the Ordinary Shareholders' Meeting of May 15, 2008.
(4) Excludes the impact of tax regulations applicable to the beneficiary, and net of the amount of the "avoir fiscal" French tax credit in 2003.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1. BUSINESS ACTIVITY

LVMH Moët Hennessy-Louis Vuitton S.A. ("LVMH", "the Company") manages and coordinates the operational activities of all of its subsidiaries, and provides them with assistance, particularly for legal, financial, tax and insurance matters.

In addition to managing its portfolio of investments in its capacity of holding company, LVMH has cash pooling arrangements in euros and foreign currencies with its French subsidiaries and certain European subsidiaries. It also centralizes their financing requirements and manages the interest rate risk on borrowings.

LVMH also centralizes foreign exchange hedges underwritten by its French subsidiaries and certain European subsidiaries. These foreign currency hedges are symmetrically covered in the market in terms of hedge type, currency, amount and maturity.

Changes in financial structure from one year to the next, and foreign exchange gains and losses recorded in the income statement, mainly result from these transactions.

2. ACCOUNTING POLICIES AND METHODS

2.1 General

The balance sheet and income statement of LVMH Moët Hennessy-Louis Vuitton have been prepared in accordance with French legal provisions, particularly Regulation 99-03 of the *Comité de la Réglementation Comptable* regulations and accounting principles generally accepted in France.

However, in view of the fact that the Company's direct operations exclusively comprise financial and real estate transactions and in order to enhance the presentation of its income statement, dividends received from subsidiaries and equity investments, in addition to the Company's share in income of partnerships subject to statutory clauses providing for the allocation of income to partners, are recorded in operating income.

2.2 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost (purchase price and incidental costs, excluding acquisition expenses) or at contribution value, with the exception of property, plant and equipment acquired prior to December 31, 1976 which was revalued in 1978 (revaluation pursuant to the French law of 1976).

2.3 Non-current financial assets

Non-current financial assets, excluding receivables, loans and deposits, are stated at acquisition cost (excluding incidental costs) or at contribution value.

When net realizable value as of the year-end is lower than the carrying amount, a provision is recorded in the amount of the difference. The net realizable value is measured with reference to the value in use and the net selling price. Value in use is based on the entities' forecast future cash flows; the net selling price is calculated with reference to ratios or share prices of similar entities, on the basis of valuations performed by independent experts or by comparison with recent similar transactions.

Changes in the value of provisions for impairment of the equity investment portfolio are classified under exceptional income/expense to enhance comparability of the income statement.

Portfolio investments held as of December 31, 1976 were revalued in 1978 (revaluation pursuant to the French law of 1976).

2.4 Accounts receivable

Accounts receivable are recorded at their face value. Impairment for doubtful accounts is recorded if their net realizable value, based on the probability of their collection, is lower than their carrying amount.

2.5 Short term investments

Short term investments, including money market investments on which interest is rolled up, are stated at the lower of acquisition cost (excluding transaction costs) or market value; when their market value at the balance sheet date is lower than their acquisition cost, an impairment expense is recorded in financial income/expense for the amount of the difference.

The market value of listed investments is calculated based on average listed share prices during the last month of the year and translated, where applicable, at year-end exchange rates. The market value of non-listed securities is calculated based on their estimated realizable value.

This calculation is performed on a line-by-line basis, without offsetting any unrecognized capital gains and losses.

In the event of partial investment sales, any gains or losses are calculated based on the FIFO method.

2.6 Treasury shares and derivatives settled in LVMH shares

2.6.1 Treasury shares

Treasury shares are recorded at acquisition cost.

Treasury shares acquired under French market regulations governing share repurchase programs or under the terms of the liquidity contract are recorded as short term investments with the exception of shares held on a long term basis, or for the purpose of future cancellation or exchange, which are recorded as non-current financial assets. Treasury shares held for share purchase option plans are allocated to these plans.

If the market value of LVMH shares, calculated in accordance with the method described in Note 2.5, falls below their acquisition cost, impairment is recorded in the amount of the difference.

With regard to LVMH shares allocated to share purchase option plans, impairment as described above is calculated for each plan if the corresponding plans are deemed to be exercisable (share market value exceeds the option exercise price) and on the basis of the average cost price of plans when options are deemed non-exercisable (share market value falls below the option exercise price).

Furthermore, if the value of treasury shares allocated to share purchase option plans, net of the corresponding impairment, exceeds the expected exercise price of any plan, a provision for contingencies and losses is recorded in the amount of the difference.

The cost of disposals is determined by allocation category using the FIFO method, with the exception of shares held in stock option plans for which the calculation is performed for each plan individually using the weighted average cost method.

Shares held under bonus share plans give rise to a provision for contingencies in the amount of their carrying amount when they are allocated to these plans.

2.6.2 Derivatives settled in LVMH shares

Under the terms of share purchase option plans, as an alternative to holding shares allocated to these plans, LVMH may acquire derivatives settled in shares; these derivatives consist of LVMH share purchase options ("calls"), acquired when the plan was set up or after that date. The premiums paid in respect of these options are recognized as assets in "Other receivables". These premiums give rise where applicable to the recognition of a provision for contingencies and losses or a provision for impairment, according to the same rules as those defined above for LVMH shares allocated to the share option plans, with the value of LVMH shares held in the portfolio being replaced for these purposes by the amount of the premium paid supplemented by the exercise price of the calls; however, when it is decided at the balance sheet date that in light of the exercise price of the plan covered the holders of options will exercise their rights, at this date a provision for impairment in the value of the premiums recorded may be recognized.

2.7 Dividends from subsidiaries and other investments

Amounts distributed by subsidiaries and other investments, in addition to the share in income from partnerships subject to statutory clauses providing for the allocation of income to partners, are recognized as of the date that they accrue to the shareholders or partners.

2.8 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of transactions.

Foreign currency receivables and payables are revalued at year-end exchange rates and any resulting unrealized gains and losses are recorded in the cumulative translation adjustment. Provisions are recorded for unrealized foreign exchange losses at the year-end, except for losses offset by potential gains in the same currency.

Year-end foreign exchange gains and losses on foreign currency cash and cash equivalents are recorded in the income statement.

2.9 Hedging instruments

Foreign exchange options and forward contracts entered into on the company's own behalf are revalued at the year-end exchange rates. The resulting unrealized gains or losses are:

- offset against unrealized foreign exchange gains or losses on the assets or liabilities hedged by these instruments;
- deferred if instruments have been allocated to transactions of the subsequent accounting period;
- recorded as foreign exchange gains or losses if they have not been allocated as hedges.

Within the framework of centralized management of subsidiaries' foreign exchange risks (see Note 1 Business activity), foreign exchange options and forward contracts outstanding at the year-end are not revalued at the year-end exchange rates; as contracts entered into with subsidiaries are symmetrically covered in the market, any foreign currency gains or losses resulting from revaluation of all such items would have a nil impact.

The impact of interest rate hedges (swaps, future rate agreements, caps, etc.) is calculated on a pro rata basis over the term of contracts, and recorded as interest expense for the year.

2.10 Bond issue premiums

Bond issue premiums are amortized over the life of bonds. Issue costs are expensed upon issuance.

3. FINANCIAL INCOME FROM INVESTMENTS AND OTHER REVENUES

(EUR millions)	**2007**	2006	2005
Financial income from subsidiaries and other investments:			
- Dividends received from French companies	472.4	671.9	411.6
- Share of income from French partnerships	265.5	274.0	252.6
	737.9	**945.9**	**664.2**
Real estate revenues	6.3	6.0	5.6
Services provided	172.9	171.0	147.9
	917.1	**1,123.0**	**817.7**

Real estate revenues are attributable to Champagne vineyards owned by LVMH which are leased to Group companies.

Services provided comprise support services provided to the subsidiaries (See Note 1 Business activity) and recharged expenses incurred by LVMH on behalf of the latter.

4. INTEREST AND SIMILAR INCOME

Interest and similar income breaks down as follows:

(EUR millions)	**2007**	2006	2005
Income from loans and advances to affiliates	187.5	145.8	113.4
Income from short term investments and other financial income	19.3	32.5	32.7
	206.8	**178.3**	**146.1**

5. FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains and losses break down as follows:

(EUR millions)	**Losses**	**Gains**
Gains and losses on transactions performed on behalf of subsidiaries [(1)]	1,137.8	1,137.8
Gains and losses on own transactions	8.3	16.7
	1,146.1	**1,154.5**

(1) See Note 1 Business activity.

6. INTEREST AND SIMILAR EXPENSE

Interest and similar expenses break down as follows:

(EUR millions)	**2007**	2006	2005
Interest on perpetual bonds	2.9	16.7	71.1
Interest on other bonds	124.4	124.4	116.1
Interest on bank loans	5.8	10.2	8.4
Interest on commercial paper	40.1	16.1	17.8
Interest on current accounts and advances to affiliates	126.3	86.1	59.7
Other interest and financial charges	87.1	18.5	21.2
	386.7	**272.0**	**294.2**

7. EXCEPTIONAL INCOME (LOSS)

In February 2007, LVMH acquired for a nominal amount, under terms of a purchase option, the perpetual bonds issued in 1990, which were cancelled immediately after their acquisition. The exceptional income for fiscal year 2007 includes a gain of 449 million euros, corresponding to the non amortized amount of the perpetual bonds at that date.

The balance is chiefly attributable to the net change in impairment on equity portfolio investments.

8. INCOME TAXES

8.1 Tax consolidation agreement

LVMH is the parent company of a tax group comprising certain of its French subsidiaries (Article 223-A et seq. of the French General Tax Code). In the majority of cases, the tax consolidation agreement does not alter the tax expense or the right to the benefit from the tax losses carried forward of the subsidiaries concerned; their tax position with respect to LVMH, insofar as they remain part of the consolidated tax group, remains identical to that which would have been reported had the subsidiaries been taxed individually. Any additional tax savings or tax expense, i.e. any difference between the tax recorded by each consolidated company and the tax resulting from the calculation of taxable income for the tax group, is recorded by LVMH.

As of December 31, 2007, the amount of tax losses that may be reclaimed by the subsidiaries included in the LVMH tax consolidation agreement totaled 626 million euros.

8.2 Breakdown of the tax expense

Corporate income tax breaks down as follows:

(EUR millions)	Profit before tax	Tax (expense) income	Net profit
Profit from recurring operations	473.0	(71.8)	401.2
Exceptional income (loss)	318.4	(1.6)	316.8
Impact of losses carried forward	-	73.4	73.4
	791.4	-	791.4
Tax in respect of prior years	-	5.2	5.2
Tax consolidation	-	(13.2)	(13.2)
	791.4	**(8.0)**	**783.4**

8.3 Deferred tax

Deferred taxes arising from timing differences amount to a net debit balance of 11 million euros as of December 31, 2007, including 3 million euros relating to timing differences that are expected to reverse in 2008.

9. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2007
Net amount of fixed assets as of December 31, 2006	**35.8**
Additions	0.3
Disposals and retirements	(0.1)
Net change in depreciation/amortization	(0.1)
Net amount of fixed assets as of December 31, 2007	**35.9**

10. INVESTMENTS

(EUR millions)	2007	2006	2005
Gross amount	**11,283.2**	**10,083.2**	**10,077.2**
Provision for impairment	(1,702.2)	(1,619.8)	(2,124.6)
Net amount of investments	**9,581.0**	**8,463.4**	**7,952.6**

The investment portfolio is presented in the "Subsidiaries and Investments" and "Investment Portfolio" table.

The change in provisions for impairment is analyzed in Note 19.

11. RECEIVABLES FROM CONTROLLED ENTITIES

Receivables from controlled entities consist of current account advances or loans to LVMH's direct or indirect subsidiaries. Advances are recorded under non-current assets, insofar as they relate to one-year cash pooling arrangements renewable by tacit agreement.

12. OTHER RECEIVABLES

Other receivables break down as follows:

(EUR millions)		2007			2006	2005
		Gross	Impairment	Net	Net	Net
Related company receivables		318.5	-	318.5	342.7	542.3
o/w:	*tax consolidation current accounts*	*26.6*	-	*26.6*	*24.9*	*268.9*
	share of profit receivable in flow-through subsidiaries	*265.5*	-	*265.5*	*274.0*	*176.3*
	premiums paid on foreign exchange options	*8.8*	-	*8.8*	*19.6*	*71.6*
	accrued income from related companies	-	-	-	-	*1.0*
Receivables from the State		69.1	-	69.1	96.9	134.7
Other receivables		227.6	(90.5)	137.1	94.5	165.2
o/w:	*premiums paid for foreign exchange options*	*99.4*	-	*99.4*	*80.8*	*144.4*
	premiums paid for LVMH share purchase options	*86.1*	*(86.1)*	-	-	-
		615.2	**(90.5)**	**524.7**	**534.1**	**842.2**

All these receivables mature within one year, with the exception of a portion of the premiums paid for LVMH share purchase options (See Note 13.2 Derivatives settled in LVMH shares).

13. TREASURY SHARES AND RELATED DERIVATIVES

13.1 Treasury shares

The value of the treasury shares held is allocated as follows as of December 31, 2007:

(EUR millions)	2007			2006
	Gross	Provision for impairment	Net	Net
Long term investments	**378.7**	**-**	**378.7**	**300.4**
Share purchase option plans	331.5	(0.1)	331.4	531.4
Bonus share option plans	22.3	-	22.3	15.3
Future plans	40.1	-	40.1	-
Liquidity contact	10.7	-	10.7	17.0
Short term investments	**404.6**	**(0.1)**	**404.5**	**563.7**

Portfolio movements over the period were as follows:

(EUR millions)	Short term investments							
	Share purchase option plans		Other plans		Liquidity contract		Total	
	Number	Value	Number	Value	Number	Value	Number	Value
As of January 1	**10,797,426**	**532.0**	**261,267**	**15.3**	**217,000**	**17.0**	**11,275,693**	**564.3**
Purchases	1,653,500	137.3	169,596	14.8	4,537,295	375.0	6,360,391	527.2
Sales	-	-	-	-	(4,624,295)	(381.3)	(4,624,295)	(381.3)
Transfers	(2,373,795)	(115.9)	708,603	37.7	-	-	(1,665,192)	(78.2)
Options exercised	(3,838,102)	(221.9)	-	-	-	-	(3,838,102)	(221.9)
Share allocations	-	-	(93,059)	(5.6)	-	-	(93,059)	(5.6)
As of December 31	**6,239,029**	**331.5**	**1,046,407**	**62.4**	**130,000**	**10.7**	**7,415,436**	**404.6**

The gain recognized on disposals amounted to 2.6 million euros.

(EUR millions)	Long term investments	
	Number	Value
As of January 1	**6,342,396**	**300.4**
Purchases	-	-
Transfers	1,665,192	78.2
As of December 31	**8,007,588**	**378.7**

Until fiscal year 2006, LVMH shares to be delivered under share purchase option plans were held by LVMH and allocated to these plans as soon as they were implemented. Since fiscal year 2006, this method of coverage was replaced for certain existing plans by the purchase of LVMH share purchase options ("calls"); shares for which the calls were substituted were reallocated to the coverage of plans other than the purchase option plans: share subscription option plans or bonus share option plans, with these reallocations accounting for most of the "transfers" presented in the table above.

As of December 31, 2007, the stock market value of shares held under the liquidity contract is not different from their accounting value of 11 million euros.

13.2 Derivatives settled in LVMH shares

During the fiscal year, the only derivatives used were LVMH calls; the movements were as follows:

(EUR millions)	Number	Value
As of December 31, 2006	**1,838,500**	**93.5**
Purchased	1,829,000	76.3
Exercised	(1,653,500)	83.7
As of December 31, 2007	**2,014,000**	**86.1**

Calls in force as of December 31, 2007 may be exercised at any time in accordance with the following schedule:

Expiration date of calls *(EUR millions)*		Gross value
At the latest in	2008	4.1
	2009	5.7
	2012	76.3
Total		**86.1**

14. PREPAID EXPENSES

Prepaid expenses consist primarily of interest and similar charges.

15. CUMULATIVE TRANSLATION ADJUSTMENT

Foreign currency gains and losses relate to the revaluation as of December 31, 2007 of receivables and payable denominated in foreign currencies.

16. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

16.1 Share capital

The company's share capital comprises 489,937,410 fully paid-up shares, each with a par value of 0.30 euro.

All the shares comprising the company's share capital have the same voting and dividend rights, except for registered shares held for at least three years which have double voting rights. Treasury shares do not have voting or dividend rights.

As of December 31, 2007, the company's share capital can be broken down as follows:

	Number	%
Shares with double voting rights	225,670,036	46.06
Shares with single voting rights	248,844,350	50.79
	474,514,386	96.85
Treasury shares	15,423,024	3.15
Total number of shares	**489,937,410**	**100.00**

16.2 Change in equity

The change in equity during the period may be analyzed as follows:

(EUR millions)	Share capital and share premium account	Reserves and regulated provisions	Other reserves	Retained earnings	Interim dividend	Net profit	Total equity
As of December 31, 2006 before appropriation	**1,883.3**	**387.6**	**195.0**	**2,394.1**	**(141.7)**	**1,027.5**	**5,745.8**
Appropriation of net profit for 2006				1,027.5		(1,027.5)	-
Dividends for 2006				(685.9)	141.7		(544.3)
of which treasury shares				23.9			23.9
As of December 31, 2006 after appropriation	**1,883.3**	**387.6**	**195.0**	**2,759.6**	**-**	**-**	**5,225.5**
Interim dividend for 2007					(171.5)		(171.5)
of which treasury shares					5.4		5.4
Net profit for 2007						783.4	783.4
As of December 31, 2007 before appropriation	**1,883.3**	**387.6**	**195.0**	**2,759.6**	**(166.0)**	**783.4**	**5,842.8**

The appropriation of net profit for 2006 resulted from the resolutions of the Combined Shareholders' Meeting of May 10, 2007.

17. REVALUATION ADJUSTMENTS

Revaluation adjustments are the result of revaluations carried out in 1978 pursuant to the French law of 1976. The adjustments concern the following non-amortizable fixed assets:

(EUR millions)	**2007**	2006	2005
Vineyards and other land	17.9	17.9	18.0
Investments (Parfums Christian Dior)	23.6	23.6	23.6
Total	**41.5**	**41.5**	**41.6**

18. RESERVES

18.1 Regulated reserves

Regulated reserves comprise the special reserve for long term capital gains and restricted reserves, in the amount of 2.2 million euros, which were created as a result of the reduction of capital performed at the same time as the conversion of the company's share capital into euros. The special reserve for long term capital gains may only be distributed after tax has been levied.

18.2 Other reserves

Following changes in the law relating to long term capital gains introduced by the amended French Finance Act for 2004 (Article 39) and by decision of the Shareholders' Meeting of May 12, 2005, an amount of 200 million euros was transferred, in 2005, from the special reserve for long term capital gains to an ordinary reserve account, less a 2.5% tax deduction of 5 million euros. The amount of these reserves of 195 million euros may be distributed without tax being deducted.

19. CHANGE IN IMPAIRMENT AND PROVISIONS

The change in asset impairment and provisions breaks down as follows:

(EUR millions)	December 31, 2006	Provisions	Used	Released	**December 31, 2007**
Provisions for impairment of assets:					
- investments	1,619.8	114.4		(32.0)	1,702.2
- LVMH shares	0.6			(0.5)	0.1
- other assets	128.5	87.4	(83.8)		132.1
Provisions for contingencies and losses:					
- for general contingencies	269.7	52.0	(1.7)		320.0
- for losses in respect of share option and similar plans	37.0	23.7	(5.8)	(7.6)	47.3
- for other losses	32.5	34.6	(2.7)	(8.8)	55.6
Total	**2,088.1**	**312.1**	**(94.0)**	**(48.9)**	**2,257.3**
o/w: operating profit (loss)		49.8	(8.4)	(8.2)	
financial income (expense)		88.9	(83.7)	(2.9)	
exceptional income (expense)		173.4	(1.9)	(37.8)	
		312.1	**(94.0)**	**(48.9)**	

Provisions for general contingencies and losses correspond to an estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time, and applies to areas ranging from product composition to the tax computation.

Provisions for losses in respect of share option plans include the cost of implementing bonus share plans and in respect of share purchase option plans, the amount of the difference between the cost base of the plan and the exercise price of options by the beneficiaries.

(See Note 2.6 Accounting policies).

20. BREAKDOWN OF OTHER LIABILITIES

The breakdown of borrowings and other liabilities by type and maturity, prior to the appropriation of earnings, and the related accrued expenses, are shown in the table below:

Borrowings *(EUR millions)*	**Total**	**Amount**			**Of which accrued expenses**	**Of which related companies**
		less than 1 year	**from 1 to 5 years**	**more than 5 years**		
Perpetual bonds	88.6	-	-	88.6	-	-
Other bonds	3,000.7	832.1	1,985.1	183.5	26.0	-
Bank loans and borrowings	372.7	311.7	61.0	-	0.2	-
Miscellaneous loans and borrowings	5,016.5	5,016.5	-	-	14.7	3,966.2
Financial debt	**8,478.4**	**6,160.3**	**2,046.1**	**272.1**	**40.9**	**3,966.2**
Trade payable	122.8	122.8	-	-	117.8	101.9
Tax and social liabilities	24.6	24.6	-	-	22.0	-
Other debt (including premiums received on foreign exchange options: 106.4 million euros)	121.8	121.8	-	-	6.7	101.6
Total	**8,747.6**	**6,429.5**	**2,046.1**	**272.1**	**187.3**	**4,169.7**

20.1 Perpetual bonds

In December 1990 and February 1992, LVMH issued, outside France, two series of subordinated perpetual bonds for amounts of 762 million euros and 229 million euros respectively.

The conditions of issue were as follows:

- repayable at par value only in the event of LVMH's liquidation or voluntary dissolution, except for that resulting from a merger or spin-off;
- principal payments subordinated to full payment of all other creditors;
- possibility of deferring interest payments if specific financial ratios are not achieved.

In 1996, due to an amendment to the 1990 subordinated perpetual bonds which eliminated the second and third of the aforementioned conditions, they were reclassified under financial debt as perpetual bonds.

The subordinated perpetual bonds issued in 1992 were simultaneously reclassified pursuant to the *pari passu* clause contained in their issue memorandum.

Agreements have been entered into in respect of these issues with third-party companies who have promised to hold or repurchase the perpetual bonds from the bondholders after a fifteen-year period, and have all or substantially all agreed to relinquish any rights to interest on these perpetual bonds after that time, in exchange for the payment by LVMH (at the date of issue of the perpetual bonds) of final amounts of 170 million euros and 57 million euros respectively.

According to these arrangements:

- the perpetual bonds were recorded in the balance sheet on issue at their par value net of these payments, i.e. 592 million euros and 172 million euros;
- amounts paid in respect of the par value of the issue are recorded partly in interest and partly in amortization of the principal.

The 1990 perpetual bonds no longer bear interest as of December 20, 2005, the date of the fifteenth anniversary after these securities were issued. The 1992 perpetual bonds were issued at a face value of 9.70% per year.

The initial tax regime of these issues was modified by the 2006 Finance Act, which incorporated into the General Tax Code a measure under which, at the end of the period of fifteen years after issue, part of the revenue generated by the investment of payments to third-party companies is now subject to taxation. This tax becomes due for the period during which these securities give rise to the payment of an effective interest amount not exceeding the par value of the issue multiplied by the legal interest rate, in other words, fiscal year 2006 for the 1990 perpetual bonds and fiscal year 2007 for the 1992 perpetual bonds. The corresponding expense amounted to 13 million euros in 2007 (63 million euros in 2006).

See also Note 7 Exceptional income/(loss).

20.2 Other bonds

Other bonds consist of public issues and private placements. Private placements have been made since May 2000 as part of an EMTN (Euro Medium Term Notes) issue program of 10 billion euros, and total 3 billion euros as of December 31, 2007.

(EUR millions)	Nominal interest rate	Floating-rate swap	Maturity	Nominal as of December 31, 2007	Accrued interest after swap	Total
Public issues:						
CHF 300,000,000, 2007	3.375%	-	2013	183.5	0.7	184.1
EUR 600,000,000, 2005 (1)	3.375%	-	2012	600.0	10.6	610.6
EUR 600,000,000, 2004 (2)	4.625%	total	2011	600.0	5.3	605.3
EUR 750,000,000, 2003 (3)	5.00%	total	2010	750.0	7.4	757.4
EUR 500,000,000, 2001 (4)	6.125%	total	2008	500.0	0.4	500.4
Private placements:						
CZK 300,000,000, 2006	3.575%	total	2009	10.6	0.2	10.8
CZK 770,000,000, 2004	variable	-	2009	24.5	0.1	24.6
EUR 306,130,153, 2003	variable	-	2008	306.1	1.2	307.3
Total				**2,974.7**	**26.0**	**3,000.7**

(1) Issued at 99.828% of the par value.
(2) Issued at 99.427% of the par value.
(3) Issued at 99.986% of the par value.
(4) Issued at 99.363% of the par value.

Unless otherwise indicated, bonds are redeemable at par upon maturity.

The interest rate swaps presented in the table above were entered into on the issue date of the bonds. Subsequent interest rate hedging transactions may also have been performed.

In 2007, bonds were reimbursed for an amount of 200 million euros.

20.3 Loans and borrowings

Miscellaneous borrowings comprise commercial paper and, for the amount shown in the table above under "related companies", current account advances or amounts payable by subsidiaries or other Group companies, made in respect of the cash pooling arrangement described in Note 11.

20.4 Debt analysis by foreign currency

As of December 31, 2007 the breakdown by currency of the company's total borrowings of 8,478 million euros (see Note 21), taking into account any hedging arrangements contracted at the time of recognition of debts or subsequently, is as follows:

Currency	Equivalent stated *(EUR millions)*	
	On issue	After taking into account hedging instruments
Euro	4,252	3,809
Swiss franc	184	662
Pound sterling	34	34
Other currency	41	7
Financial debt outside LVMH Group	**4,512**	**4,512**
Related companies		3,966
Total financial debt		**8,478**

In general, foreign currency borrowings are contracted in order to hedge net assets denominated in foreign currencies which mainly comprise the acquisition of subsidiaries outside the euro zone.

21. MARKET RISK EXPOSURE

In the course of its business activities for its own account, LVMH regularly uses financial instruments. This practice meets the foreign currency and interest rate hedging needs for financial assets and liabilities, including dividends receivable from foreign investments; each instrument used is allocated to the financial balances or hedged transactions.

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

Finally, with respect to the centralization of foreign exchange hedges, LVMH covers symmetrically on the market the transactions entered into with its French subsidiaries, in terms of the type of contract, currency, amount and maturity; therefore there is no foreign exchange exposure as a result of this centralization.

Counter parties for hedging contracts are selected on the basis of their international rating as well as for reasons of diversification.

21.1 Interest rate instruments

Interest rate instruments are generally allocated to borrowings falling due either at the same time as, or after, the instruments.

The types of instruments outstanding as of December 31, 2007 and the underlying amounts broken down by expiration period are as follows:

(EUR millions)	Nominal amounts presented off balance sheet			Fair value [1]
	Expiring within 1 year	Expiring between 1 and 5 years	Expiring in more than 5 years	
Fixed-rate payer swaps	-	1,000.0	-	23.7
Floating-rate payer swaps	1,500.0	1,546.0	-	24.6

(1) Gain/(loss).

21.2 Foreign exchange hedging instruments

The nominal values of hedges outstanding as of December 31, 2007 for all currencies, revalued at the year-end exchange rates, are as follows:

(EUR millions)	Nominal amounts		Fair value [1]
	With third parties	With subsidiaries	
Hedging transactions on behalf of subsidiaries:			
- Forward purchases/sales	401.9	401.9	10.3
- Foreign currency options	2,886.7	2,886.7	202.9
Own account hedging transactions:			
- Options purchased	(34)	-	1.6
- Forward contracts	971.4	-	27.9
- Foreign exchange swaps	12.1	-	(5)

(1) Gain/(loss).

22. OTHER INFORMATION

22.1 Compensation of executive bodies

The total gross compensation paid to company officers and members of the company's Executive Committee for 2007 amounted to 22.2 million euros, including 1.1 million euros in directors' fees.

Due to the nature of the company's business, as described under Note 1 Business activity, a significant portion of this compensation is reinvoiced to Group companies in connection with management support services.

22.2 Commitments given in respect of supplementary pension and retirement benefits

These commitments result in the recognition of provisions, or are hedged by life insurance capitalization contracts.

Most of these commitments relate to members of the Executive Committee who, after a certain length of service in their office, benefit from an additional pension plan, the amount of which is linked to their last year's remuneration.

Commitments are estimated on the basis of the following actuarial hypotheses:

Discount rate	5.00%
Long term rate of return on investments	4.75%

As of December 31, 2007, the net commitment that has not been recognized amounts to 20 million euros.

22.3 Share purchase commitments

Share purchase commitments amount to 3,761 million euros and represent the contractual commitments entered into by the Group to purchase minority interests in consolidated companies, shareholdings or additional shareholdings in unconsolidated companies, or for additional payments in connection with transactions already entered into. This amount includes the impact of the memorandum of understanding entered into on January 20, 1994 between LVMH and Diageo, according to which LVMH agreed to repurchase Diageo's 34% interest in Moët Hennessy, with six months' notice, for an amount equal to 80% of the investment value as of the commitment date.

22.4 Other commitments given

(EUR millions)	December 31, 2007
Guarantees and comfort letters granted to subsidiaries or other Group companies	1,541.5
Potential commitment with respect to LVMH-share based calls	84.7

22.5 Other commitments in favor of LVMH

(EUR millions)	December 31, 2007
Undrawn confirmed long term lines of credit	2,281.5
Undrawn confirmed short term lines of credit	1,452.3
	3,733.8

22.6 Identity of the consolidating parent company

The financial statements of LVMH Moët Hennessy-Louis Vuitton SA are fully consolidated by Christian Dior SA, 30, avenue Montaigne, 75008 Paris, France.

INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2007

Equity investments *(EUR millions)*	**% of direct ownership**	**Carrying amount**
35,931,661 shares in Moët Hennessy SNC with a par value of EUR 7 each	58.67	1,019.0
23,742,919 shares in LVMH Fashion Group SA with a par value of EUR 1.50 each	99.94	822.0
68,959 shares in Parfums Christian Dior SA with a par value of EUR 38 each	99.98	76.5
411,826,000 shares in Sofidiv SAS with a par value of EUR 15 each	100.00	7,166.8
1,961,048 shares in Le Bon Marché SA with a par value of EUR 15 each	99.99	259.2
31,482,978 shares in Moët Hennessy International SA with a par value of EUR 13.82 each	58.67	74.4
23,000 shares in LVMH KK (Japan) with a par value of JPY 50,000 each	100.00	7.6
7,000 shares in the GIE LVMH Services with a par value of EUR 457.35 each	20.00	8.9
37,000 shares in Creare SA (Luxembourg) with a par value of EUR 15.24 each	32.17	0.6
9,660 shares in Loewe SA (Spain) with a par value of EUR 30 each	5.44	6.7
3,500,000 LVMH Services Ltd (UK) with a par value of GBP 1 each	100.00	2.6
2,333,060 shares in LVMH Finance SA with a par value of EUR 15 each	99.99	136.7
Other investments		23.0
TOTAL		**9,581.0**

See also Note 13.1 Treasury shares.

SUBSIDIARIES AND INVESTMENTS AS OF DECEMBER 31, 2007

Company *(all amounts in millions)*	Head office	Currency	Share capital [1]	Equity other than share capital [1] [2]	Percentage share capital held	Carrying amount of shares held [3] Gross	 Net	Loans and advances provided [3]	Deposits and sureties granted [3]	Revenue excluding taxes [1]	Net profit (loss) from the previous year [1]	Dividends received in 2007 [3]
1. Subsidiaries (>50%)												
Moët Hennessy SNC	Boulogne	EUR	428.7	2,297.6	58.67	1,019.0	1,019.0	-	-	618.3	452.2	-
Moët Hennessy Inter. SAS	Boulogne	EUR	151.6	165.3	58.67	74.4	74.4	-	-	53.6	53.7	6.9
LVMH Fashion Group SA	Paris	EUR	35.6	1,498.1	99.94	822.0	822.0	-	-	939.7	899.7	403.6
Parfums Christian Dior SA	Paris	EUR	2.6	278.5	99.98	76.5	76.5	0.8	-	933.0	121.7	50.0
Sofidiv SAS	Boulogne	EUR	6,177.4	989.3	100	7,866.4	7,166.8	-	-	24.1	31.8	-
LVMH Finance SA	Boulogne	EUR	35.0	106.1	99.99	1,130.5	136.7	-	-	0.1	(108.6)	-
Le Bon Marché SA	Paris	EUR	29.4	93.7	99.99	259.2	259.2	-	-	245.4	20.1	11.9
LVMH KK	Tokyo	JPY	1,150.0	566.3	100	7.6	7.6	-	310.4	1,060.5	37.5	-
LVMH Services Ltd	London	GBP	7.4	(5.5)	100	11.5	2.6	-	-	0.9	(0.7)	-
2. Other shareholdings (>10% and <50%)												
GIE LVMH Services	Boulogne	EUR	44.3	1.1	20.00	8.9	8.9	-	-	2.2	1.1	-
3. Other investments (<10%)												
Loewe SA	Madrid	EUR	5.3	13.4	5.44	6.7	6.7	18.0	-	107.2	4.6	-
4. Other						1	1	-	-	-	-	-
Total						**11,283.2**	**9,581.0**	**18.8**	**310.4**			**472.4**

(1) In local currency for foreign subsidiaries.
(2) Prior to the appropriation of earnings for the year.
(3) In EUR millions.

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your Annual General Meeting, we hereby report to you for the year ended December 31, 2007 on:

- the audit of the accompanying financial statements of LVMH Moët Hennessy-Louis Vuitton;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2007 and of the results of its operations for the year then ended, in accordance with French accounting regulations.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with Article L. 823-9 of the French Commercial Code (*Code de commerce*) governing the justification of our assessments, we hereby report on Note 2.3 of section "2. Accounting policies and methods" to the financial statements which sets out the accounting principles and methods applicable to non-current financial assets. In the context of our assessment of the accounting principles used by your Company, we have verified the appropriateness of the above-mentioned accounting methods and that of the disclosures in the notes to the financial statements and have ascertained that they were properly applied.

The assessments on these matters were performed in the context of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of the unqualified opinion in the first part of this report.

III. SPECIFIC PROCEDURES AND DISCLOSURES

We have also performed the other procedures required by law in accordance with professional standards applicable in France.

We have no matters to report as to:

- the fair presentation and consistency with the financial statements of the information given in the Board of Directors' report and in the documents addressed to shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the Board of Directors' report on the compensation and benefits paid to relevant Company Officers as well as commitments granted in their favor when they assumed, changed or terminated duties or subsequent thereto. Furthermore, we report that, as indicated in the Board of Directors' report, this information relates to compensation and benefits paid or incurred by your Company and the companies which it controls, as well as the compensation and benefits paid or incurred by Financière Jean Goujon and Christian Dior.

Pursuant to the law, we have verified that the Board of Directors' report contains the appropriate disclosures as to the identity of and percentage interests and votes held by shareholders.

Neuilly-sur-Seine and Paris-La Défense, March 10, 2008

The Statutory Auditors

DELOITTE & ASSOCIÉS		ERNST & YOUNG Audit	
Thierry Benoit	Alain Pons	Jeanne Boillet	Olivier Breillot

STATEMENT OF RESPONSIBLE COMPANY OFFICER

STATEMENT OF RESPONSIBLE COMPANY OFFICER

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the management report presented on pages 6 and 118 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, April 14, 2008

Under delegation from the Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee

LVMH

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