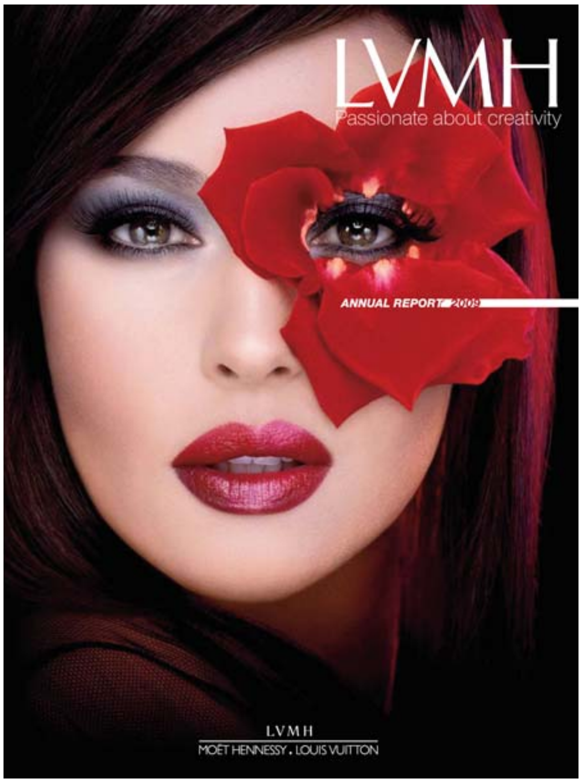
LVMH

Passionate about creativity

ANNUAL REPORT 2009

LVMH
MOËT HENNESSY • LOUIS VUITTON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THE CAT EYE
EXTREME SMOKY EYE
SEPHORA

WITH TALENT AND DISCIPLINE, OUR TEAMS HAVE RESPONDED TO THE CHALLENGE

Bernard Arnault

We took advantage of this turbulent period, during which our clients sought a return to core values, to recall our heritage of excellence, and the values of creativity and durability which are embodied by the Group's brands. The future holds excellent potential, in historic markets as well as in emerging markets, for brands which know how to continually inspire their contemporaries, regardless of where they are in the world, and are committed to quality, beauty and authenticity.

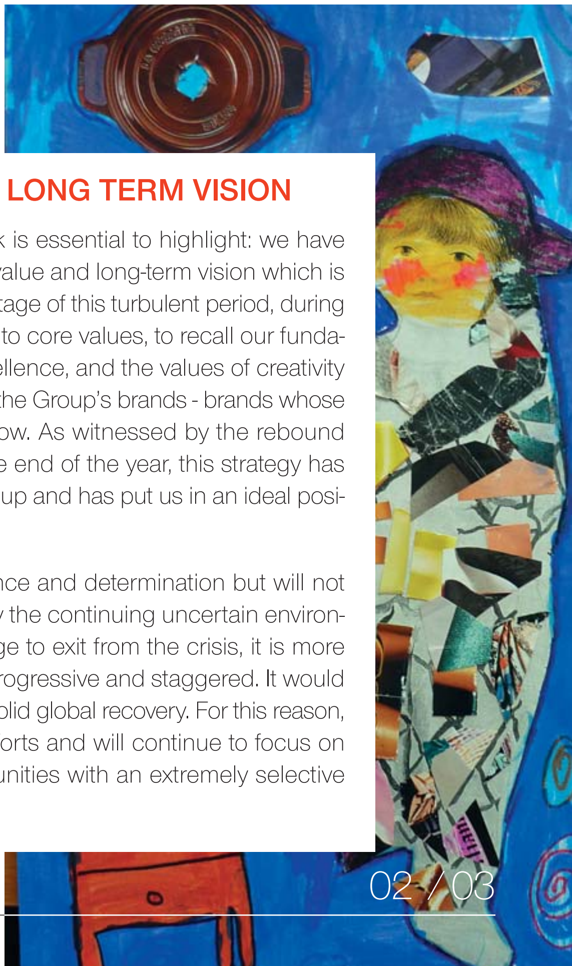
At the end of a year marked by an unprecedented global crisis, our Group responded to the challenge set and increased its market share. Making the most of improved conditions in the third quarter, LVMH even managed to register record revenue in the month of December. We owe this performance primarily to the talent of our teams and their perfect execution of Group strategy. The commitment of the men and women in the Group allowed us to combine the disciplined management approach called for by market conditions, with proactivity and efficiency, underpinned by targeted investments and a tradition of high quality creativity.

A commitment to youth: LVMH's "Discovery and Learning" classes organized during exhibits supported by the Group have been attended by over 20,000 children to date. Dozens of school groups took advantage of this special educational program during the exhibitions of "Picasso and the Masters" and "The Great World of Andy Warhol" at the Grand Palais in Paris in 2009.

As in previous difficult periods, our Group demonstrated the soundness of its growth model in 2009 and found the necessary resources to meet new challenges and further its development. The Group's resilience was largely due to the diversity of our businesses: while our Wines & Spirits and Watches & Jewelry brands were most impacted by the crisis due to destocking at distributors and retail traders, the businesses where we are in direct contact with our customers, through our own store networks, enjoyed better conditions. Our strategy of focusing our efforts on our star brands, key markets and opportunities offering the best return on investment, bore its fruit. Finally, the reactivity of our organisation and the extremely rigorous management of costs and stocks throughout all our businesses, enabled us to preserve an excellent level of profitability at Group level. This has resulted in an operating margin of nearly 20% and significantly improved cash flow.

UNDENIABLE SUCCESSES FOR ALL OUR BUSINESSES

It is worth highlighting that the teams across all our businesses have registered some real successes: Louis Vuitton had an exceptional year, achieving double-digit global growth and progress in all of its product categories. Sephora continued to forge its unique approach in the world of beauty products and to expand in different regions of the world. Thanks to the success of its innovation strategy (Hennessy Black and Hennessy VS 44 in honour of Barack Obama...) and through intense ground work, Hennessy returned to growth in the United States during the year and strengthened its position in a market which had a particularly difficult 2009. Parfums Christian Dior continued to illustrate its roots in the world of couture with power and modernity, drawing on both the extraordinary vitality of its iconic lines (Miss Dior, J'adore, Eau Sauvage...) and the quality of its innovations in skin care and make-up. TAG Heuer confirmed its technological advance and succeeded in marketing, among other products, the Monaco V4, a watch whose concept is revolutionising the watch-making industry. Hublot, which recently joined the Group, won a first prize in Geneva for the third time in five years. Make Up For Ever continued its remarkable growth in the United States, France and China. Marc Jacobs and Benefit, two of our youngest brands, have continued to shine and to grow despite the difficult environment in 2009.



STRATEGY OF VALUE AND LONG TERM VISION

There is one other point which I think is essential to highlight: we have consistently adhered to a strategy of value and long-term vision which is the life blood of LVMH. We took advantage of this turbulent period, during which our customers sought a return to core values, to recall our fundamental strengths, our heritage of excellence, and the values of creativity and durability which are embodied by the Group's brands - brands whose stature and image never cease to grow. As witnessed by the rebound registered by all our businesses at the end of the year, this strategy has not been compromised within the Group and has put us in an ideal position to prepare for the future.

We will approach 2010 with confidence and determination but will not abandon the prudence demanded by the continuing uncertain environment. If worldwide economies manage to exit from the crisis, it is more than likely that their recovery will be progressive and staggered. It would be dangerous to forecast a date for a solid global recovery. For this reason, we will not relax our management efforts and will continue to focus on only truly profitable, strategic opportunities with an extremely selective allocation of our resources.

EXCELLENT POTENTIAL

The key drivers of our strategy will continue to be innovation and the expansion of our presence worldwide. Louis Vuitton, in particular, will launch some powerful products which will enrich its major lines such as Monogram and Damier. It will also develop its product offering in leather and open in some new countries. The situation at distributors has now normalised and our Wines & Spirits and Watches & Jewelry activities should benefit from a more favorable environment in 2010. Hennessy Black's early success in several American markets in 2009 suggests excellent perspectives for its full national launch this year and Chinese economic growth will provide good growth opportunities for cognac during the coming months. TAG Heuer will this year celebrate

"Art is the best way to highlight

its 150th anniversary; it will be an opportunity to celebrate its avant-garde heritage with, in particular, a new edition of one of its iconic watches. Parfums Christian Dior will continue to strengthen its star brands in perfume and make-up while proceeding with the launch of a revolutionary skincare product in its Capture Totale range...

Once this cyclical slowdown is behind us, I am convinced that the future holds excellent potential, in historic markets as well as in emerging markets, for brands which know how to continually inspire their contemporaries, regardless of where they are in the world, and are committed to quality, beauty and authenticity. This is our ambition, upheld by the Group's employees, and each year this enables us to build and strengthen the global leadership of LVMH.

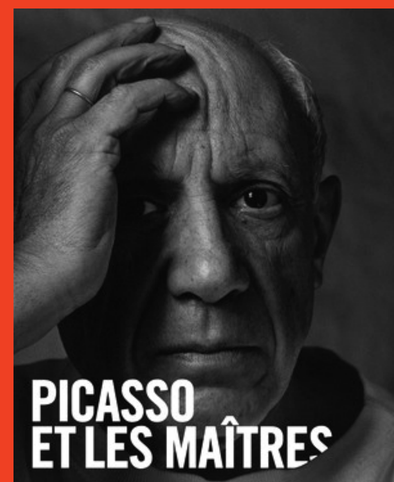
4 February, 2010

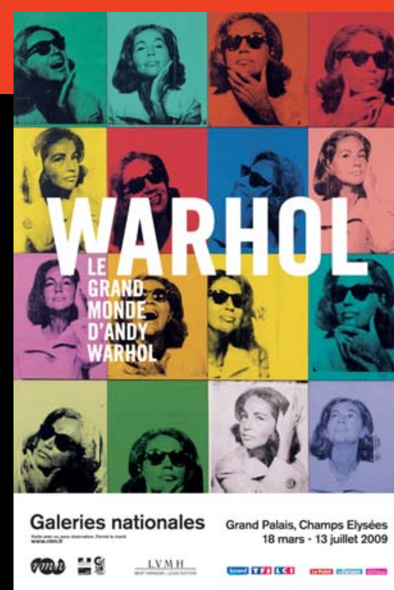
Bernard Arnault
Chairman & Chief Executive Officer

Picasso reinterpreted *Las Meninas* (Ladies in Waiting) by Velazquez up to the point of obsession and focused particularly on the young Infanta Margarita-Maria.

Infanta Maria Margarita
Pablo Picasso,
Cannes, September 14, 1957
Pablo Picasso Museum, Barcelona
RMN © Succession Picasso

Infanta Maria Margarita
Diego Velasquez, circa 1653
Musée du Louvre, Paris
RMN





our faith in liberty"

Bernard Arnault

A cultural mission

LVMH celebrates Picasso and Warhol

Believing that it has a mission to support culture, LVMH works to offer the general public, and young people in particular, the opportunity to rediscover the great masters of painting and the major artistic movements through the support it provides to major national exhibits.

After supporting the exhibit on "Picasso and the Masters", a dazzling juxtaposition between the man who invented modern art and all those from whom he claimed to descend, LVMH renewed its support to the Réunion des Musées Nationaux for "The Great World of Andy Warhol". The exhibition at the Grand Palais in Paris from March 18 to July 13, 2009, the 33rd exhibition organized with the support of LVMH, presented more than 200 silk-screen portraits by Andy Warhol: a mirror on the world.

EXCELLENT RESILI
IN A GLOBAL CRISIS

Revenue
EUR million

Revenue by business group
EUR million

	2007	2008	2009
WINES AND SPIRITS	3,226	3,126	2,740
FASHION AND LEATHER GOODS	5,628	6,010	6,302
PERFUMES AND COSMETICS	2,731	2,868	2,741
WATCHES AND JEWELRY	833	879	764
SELECTIVE RETAILING	4,164	4,376	4,533
OTHERS ACTIVITIES AND ELIMINATIONS	(101)	(66)	(27)
TOTAL	**16,481**	**17,193**	**17,053**

Profit from recurring operations
EUR million

Profit from recurring operations by business group
EUR million

	2007	2008	2009
WINES AND SPIRITS	1,058	1,060	760
FASHION AND LEATHER GOODS	1,829	1,927	1,986
PERFUMES AND COSMETICS	256	290	291
WATCHES AND JEWELRY	141	118	63
SELECTIVE RETAILING	426	388	388
OTHERS ACTIVITIES AND ELIMINATIONS	(155)	(155)	(136)
TOTAL	**3,555**	**3,628**	**3,352**

ENCE

Net profit
EUR million

2009	1,973
2008	2,318
2007	2,331

Group share of net profit
EUR million

2009	1,755
2008	2,026
2007	2,025

Basic group share of net profit per share
EUR

2009	3.71
2008	4.28
2007	4.27

Cash flow from operations
EUR million

2009	3,928
2008	4,096
2007	4,039

Capital expenditures(1)
EUR million

2009	748
2008	1,039
2007	990

(1) *Acquisitions of tangible and intangible fixed assets*

■ TOTAL EQUITY(2)(3)

■ NET FINANCIAL DEBT TO EQUITY RATIO

2009	20%	14,785
2008	28%	13,793
2007	25%	12,434

(2) *Includes minority interests before appropriation of net profit.*

(3) *Total equity as of December 31, 2007 and 2008 has been restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended.*

Revenue by geographic region of delivery
in %

EUROPE (EXCL. FRANCE)	21%
UNITED STATES	23%
ASIA (EXCL. JAPAN)	23%
FRANCE	14%
JAPAN	10%
OTHER MARKETS	9%

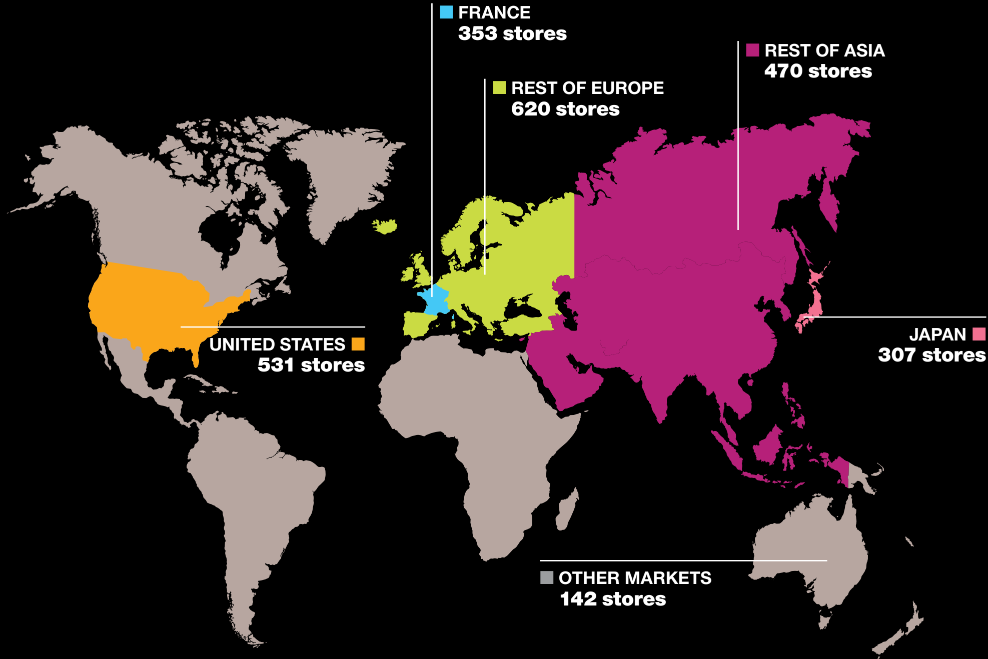
Revenue by currency
in %

EURO	30%
US DOLLAR	27%
OTHER CURRENCIES	28%
YEN	10%
HONG KONG DOLLAR	5%

Number of stores

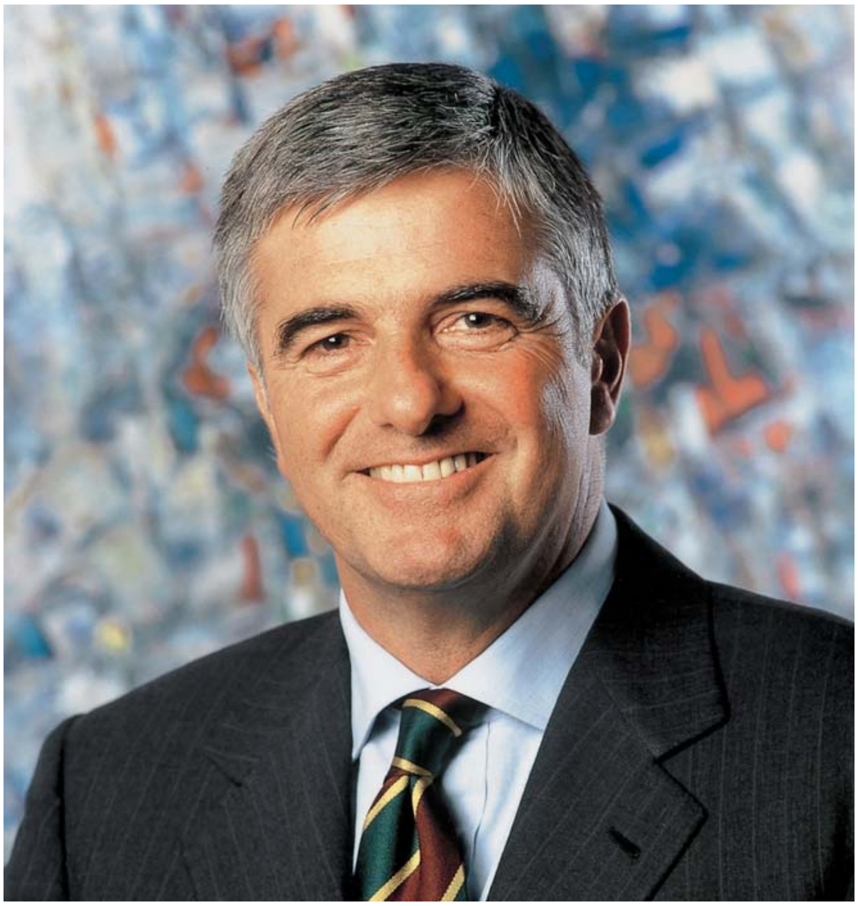
2009	2,423
2008	2,314
2007	2,048

Stores network
at december 31, 2009



New expectations for luxury

Interview with Antonio Belloni, Group Managing Director of LVMH



Given the consequences of the global crisis, are the growth prospects for the luxury market in danger?

Antonio Belloni : We are going through a turbulent period where the economic crisis is coupled with a psychological shock. These consequences will continue to be felt in 2010, which impels us to remain cautious. But the medium and long-term trends remain fundamentally excellent. Firstly, because luxury belongs to every era. It represents a natural, universal human aspiration - the dream, the emotion everyone needs, the desire for beauty, the search for a product of exceptional quality and an unforgettable experience. In addition, the market is supported by the growth in new customers who, as their purchasing power increases, have access to a better quality of life and can begin to satisfy those aspirations. Even though they are currently affected by the economic conditions, Russia and the Middle East are promising markets. China continues to grow at an extraordinary rate. In the medium-term, large markets like India and Brazil will be vectors for growth.

These new borders seem to be the focus of attention. Does that mean that the historical markets have reached maturity and that the consumption of luxury products will be less dynamic in those markets in the future?

A.B. : Even though Asia is the zone where growth is strongest, more than two-thirds of our revenues come from Europe, the United States, and Japan. They are key zones where, above and beyond the economic conditions, we have a solid customer base and very interesting opportunities. The "aspirational" customers who reduced their purchases during the recession will return to stimulate the markets once the situation has returned to normal and the confidence is back. In our current life style, luxury products are part of our life for an increasing number of years: young people are discovering the brands earlier than the previous generation, and older people are still active, with a busy social life, and travel much longer than they did in the past. Add to those factors the fact that some segments, like the men's market (which exists in all our businesses), are rapidly expanding and will offer a number of growth opportunities. I firmly believe that there is potential in every country in which we are present, whatever the phase of development.

Have consumers changed their approach to luxury as a result of the crisis?

A.B. : Buying behavior is not the same in a period of strong growth and a period of uncertainty. Customers are naturally more prudent right now. They turn first to the flagship brands because they are reliable icons and, above all, because they are more careful about the fair value of goods. But even before the crisis the changes in expectations about luxury were evident. Our customers are much better informed, if only because of the possibilities offered by the Internet, the new media and social networks. They are enthusiastic and expert, and they are also demanding in terms of quality and durability. This is completely normal since the purchase of certain luxury products can be close to an investment. They are also more sophisticated in their approach, more sensitive to innovation, exclusivity and service. They want products that are not simply ostentatious signs of success, but products that offer undeniable intrinsic qualities and timeless values.

What are those values?

A.B. : In addition to the quality, aesthetic appeal and craftsmanship of its products, the legitimacy of a luxury brand is due to many factors: its heritage, the power it has to evoke emotions, everything that defines its authenticity and specific aura plays an increasingly important role in the reasons behind a purchase. LVMH is magnificently positioned to meet those expectations: we have emblematic brands that have endured for more than a century, in some cases more than two hundred years, with exceptional stories to tell; we have teams who fully focus on perpetuating the magic of these brands, and the traditions of excellence, creativity and authenticity which have built their success. And while the consumer's search for meaning results in increasingly high expectations, we are also finding that the tenor of those expectations is continually expanding.

What do you mean?

A.B. : Customers today need to feel close to the brand in terms of the values it represents, including the awareness of social and environmental challenges. The emergence of a "green" consumer who is concerned about corporate social responsibility is becoming a universal trend, and the luxury segment is no exception. These concerns, which are now a particular focus of attention, have long been incorporated by our brands and are inseparable from their growth strategy. In this area as well, each brand aims for excellence. For example, we are proud that thanks to their initiatives LVMH has just been awarded the Diversity Trophy for the programs conducted as part of our companies' commitment to equal opportunity. And that is just one example. In 2009, LVMH partnered with the Edun company, a pioneer in ethical fashion, founded in 2005 by Bono and his wife Ali Hewson. This is testimony to our confidence in the mission undertaken by this young company and it represents another way in which we can continue our commitment to sustainable development.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Corporate governance

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

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

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

The reference for the Company is the AFEP-MEDEF "Corporate Governance Code for Traded Companies". This code can be consulted on the website www.code-afep-medef.com.

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

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

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

BOARD OF DIRECTORS

As of December 31, 2009, The Board of Directors was made up of 18 members, 6 of whom are independent and free of any interests with respect to the Company.

Members of the Board of Directors must, in accordance with the regulations, personally and directly own at least 500 shares of LVMH.

The Board of Directors met four times in 2009, on a written notice of meeting from the Chairman sent to each of the Directors at least one week before the date of the meeting. The attendance rate of the members at meetings averaged 79%.

The Board approved the annual and interim financial statements and reviewed the Group's major strategic guidelines, budget, the implementation of stock option plans and bonus share allotment plans, authorization for third party guarantees and various agreements with related companies, the adoption of the LVMH Group Code of Conduct and the election of a Vice Chairman. It also assessed its ability to meet shareholder expectations by reviewing its membership, organization and operations, and amended its Charter and the internal rules for the Board Committees.

EXECUTIVE MANAGEMENT

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

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

PERFORMANCE AUDIT COMMITTEE

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

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

The Audit Performance Committee met four times in 2009. All meetings were attended by all members of the Committee, with the exception of one meeting which one Committee member was unable to attend. The meetings were also attended by the Auditors, the Chief Operating Officer, the Chief Financial Officer, the Management Control Director, the Internal Audit Director, the Accounting Director, the Tax Director, the General Counsel and, depending on the issues discussed, the Director of Financing, the Treasurer, and the Director of Risks and Insurance.

In addition to reviewing the corporate and consolidated annual and interim financial statements, the work of the Committee focused primarily on the work of Internal Audit, the currency hedging policy and the value of brands, and on the procedure for the renewal of Auditors.

NOMINATIONS AND COMPENSATION COMMITTEE

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

The Committee has 3 members (two of whom are independent) appointed by the Board of Directors.

The Committee met twice in 2009 with all members in attendance. It issued recommendations on compensation and the awarding of stock options to the Chairman & CEO and the Group Managing Director, and issued an opinion on the compensation, stock options and benefits in-kind awarded to some Directors by the company or its subsidiaries. It also issued an opinion on the candidacy of Yves-Thibault de Silguy for a position on the Board of Directors, and on the terms of office of Directors.

In addition, the Committee issued an opinion on the situation of all Board members under the criteria for independence defined by the AFEP-MEDEF Code.

ADVISORY BOARD

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

They are appointed for a three-year term.

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

The Advisory Board actually has a sole member.

COMPENSATION POLICY

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

Board of Directors and General Management

BOARD OF DIRECTORS

Members at December 31, 2009

Bernard Arnault
Chairman & Chief Executive Officer

Antoine Bernheim *
Vice Chairman

Pierre Godé
Vice Chairman

Antonio Belloni
Group Managing Director

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

Nomination to be proposed at the Annual Shareholders' Meeting of April 15, 2010

Hélène Carrère d'Encausse *

ADVISORY BOARD MEMBER

Kilian Hennessy *

PERFORMANCE AUDIT COMMITTEE

Antoine Bernheim *
Chairman

Nicholas Clive Worms *
Gilles Hennessy

NOMINATIONS AND COMPENSATION COMMITTEE

Antoine Bernheim *
Chairman

Charles de Croisset *
Albert Frère

** Independent Director*

EXECUTIVE COMMITTEE

Bernard Arnault
Chairman & Chief Executive Officer

Antonio Belloni
Group Managing Director

Pierre Godé
Vice Chairman

Nicolas Bazire
Development & Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion & Leather Goods

Chantal Gaemperle
Human Resources

Jean-Jacques Guiony
Finance

Christophe Navarre
Wines & Spirits

Patrick Ouart
Advisor to the Chairman

Philippe Pascal
Watches & Jewelry

Daniel Piette
Investment funds

Pierre-Yves Roussel
Fashion

Mark Weber
Donna Karan, LVMH Inc.

General Secretary

Marc-Antoine Jamet

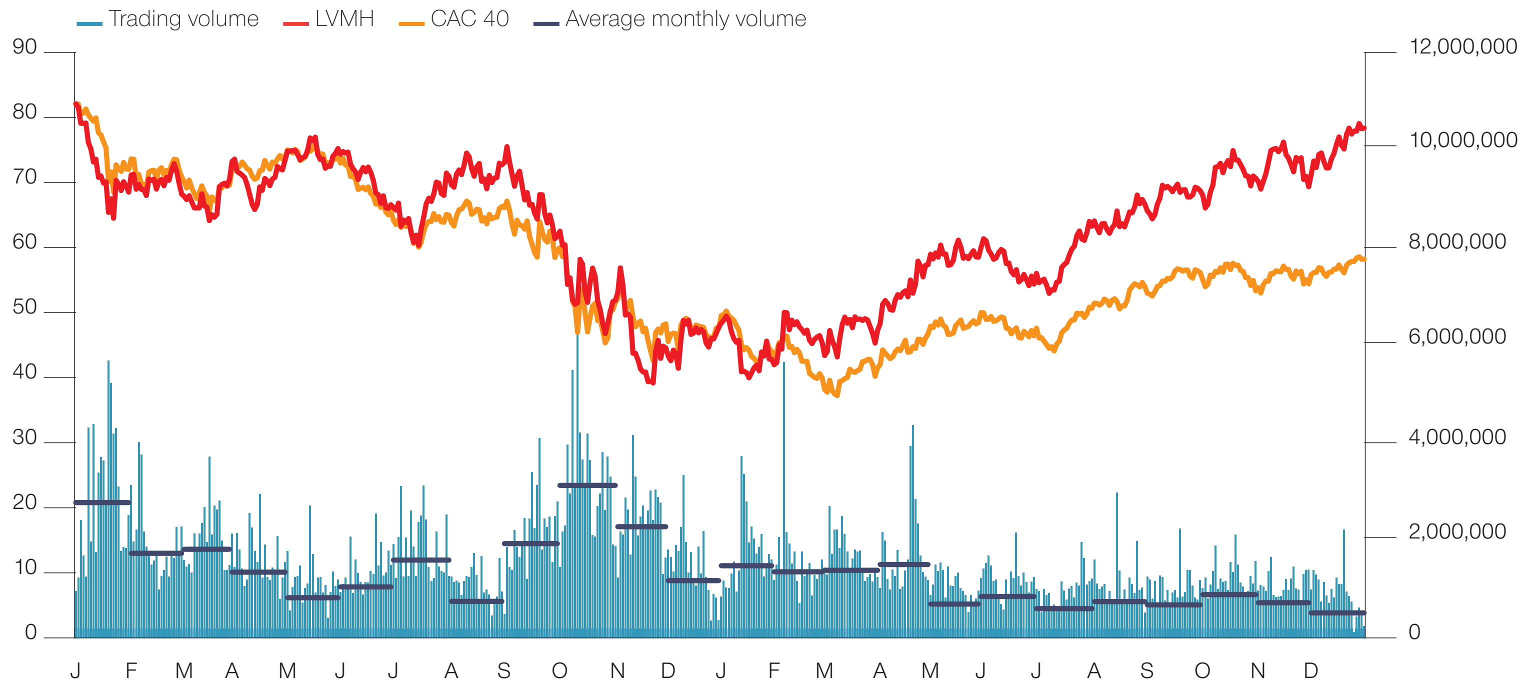
STATUTORY AUDITORS

ERNST & YOUNG AUDIT
represented by Jeanne Boillet
and Olivier Breillot

DELOITTE & ASSOCIES
represented by Alain Pons

The LVMH share

COMPARISON OF THE LVMH SHARE PRICE AND THE CAC 40 SINCE JANUARY 1, 2008



CHANGES IN LVMH SHARE PRICE

In a particularly uncertain economic context, the stock markets recorded extreme variations in 2009. Affected initially by the very significant deterioration in economic conditions around the world, the markets continued the decline that began in mid-2007 and reached new lows. Optimism gradually returned, however, in March with the appearance of the first signs of slowdown in the rate of the recession and hopes for a recovery in economic activity, which was slowly confirmed in later months. Thus, the leading market indices closed the year with increases of about 60% over the lows recorded in the spring.

Thanks to greater resistance during the downward phase of the stock markets and a stronger rebound over the second half of the year, the LVMH share price performed significantly better than the major indices and ended 2009 up 64%. In comparison, the European CAC 40 and Eurostoxx 50 indices recorded increases of 22% and 21% respectively over the period, while the American Dow Jones Industrials index rose 19%.

The LVMH share price closed at 78.38 euros on December 31. LVMH's market capitalization was 38 billion euros, making it ninth in the Paris market.

LVMH is included in the major French and European indices used by fund managers: CAC 40, DJ-EuroStoxx 50, MSCI Euro and FTSE-Eurotop 100. LVMH is also included in the Global Dow, a new index that lists the most innovative, dynamic and influential companies, and in the FTSE4Good, the leading European index measuring the performance of companies that meet social responsibility and environmental criteria.

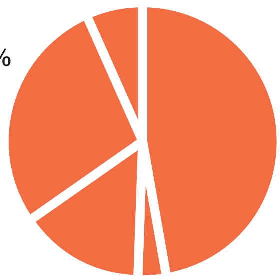
The LVMH share is listed for trading on the Euronext Paris Eurolist (Reuters Code: LVMH.PA, Bloomberg Code: MC FP, ISIN Code: FR0000121014). In addition, negotiable options on LVMH shares are traded on Euronext.liffe.

AGENDA

Thursday, February 4, 2010	publication of 2009 revenue and annual results
April 2010	publication of 2010 first quarter revenue
Thursday, April 15, 2010	Annual Shareholders' Meeting
Tuesday, May 25, 2010	Payment of the balance of the dividend for 2009 (last trading day with dividend rights: Wednesday, May 19, 2010)
July 2010	Publication of 2010 half year revenue and results
October 2010	Publication of 2010 third quarter revenue

CAPITAL STRUCTURE

(Euroclear France survey on bearer shares at mid-December 2009)



MARKET CAPITALIZATION

Million of euros

December 31, 2007	40,508
December 31, 2008	23,404
December 31, 2009	38,419

CHANGE IN THE DIVIDEND

	2009	2008	2007
Net dividend (€)	1.65	1.60	1.60
Growth for the year	*3.1%*	–	*14.3%*
Payout ratio*	46%	39%	39%

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

BREAKDOWN OF CAPITAL AND VOTING RIGHTS

as of December 31, 2009

	Number of shares	Number of voting rights(1)	% of capital	% of voting rights
Arnault Group	232,345,936	445,956,346	47.38%	63.64%
Other	258,059,718	254,780,503	52.62%	36.36%
Total	**490,405,654**	**700,736,849**	**100.00%**	**100.00%**

(1) Total number of voting rights exerciseable at Shareholder Meetings.

THE FRENCH SHAREHOLDERS' CLUB – AN INITIATIVE TO STRENGTHEN TIES

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

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

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

Shareholders' club + 33 1 44 13 21 50

www.lvmh.com

PASSIONATE ABOUT CREATIVITY

WINES & SPIRITS

FASHION & LEATHER GOODS

PERFUMES & COSMETICS

WATCHES & JEWELRY

SELECTIVE RETAILING


TERRAZAS
RESERVA
MALBEC


SEPHORA
AVANCER EN BEAUTÉ
SEPHORA

Wines & Spirits

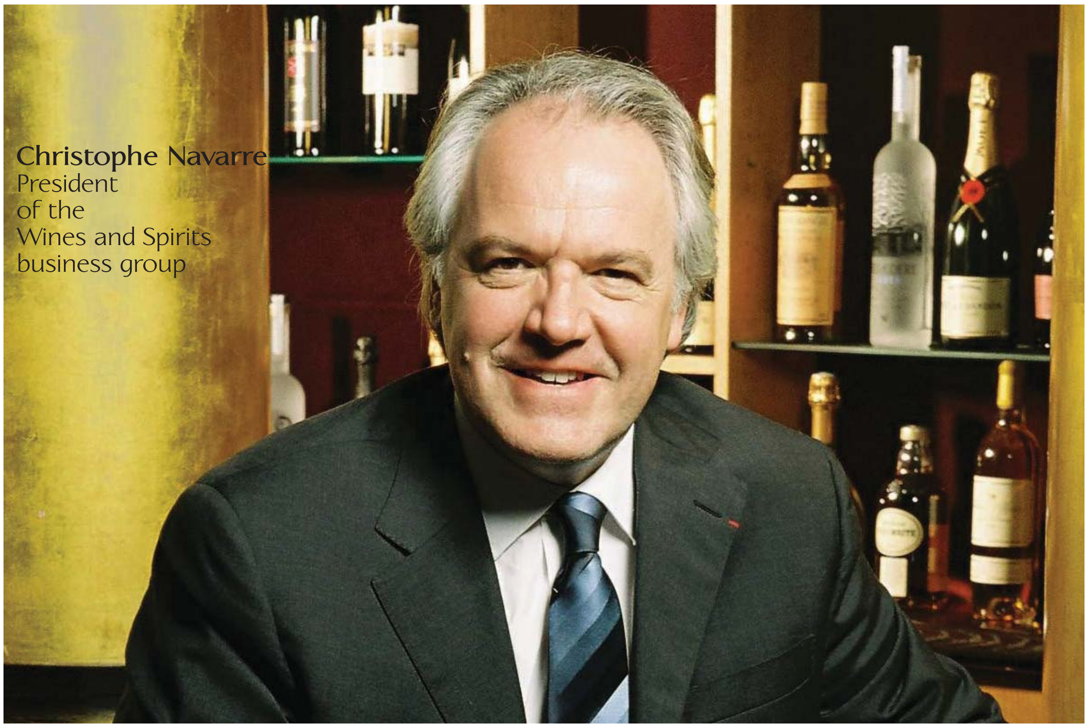
EXCEPTIONAL PRODUCTS FOR

Ambassadors of luxury throughout the world, the LVMH wines and spirits brands sell exceptional products perfectly in harmony with a consumption trend offering good long-term potential. These brands make our Group the world leader in presigious wines and spirits.

CUSTOMERS WHO VALUE QUALITY

Highlights of 2009

Moët & Chandon launched an international promotional campaign with Scarlett Johansson as its ambassador, the first Hollywood star to represent a champagne brand. / Dom Pérignon published its "Manifesto", a document that sets forth the founding principles of the brand's vision, reflecting the ideal of the man considered to be the father of champagne. / Dominique Demarville, succeeding Jacques Peters at the end of a three-year handover period, became the 10th Cellar Master for Veuve Clicquot. / Hennessy strengthened its leadership in the United States thanks to an aggressive marketing and innovation strategy, illustrated particularly with the launch of several new products: Hennessy Black, targeted at the nightlife segment; VS Blending of Art, which is the first in a series of collector editions created by artists; and VS 44, a limited edition in honor of Barack Obama, the 44th President of the United States. / The Glenmorangie and Ardbeg whiskies continued their high-end repositioning and received a number of industry awards in 2009. / Veuve Clicquot illustrated its commitment to sustainable development during the particularly exemplary restoration of the Hôtel du Marc, one of the jewels of its heritage, built in 1840. This project combined three renewable energy technologies that reduced energy consumption by 65% and greenhouse gas emissions by 90%.



Christophe Navarre
President
of the
Wines and Spirits
business group

« A commitment to excellence »

In 2009, the consequences of the recession for consumption and massive inventory reductions by distributors created a particularly difficult environment, although with significant sector and regional differences. The crisis had a greater impact on champagne revenue than on that of cognac. The United States, Japan and Russia were the markets most affected, while consumption remained more stable in the emerging Asian countries. While working to contain costs and rigorously target their investments, our brands refused to join the race for volume engaged in by a large number of players in the wines and spirits sector. We remained consistent with our image and value strategy by maintaining selling prices, continuously and carefully tracking inventories, and by our strong commitment to innovation. This policy, supported by the very intense work of our teams in the field and by targeted marketing campaigns, succeeded in affirming the high quality fundamentals of our brands and the excellence of their products, and strengthened their positions in their market segments. These are key assets for their image, their ability to rebound and their growth in the longer term.

REVENUE
EUR million

2009	2,740
2008	3,126
2007	3,226

PROFIT FROM RECURRING OPERATIONS
EUR million

2009	760
2008	1,060
2007	1,058

SALES VOLUMES
million of bottles

CHAMPAGNE	
2009	48.4
2008	57.6
2007	62.2
COGNAC	
2009	54.6
2008	57.7
2007	60.9

INVESTMENTS
EUR million

2009	103
2008	158
2007	189

REVENUE BY GEOGRAPHIC REGION OF DELIVERY
in %

FRANCE	9%
REST OF EUROPE	25%
UNITED STATES	26%
JAPAN	6%
REST OF ASIA	22%
OTHER MARKETS	12%

The world leader in champagne, LVMH also produces still and sparkling wines grown in the world's most famous wine regions. The world leader in cognac with Hennessy, the Group is developing its presence in the luxury spirits segment in addition to its historical business. The portfolio of wines and spirits brands, composed of products positioned in the high-end segments of their market, is served by a powerful international distribution network.

CHAMPAGNE AND WINES

Moët & Chandon pursued two objectives in 2009 – to consolidate its positions in traditional markets and win market share in the emerging countries.

In order to enhance its visibility in a particularly difficult market context, the brand launched several new offers, including an elegant gift case, the "Moët Chiller", an invitation to celebrate happy occasions throughout the year, and a luxurious limited edition "Celebration Case" designed to add enchantment to the end of the year festivities.

Moët & Chandon thus reasserted its leadership position and its status as a benchmark in champagne, embodying the spirit of celebration. The brand deployed its communications platform around major film events (the Oscars and Golden Globe awards, and festivals around the world) and designed the event with its new international campaign, symbolized by Scarlett Johansson, the first Hollywood star in history to represent a champagne brand.

By emphasizing its fundamental values tied to the vision of its creator **Dom Pérignon**, reinforced its leadership position in the luxury champagne category and generated the resources to approach the end of the crisis under optimal conditions. As part of this strategy, a major marketing program was launched: the publication of the *Manifesto*, an affirmation of the simple yet strong commitments that form the basis of the aesthetic vision of Dom Pérignon, was the first component. The second component, immersion in the brand universe, retracing the historic path of "Père Pérignon's wine" from the Abbey in Hautvillers to the table of Louis XIV in Versailles, was offered to special guests.

In line with its value strategy and sales policy, **Ruinart** maintained its prices while expanding its promotional events in the field. The brand benefited from the loyalty of its distributor partners and consumers. Innovation, a core priority, was particularly reflected in the *My Sweeter Half* gift box designed for Valentine's Day, and in the creations celebrating the 280 years of the House and the 50 years of its prestigious Dom Ruinart Cuvée. The oldest Champagne brand continued to demonstrate its keen interest in aesthetics, daring ideas and culture by its involvement in major contemporary art events.

Mercier, one of the best-loved champagnes in France, continued to expand its territory. The success of its tour circuit contributed to this growth: more than 120,000 visitors came to discover its cellars and champagnes during the year.

The Moët Hennessy network initiated European distribution of the **Montaudon** brand, which joined the Wines and Spirits business group in 2009. Overall the company maintained its positions in the French market.

Veuve Clicquot Ponsardin invested more heavily than ever in the fundamentals upon which its success was built: the quality of its wines, enhanced by two excellent harvests in succession, and innovation geared toward the creation of value.

Dominique Demarville, the 10th Cellar Master for Veuve Clicquot since the House was founded, took over from Jacques Peters after a handover period of over three years.

Among other innovations, the *Design Box*, the first box in the "eco-design" market, enhanced the visibility of the brand and its distinctive character. The *Ice Cube*, developed in collaboration with Porsche Design Studio, is a portable cooler for carrying a bottle of Brut Carte Jaune and four exclusive flutes. Veuve Clicquot Rosé, which has continued to grow since it was launched in 2006, was released in *Design Box* and *Ice Dress* versions.

At the same time, Veuve Clicquot continued to dip into the riches its archives have to offer: the yellow ribbon used in 1810 by Madame Clicquot around the neck of bottles is now back on the new boxes and label of the brand's *Vintages*.

In order to support sales in its strategic markets, throughout the year **Krug** increased the number of tasting offers for Grande Cuvée, the emblem of the brand and the vehicle for its values of expertise, authenticity and excellence.

Grande Cuvée was also part of the *Krug Treasure Box*, an exclusive offer at the end of the year. At the same time, the company wrote the second chapter in the saga of Clos d'Ambonnay (a cuvée created in 2008) with the revelation of the 1996 vintage, a new masterpiece available in January 2010.

Estates & Wines, the entity that holds the sparkling and still wines of Moët Hennessy, generally performed well in the economic crisis. The Chandon sparkling wines consolidated their leadership position in the super premium category in their domestic markets. They simultaneously pursued their strategy of international expansion. Chandon California's restaurant earned one star from the 2010 Michelin Guide.

The still wines from Cloudy Bay (New Zealand) and Terrazas de los Andes (Argentina) generated solid performances, while the Australian wines were penalized by a decline in demand. Numanthia, acquired by Moët Hennessy in 2008, has progressively been recognized as one of the best wines from Spain and ranked second in the "Wine Spectator" Top 100 in 2009.

The enthusiasm generated by the Premier Cru Supérieur **Château d'Yquem** was maintained with the sale of its Primeur 2008. Invited by "Wine Spectator" to the 2009 edition of the *New York Wine Experience*, Château d'Yquem presented its 1998 vintage at an event eagerly attended by hundreds of wine lovers wanting to discover or rediscover this magnificent classic vintage.

The 2009 harvest, completed between September 7 and October 19 under optimum conditions, offers the potential of a very great vintage.

PASSIONATE ABOUT CREATIVITY

MAARTEN BAAS *for Ruinart*

Extravagant and sumptuous! The young Dutch artist Maarten Baas, named "Designer of the year 2009" in Miami, again devoted his talent to the service of Ruinart: after the extraordinary Bouquet de Champagne produced in 2008 to celebrate the 50th anniversary of the Dom Ruinart Cuvée, he created a new original work inspired by *Le Déjeuner d'Huîtres* by the 18th century painter Jean-François de Troy: a Melted champagne bucket in which the base has melted like ice in the sun into a large pool of silvery metal. In a subtle merger of the eye of a contemporary artist and the art of entertaining inherited from the Age of Enlightenment, this limited series, released in 50 copies, is an invitation to a new tasting ceremony.
In the same spirit, Ruinart released a gift box containing the Dom Ruinart 1998 vintage in a collector's bottle specially stamped for the occasion and two flutes also signed by Maarten Baas.

LIKE THE BASE OF THE MELTED BUCKET, THE BASE OF THE FLUTE SIGNED BY MAARTEN BAAS SEEMS TO HAVE MELTED AND THEN FROZEN IN A STATE OF NATURAL GRACE.

COGNAC AND SPIRITS

In 2009, **Hennessy** consolidated its market share both in terms of volume and value, remaining the undisputed leader in cognac. After a difficult first half related to inventory reductions by its partners and an unfavorable comparison with an excellent first half in 2008, the main key markets began to stabilize and the brand continued to invest in preparation for the future.

In China, its largest contributing market for the second consecutive year, Hennessy was able to react, when faced with a downturn in revenue early in the year, by implementing effective support programs. Sustained growth returned in the last quarter, and the brand is anticipating a rebound for the Chinese New Year in 2010. The company continued to grow in the other Asian markets, strengthened its positions in Taiwan, and continued its outstanding expansion in Vietnam thanks to the in-depth work completed in the last several years.

In the United States, its second largest market, Hennessy strengthened its leadership position and returned to a positive trend in the second half. Several factors contributed to this change: the introduction of Hennessy *VS 44*, a limited edition in honor of Barack Obama, the 44th President of the United States, the creation of *VS Blending of Art*, the first in a series of collector products designed by artists, and the support of a new promotional campaign. Finally, the success of *Hennessy Black* in the top ten American markets looks very promising for the 2010 national launch of this product which is designed to appeal to the night life segment.

In Russia, the magnitude of the economic crisis affected all cognac sales. Hennessy calmly handled the crisis by relying on the continued strong appeal of its brand. In other European countries like Germany and the United Kingdom, volumes withstood better and stabilized in the second half. In Ireland, its historical market, Hennessy maintained its exceptional market share.

Finally, Hennessy posted an excellent year in the international circuits thanks to a dynamic events policy and the introduction of the new exclusive *Hennessy Privé*.

In a difficult environment, Hennessy relied more than ever on a aggressive strategy in which innovation was a key component. While *Hennessy Black* was one of the major pillars of this policy of winning market share, the company simultaneously strengthened its position as an exceptional brand with the launch of two new prestige products: *Paradis Horus*, designed by Italian designer Ferrucio Laviani, and *X.O Mathusalem* produced in partnership with Berluti. The international development of the *Hennessy Artistry* concerts which bring together a variety of musical genres with different ways of drinking its cognacs was also a very effective vector for promoting the brand with consumers around the world.

Glenmorangie continued to deploy the components of its strategy aimed at becoming the leader in single malt Scotch whiskies and making the **Ardbeg** brand the absolute reference for malts produced on the island of Islay.

Glenmorangie posted an encouraging performance in the United States and Continental Europe and won market share in the emerging countries of the Asia-Pacific region. The highly acclaimed launch of Glenmorangie *Sonnalta PX*, the first release from the *Glenmorangie Private Collection*, and the numerous distinctions awarded by the industry in 2009 enhanced the reputation of the brand.

The launch of Ardbeg *Supernova*, named by the Whisky Bible as the Best Scotch of 2009, was extremely successful. The brand itself was named "World Whisky of the Year" for the second consecutive year.

Belvedere vodka had a good year with stable revenue in the United States, where it increased market share, and strong growth in Canada, Europe and Asia. Sales were revitalized with an aggressive and effective policy of innovation: the introduction of Belvedere *Intense*, a super premium vodka, Belvedere *IX* targeted for the nightlife segment, an offer of spectacular bottles and packaging, like Belvedere *Silver* at the end of the year, are just a few examples of these innovations.

The rum **10 Cane**, positioned in a growth segment, consolidated its market share in the United States and attracted new consumers. Its international distribution remains very exclusive, targeting the most prestigious bars and hotels in order to build a strong image for future expansion.

There were several highlights during 2009 for the Chinese brand **Wenjun**: the launch of *Tian Xian*, a new product with very high-end positioning, the start-up of a program of receptions and tours of its Qionglai site in Sichuan, and the opening of a boutique reflecting the new image of the brand.

Outlook

The improvement in the trend which began at the end of 2009 suggests progressive recovery in 2010, but the environment over the next few months remains very uncertain. For the Wines and Spirits companies, the optimal inventory level within the distribution chain is a positive element as the year begins. In addition to this economic factor, the Group's brands hold the best cards: a clear strategy, solid positions in traditional markets and the emerging countries, a reputation for excellence backed by a zero tolerance image policy, a strong capacity for innovation, strong reactivity, and the contribution of expanded resources in the field. All these assets will allow the brands to seize every opportunity for short-term growth and to continue to build and strengthen their leadership in the longer term.

FASHION & LEATHER GOODS

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

A unique family of bran

Highlights of 2009

Louis Vuitton continued to illustrate its exceptional and dynamic vitality and increased its lead in the luxury market. In order to keep pace with the its enormous success around the world, major high-visibility stores were opened in Hong Kong, Macao, Singapore and Las Vegas. Louis Vuitton entered Mongolia for the first time. | The year 2009 once again was marked by the intense and dynamic innovation of Louis Vuitton: highlights of the year included the launch of a transversal product line in tribute to the American artist Stephen Sprouse and the creation of the prestigious "L'Ame du Voyage" high-end jewelry collection. | Fendi successfully expanded its leather goods lines. Along with the expansion of Peekaboo, the Italian company launched the Mia line. | Phoebe Philo, Céline's new Artistic Director, presented her first collection for the brand with extremely positive press and commercial attention. Pucci's new stylistic orientation, under the artistic direction of Peter Dundas, was also met with positive reaction. | Louis Vuitton earned ISO 14001 certification (environmental management system) for its Eole global logistics site. To mark the 150th anniversary of the Red Cross, the House organized an auction at Sotheby's of seven special orders fabricated by its Asnières workshop. The proceeds from this sale were contributed to a Red Cross program in Niger to combat malnutrition.

ds in the luxury market

Louis Vuitton, Fendi, Donna Karan, Loewe, Marc Jacobs, Céline, Kenzo, Givenchy, Thomas Pink, Pucci, Berluti, Stefanobi and Rossimoda are the brands that form the Fashion and Leather Goods business group. While respecting the identity and creative positioning of each of the brands in this business group, LVMH supports their development by providing shared resources. The Fashion and Leather Goods companies continue to expand their distribution network, which totaled 1 164 stores around the world at year-end 2009.

Yves Carcelle
President
of the Fashion
and Leather Goods
business group

« Offer our customers the very finest leathers »

Louis Vuitton has always worked leather. Leather has covered our luggage from the very beginning. It was soon used in our leather goods lines for the city. Our artisans know how to fashion and enhance a large variety of leathers, whether they are natural and tanned with plant extracts, like the leather that has always been used in our Monogram fabric designs, or structured (Epi, Taïga, ...), supple (Suhali, Mahina), patent leather (Monogram Vernis) or exotic. Today, with the expansion of our businesses, we are also seeking high quality skins around the world for our accessories, footwear, watch bands and other products.
To keep pace with our growth, our ability to obtain leathers that meet our requirements is a strategic priority. Just like the quality of our tanning techniques, our products need to be faultless and our suppliers and partners must share our values.
In 2009, we signed a joint venture agreement with the Masure Tannery which has supplied exquisite leathers to our company for more than 21 years. This partnership will give birth to Tanneries de la Comète. In this true development center, where we will pool our resources and our expertise, the skins will be tanned for Louis Vuitton using plant extracts that give the famous patina to our natural leathers. We will also launch innovative programs to protect the environment.
In this way, we are developing the resources to secure a strategic supply chain and contribute to the continuation of traditional techniques, so that we can continue to offer our customers the most luxurious leathers and serve our goals for sustainable development.

Revenue
EUR million

2009	6,302
2008	6,010
2007	5,628

Profit from recurring operations
EUR million

2009	1,986
2008	1,927
2007	1,829

Revenue by geographic region of delivery
in %

8%	France
21%	Rest of Europe
18%	United States
18%	Japan
28%	Rest of Asia
7%	Other markets

Number of stores

2009	1,164
2008	1,090
2007	989

Investments
EUR million

2009	262
2008	311
2007	246

LOUIS VUITTON: AN EXTRAORDINARY STORY

2009 was another year of double-digit growth for **Louis Vuitton**. The world's leading luxury brand both confirmed its exceptional appeal and reinforced its leadership position. It recorded excellent performances in both Europe and the Middle East, and weathered a particularly difficult economic context in the United States. In the Asian markets, which continued to be very dynamic (Greater China, South Korea), Louis Vuitton reaped all the benefits of the qualitative work performed over time to establish its legitimacy and its presence and continued its very strong growth.

The revenue increase was generated both by the growth in purchases made by local customers of Louis Vuitton and purchases by tourists; this latter category confirmed the increase in new travelers from China, Eastern Europe, and the Middle East.

New stores were opened in all regions of the world, particularly in the cities of Ekaterinburg (Russia), Las Vegas (City Center), Macao (One Central), Hong Kong (Elements), Seoul and Ulan-Bator, the brand's first location in Mongolia. Louis Vuitton continued its renovation and refurbishing work which improves the quality of its network every year, and implemented major architectural programs for its stores and their façades which give the brand extraordinary visibility while enhancing the cities and streets in which they are located.

TAKASHI MURAKAMI ILLUSTRATED THIS VERY BEAUTIFUL BOOK WHICH BRINGS TOGETHER ALL THE GREAT ARTISTIC COLLABORATIONS THAT HAVE BEEN A FEATURE OF LOUIS VUITTON'S STYLE OVER THE YEARS. THIS LUXURY EDITION OF "LOUIS VUITTON: ART, FASHION AND ARCHITECTURE" IS PRESENTED IN A CLEAR PLEXIGLAS BOX DECORATED WITH THE FAMOUS CHECKERED PATTERN.

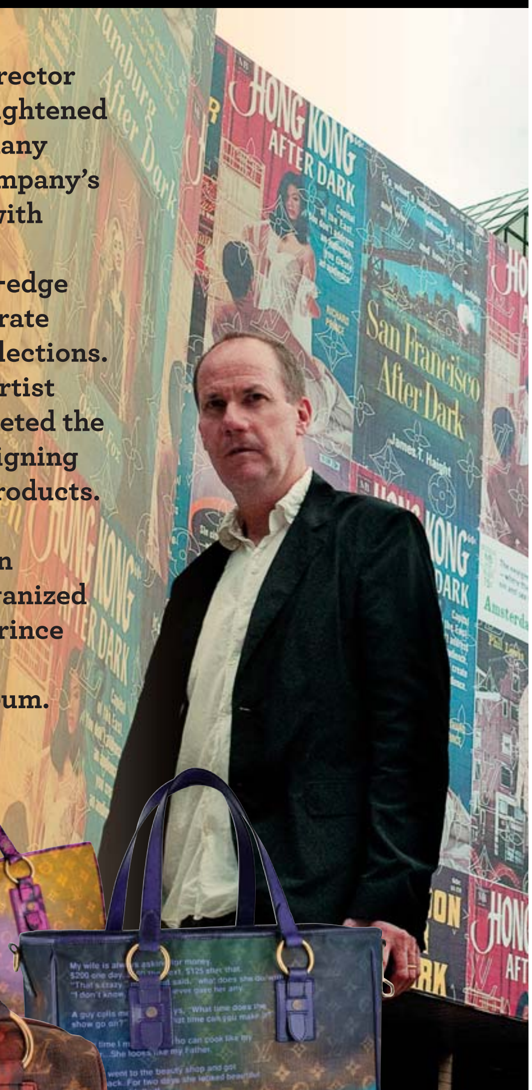
A CONTINUALLY ENHANCED PRODUCT OFFER

All the businesses, from leather goods to ready-to-wear to footwear, contributed to the overall growth of Louis Vuitton in 2009. One of the primary vectors of this dynamic expansion was the deployment of a large number of creative developments. This capacity for innovation is one of the brand's traditional assets.

The first months of the year were very intense with the successful launch of a collection in tribute to Stephen Sprouse, an American artist, now no longer with us, who was the first designer to collaborate with Marc Jacobs. This colorful collection, which includes two leather goods lines, *Monogram Graffiti* and *Monogram Roses*, was reflected

RICHARD PRINCE *for Louis Vuitton*

Marc Jacobs, Artistic Director for Louis Vuitton, an enlightened collector and friend to many artists, continues the company's historical partnerships with the art world by inviting the world's most cutting-edge design talents to collaborate with him on seasonal collections. In 2008, the American artist Richard Prince reinterpreted the Monogram fabric by designing a series of exceptional products. In 2009, to mark the "Louis Vuitton–A Passion for Creation" exhibit organized in Hong Kong, Richard Prince completely "wrapped" the Hong Kong Art Museum.



MONOGRAM, AS VIEWED BY RICHARD PRINCE, IS ADORNED WITH TYPICAL NEW YORK JOKES SILK-SCREENED ON THE FABRIC. ADVERTISING AND POPULAR LITERATURE, WHICH THE ARTIST WORKS TO SUBVERT, ARE LEITMOTIFS OF HIS CREATIVE UNIVERSE. HUMOR IS ONE OF HIS KEY COMPONENTS.

in a whole series of products: ready-to-wear, footwear and a large number of accessories. Louis Vuitton expanded its men's *Damier Graphite* line created in 2008, with articles available in all segments. The success of this line reflects the ongoing growth of Louis Vuitton in the men's segment and is a key factor in that growth. New very successful models were added to the historical lines of leather goods. Finally, the second half of the year was highlighted very specifically by the launch of *L'Ame du Voyage*, a collection of daring and exceptional high-end jewelry, the result of the collaboration between Louis Vuitton and the creative talent of Lorenz Bäumer, one of the most talented jewelers of his generation.

STRONG, DYNAMIC ADVERTISING REFLECTING THE MULTIPLE FACETS OF THE BRAND

Louis Vuitton continued to enhance and expand its advertising and strengthen its media presence. A new collaboration with Madonna for fashion, the participation of three personalities key to the conquest of space in the campaign expressing its founding values linked to travel, the creation of the Louis Vuitton Trophy emphasizing its longstanding partnership with the world of sailing and top-level yacht-racing were just some of the highlights of 2009.

A promotional campaign to illustrate the brand's know-how was developed in coordination with the 150th anniversary of the historical workshop in Asnières. A number of initiatives, including the contemporary art exhibits organized at the Louis Vuitton Cultural Space at its Maison des Champs-Élysées, *Ecritures silencieuses*, *La Confusion des Sens*, were a reminder of Louis Vuitton's ties to culture and the art world. The first exhibition from the Louis Vuitton Foundation for Creation, presented at the Hong Kong Art Museum in May, was the outstanding event of the year.

FENDI
ENHANCES ITS IMAGE AND ITS COLLECTIONS

In 2009, **Fendi** continued to strengthen all the elements that help to highlight its identity and confirm its positioning, particularly the consistency of its different collections and product lines. The brand also used the year to conduct an in-depth reorganization of its logistics chain, which improved product availability for customers and optimized working capital requirements.

Revenue reflected the impact of weak demand at department stores in the United States and Japan, but was stronger in Europe, the Middle East and Asia, with improvement in the second half.

In leather goods, Fendi benefited from the success of the newly designed *Peekaboo* line, which is already a benchmark and brings together quality and timeless elegance. At the same time, the brand launched the *Mia* line in 2009 and continued to expand the *Roll Bag* and *Forever* lines.

Fendi selectively expanded its distribution network by focusing on the Middle East and Asia. In this region with strong growth potential, the re-opening of Plaza 66 in Shanghai, its new flagship store in China, was a high point of the year. As of December 31, 2009, the Fendi network consisted of 187 stores around the world.

The brand maintained its targeted marketing: it again participated in the Design Miami trade show, an original event that associates its image with the creativity and freedom of expression of contemporary designers. It also continued the Fendi'O concerts during the fashion weeks in Paris: these events are becoming really key events and are a powerful communication vehicle for the brand.

TRENDS FOR THE OTHER BRANDS OF THE BUSINESS GROUP

Demonstrating remarkable responsiveness, **Donna Karan** successfully met the challenge of particularly difficult economic conditions in the American market and, despite lower demand, posted a record year for profits. This performance was achieved by reducing operating costs which the team accomplished at the same time as it launched new successful products.

The creative work achieved on the collections to structure them around iconic models and the brand's best-sellers yielded results. Donna Karan thus benefited from the very warm reception given to its Fall 2009 fashion show, based on a concept in which it excels, a collection of clothing that can be coordinated in an infinite variety of ways to form a complete wardrobe for day and for evening. The company expanded its product offer in its *Modern Icons* collection. It also launched a new *Cashmere* line, an alliance of luxury and comfort especially for moments of leisure. The second line, *DKNY*, also executed innovations in the same spirit and recorded excellent revenue in ready-to-wear and accessories.

Marc Jacobs continued its rapid international growth, driven by the enthusiasm generated by its fashion shows and by the success of its major lines. The brand remained very steady in the face of a difficult economic environment in Europe, recorded strong growth in Asia, and posted a very good end of year in all its distribution channels. One of its primary performance vectors was the substantial success of leather goods and accessories in the *Marc by Marc Jacobs* line which recorded strong growth during the year. The company also gave a significant new look to the accessories in the first *Collection* line. The corresponding ready-to-wear articles were also reworked to include more affordable prices. Marc Jacobs acquired control of its business in Japan in the form of a partnership and grew its revenue in this market which was particularly hard hit by the economic environment.

Loewe focused on its area of excellence, leather working, of which it is an absolute master in terms of style and quality, and on the development of accessories, which was vigorously enhanced thanks to the talent of Stuart Vevers, the new Artistic Director. In 2009, the Spanish company continued to expand in Asia and opened a flagship store designed by architect Peter Marino in Valencia, one of the most dynamic cities in its native country.

The relaunch of **Céline** took a major step forward with the presentation of Phoebe Philo's first collection in October 2009. This new style direction with its suggestions of great modernity was greeted enthusiastically by the media and at the commercial level, both in the brand's boutiques and in the most selective American department stores where it aroused considerable new interest.

Céline

Kenzo continued to strengthen its specific positioning and improve the consistency of its collections under the artistic direction of Antonio Marras, who is now responsible for design for all the lines. The first Men's collections from the designer were highly successful. The company initiated a reorganization of its retail network and, along with the renovation of its flagship stores, increased the number of its franchise boutiques which are a priority distribution channel for the company. Kenzo also launched an online sales site which served all European countries in 2009, and will be expanded to other countries in 2010.

Givenchy continued to benefit from the success of its creative renewal and its significant greeting at a commercial level. The women's ready-to-wear line in particular recorded solid results. The year 2009 was marked by the introduction of three capsule collections inspired by the emblematic *Bettina* blouse from Givenchy and by two strong themes from recent fashion shows. These collections were well received by the market and are a good vector for growth. The *Nightingale* line of leather goods continued its success and the new *Pandora* line had a promising start. The store concept inaugurated in Paris in 2008 is progressively being established in all countries. Givenchy continued to expand its distribution, with a focus on China, a market where the brand holds solid positions and has strong potential.

Thomas Pink recorded solid performances in its retail network, with a particularly dynamic performance in the Chinese market, solid revenue in London, and improvement that grew stronger over the year in the United States. Online sales continued to grow strongly. The brand opened eight stores and established a presence in Canada and Hong Kong. The introduction of the *Traveller* line of shirts was highly successful.

Following the arrival of Peter Dundas as Artistic Director at the end of 2008, **Pucci** devoted its efforts to implementing the new direction in terms of style and to the corresponding products. The first ready-to-wear shows from the new designer were enthusiastically received with encouraging results. The Italian company, which has excelled in designing sophisticated leisure fashions since it was first formed, successfully inaugurated the pop-up boutique concept in New Hampton in the United States, a very popular vacation resort. This successful experiment, completely in line with the brand's identity, will be repeated in other seashore and mountain locations.

Berluti came through 2009 soundly, demonstrating the extent to which the profile and extraordinary loyalty of its customers is a key asset. The brand confirmed its strong appeal in its new markets. Berluti maintained a very strong creative momentum with the launch of *Alberto* and *Pierre*, two footwear collections, boot designs and new models in its *Démesures* line, and the expansion of its leather goods and travel products.

Outlook

In 2010, Louis Vuitton will implement a dynamic program of new store openings. Future developments include new countries and the company will expand in China with the opening of two stores timed to coincide with its participation in the Shanghai World Expo. A new Louis Vuitton Maison in London is in the preparation stage.

A number of creative developments are also being planned: product launches will animate the major lines from Louis Vuitton, the product offer in the men's segment will be strengthened in leather goods and ready-to-wear, and the leather goods lines will be significantly expanded. A policy of continued steady promotional campaigns will be part of these ambitious programs.

Fendi will concentrate on the development of its iconic products to strengthen the cornerstones of its leather goods offer. The brand will very selectively continue to expand its retail network in Europe and Asia while it pursues its efforts to boost the productivity of the existing stores and intensify the message of desirability and excellence conveyed to customers.

As the time line for solid economic recovery is still uncertain, all the fashion brands will maintain a policy of very targeted investments and extremely rigorous management of costs and inventories. They will also continue to rely on the quality of their creative and managerial teams, and to focus on their areas of excellence and develop their best-sellers.


Givenchy


&
PERFUMES
COSMETICS

Creation of value, gains in market share

Deployment of the emblematic product lines, exceptional creativity, a strategy built on the long-term creation of value: like Parfums Christian Dior, the flagship brand of this business group, the LVMH perfumes and cosmetics companies enhanced their magic with a determined focus on excellence and strengthened their market positions in a difficult economic context.

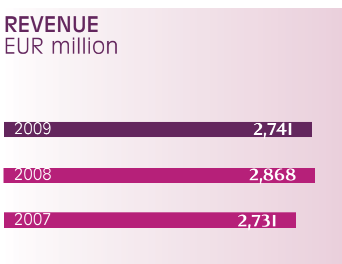
HIGHLIGHTS OF 2009

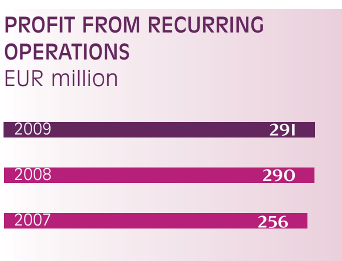
Parfums Christian Dior once again demonstrated the exceptional vitality of its emblematic product lines, such as *J'adore*, *Miss Dior* or *Eau Sauvage*, which represent sound values and its real strategic core. Working to illustrate more strongly than ever the high level of excellence and creativity represented in every item that carries its name, the brand recorded a series of major successes thanks to the innovations deployed in all segments—perfumes, make-up and skincare. / Guerlain introduced *Idylle*, a new fragrance for women, and opened its twelfth boutique in the Marais district in Paris. / Parfums Givenchy launched *Ange ou Démon Le Secret*, represented by Uma Thurman. / Parfums Kenzo continued to develop the high quality of its principal product lines, the launch of *FlowerbyKenzo Essentielle* being one of the highlights of the year. / Make Up For Ever continued its strong growth. The brand celebrated its 25th birthday with a series of events and the launch of new, limited edition products, and opened a make-up school for the general public in the Sephora store on the Champs-Elysées. / In order to reduce the use of incineration, the Perfumes and Cosmetics companies established a recycling center on a joint platform. This initiative, a first in the luxury sector, is one of a series of environmental and social commitments made by the Group when it signed the "*Eco-Responsible Cosmetic Valley*" Charter in October 2009.

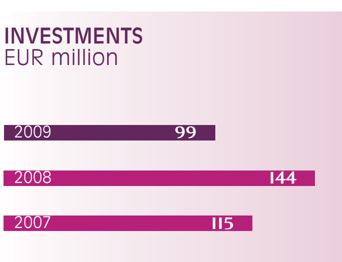
LVMH, A MAJOR PLAYER IN THE PERFUMES, MAKE-UP AND SKINCARE SECTOR, RELIES PRIMARILY ON A PORTFOLIO OF BRANDS REPRESENTING FRENCH COMPANIES WITH AN INTERNATIONAL PRESENCE – CHRISTIAN DIOR, GUERLAIN, GIVENCHY AND KENZO. THE GROUP ALSO SUPPORTS THE DEVELOPMENT OF HIGH-POTENTIAL "NICHE" BRANDS BENEFIT COSMETICS AND FRESH, TWO RAPIDLY GROWING AMERICAN BRANDS; ACQUA DI PARMA, A BRAND THAT SYMBOLIZES ITALIAN ELEGANCE; PARFUMS LOEWE, ONE OF THE LEADERS IN THE SPANISH MARKET; AND MAKE UP FOR EVER, A STRONG FAVORITE OF PROFESSIONAL MAKE-UP ARTISTS WHICH RECORDED OUTSTANDING GROWTH AS IT OPENS UP TOWARDS THE GENERAL PUBLIC.

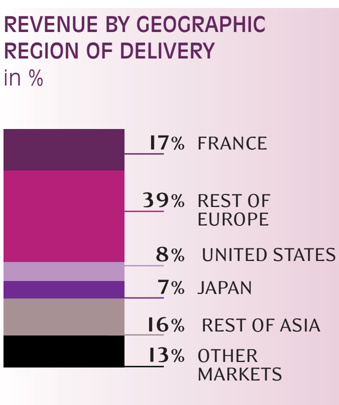
Betting on excellence—a strategy that pays off

The economic environment in 2009 led retailers to reduce inventories drastically in order to maintain their cash flow. This decline in demand from retailers created significant tensions in the perfumes and cosmetics market and intensified competition. In this type of environment which tends to disconcert end customers, the Group's brands firmly maintained their strategy of focusing on image and value creation, by developing emblematic lines, promoting best-sellers, deploying outstanding innovations, and accurately targeting advertising expenditures. By focusing more than ever on excellence, our brands kept their magic and won market share. Disciplined management also limited the consequences of the economic situation. Despite the inevitable impact on revenue generated by the inventory reductions at the retail level, the Perfumes and Cosmetics business group in 2009 recorded an increase in its profit from recurring operations.





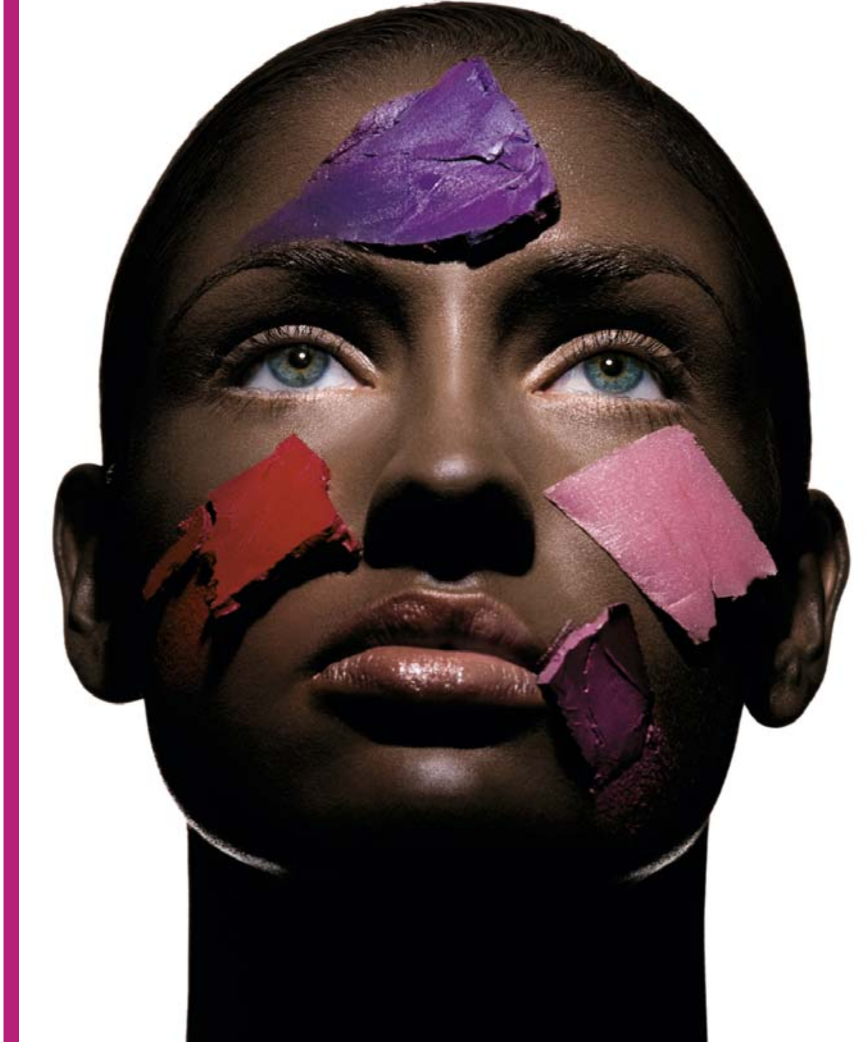




PARFUMS CHRISTIAN DIOR : Legitimacy, modernity, new advances

Parfums Christian Dior recorded better than market performance in all its key countries. In a tremendously difficult environment, the brand maintained a consistent and aggressive strategy, highlighting the quality of its products and its vibrant and creative image rooted in the fashion universe. By doing so, Parfums Christian Dior continued to expand its positions.

PASSIONATE ABOUT CREATIVITY



TYEN 30 years of design for DIOR

Tyen's story is that of a multifaceted artist, a photographer and Head of Design for Dior cosmetics.

After first working as a stage make-up artist for the Paris Opera, he then collaborated with the most prestigious American magazines and worked with the world's greatest fashion photographers before joining Dior, where he became head of design for its make-up line.

A complete artist, fascinated by light and color, Tyen creates emblematic products for Dior and even goes behind the lens to create the images for many of Dior's campaigns.

In September of last year, to celebrate his thirty years of design for Dior, the Palais de Tokyo in Paris presented an exhibit of his most beautiful photos.

Tyen has a real close and tender bond with Monica Bellucci, today's face of Dior make-up.

STATEMENT: 30 YEARS OF COLLABORATION HAS TO BE A LOVE STORY.

In the perfume segment, Dior benefits from the exceptional strength of its traditional product lines, true icons, and from its ability to reinvent them so they continue to offer timeless appeal. One of the greatest successes of the year was the launch of *L'Eau de Miss Dior Chérie*. Blended by Dior Perfume Designer François Demachy and brought to life by Sofia Coppola, this new perfume continues and enriches the legend that was born in 1947 as the first perfume from the House, and enhances the brand's legitimacy and its modern feel. *J'adore*, another star perfume, represented by Charlize Theron, recorded remarkable performances and gained market share in all regions. 2009 also saw the highly successful portrayal of the legendary men's fragrance *Eau Sauvage*, with a photograph of Alain Delon taken by Jean-Marie Périer in 1966, the year *Eau Sauvage* was born. Parfums Christian Dior also created a second fragrance, inspired by Pondichéry, in its *Escales* collection, and launched a new promotional campaign for *Hypnotic Poison* represented by Monica Bellucci and a new visual identity for the *Fahrenheit* fragrance line to mark the launch of *Fahrenheit Absolute*.

The make-up segment posted outstanding growth, driven by the strength of its core products and many successful new products. Dior recorded significant growth in the strategic foundation segment with the international success of *Diorskin Nude*, which ranks first in its category in most markets. Two new products in 2009 stand out in particular: *Dior Sérum de Rouge* was extremely popular in all markets, and *5 Couleurs Designer*, an eye shadow line that incorporates a technological innovation in the way powder is manufactured.

In the skincare segment, *Capture Totale* recorded strong growth in Europe, Asia and the United States. The line was particularly enhanced by the brand new and extremely innovative Instant Rescue Eye Treatment. Another successful launch was that of *XP Nuit*, a skincare product that uses advanced stem cell technology, an area of research in which LVMH is leading the way thanks to its close collaboration with the Universities of Stanford and Modena.

GUERLAIN demonstrates timeless strength

Guerlain worked to reinforce its sound values while deploying a high-end policy of innovation. The brand succeeded in winning market share in its strategic lines. It confirmed its vitality in its priority countries, particularly in France and China, a high-potential market where it improved its position significantly.

The lipstick *Rouge G*, the result of a luxury innovation, was extremely successful. Another highlight of the year was the October launch of the new perfume *Idylle*, in a bottle signed by the young, talented designer Ora Ito – this was given a very good reception. The company's core perfumes *Shalimar* and *Habit Rouge* recorded very solid performances in the French market. The premium skincare line *Orchidée Impériale* recorded its third year of strong growth, and its success makes it the leader of Guerlain franchises in terms of net sales.

Under the creative leadership of Thierry Wasser, the brand's new perfumer working alongside Jean-Paul Guerlain, the brand continued to demonstrate its roots in the world of luxury perfumes,

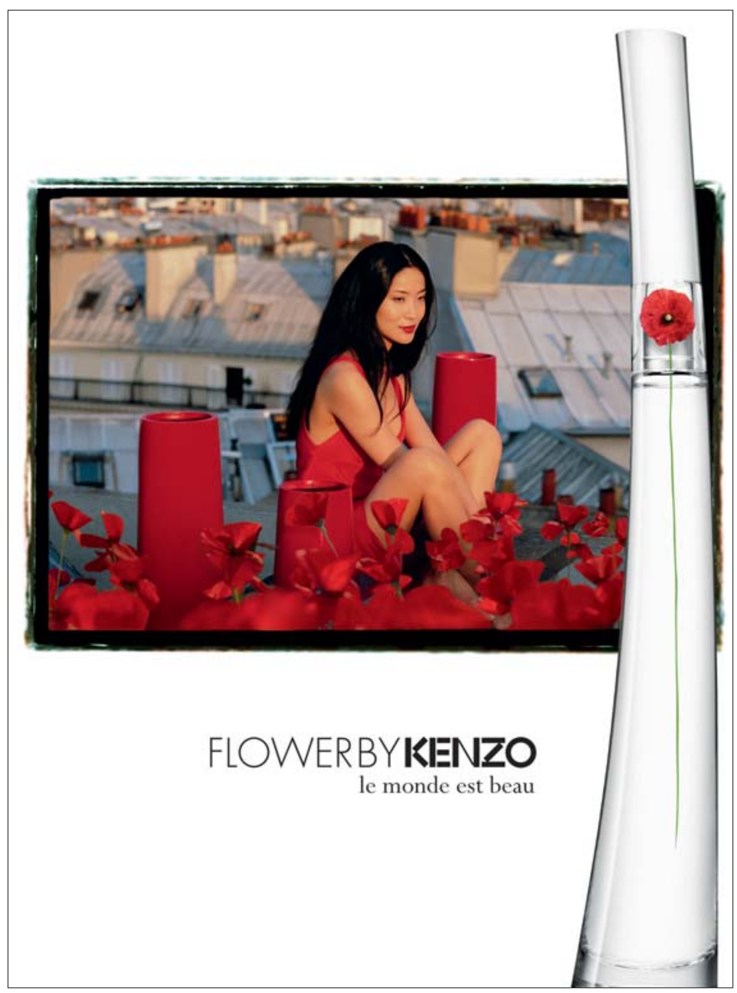
with re-introductions of legendary perfumes and exclusive creations throughout the year bearing witness to its unique expertise.

Guerlain strengthened its highly selective retailing network by opening its twelfth boutique in the Marais district in Paris, thereby allowing it to attract and win over new customers.

TRENDS FOR THE OTHER BRANDS OF THE BUSINESS GROUP

Parfums Givenchy increased its sales to end customers in its key markets (France, United States and Russia). Its progress was driven by the success of its new products, particularly the fragrance *Play* for men, represented by Justin Timberlake, which posted exceptional scores in the United States, and *Ange ou Démon Le Secret* represented by Uma Thurman, coupled with recent cosmetic innovations such as the mascara *Phenomen'Eyes* and the anti-aging cream *Le Soin Noir*.

Thanks to the solid performance of its principal product lines and the success of the new products launched to expand the lines, **Parfums Kenzo** maintained its market share in 2009. The new cologne *FlowerbyKenzo Essentielle*, the *KenzoAmour* floral eau de toilette and *Eaux par Kenzo Indigo* were blended with beautifully sensual materials, in harmony with the image and the olfactory identity of the brand. The year was highlighted by promotional events organized on the theme of the poppy, its symbolic flower, communicated in original presentations in perfume boutiques.



Benefit continued to grow through international expansion. The brand achieved a promising start in Russia and continued its successes in the Asian and Continental European markets. Benefit's innovations included its entry to the perfume segment with the successful launch of the *Crescent Row* collection, designed in the playful, glamorous spirit that is the company's trade mark in cosmetics. It launched the *Hello Flawless* foundation line and also continued to deploy its "Brow Bar" concept in Asia and Europe. As a result, Benefit maintained excellent profitability.

Make Up For Ever continued to record exceptional growth and improve profitability. Its momentum was particularly outstanding in the United States and France, as well as in China where it resumed direct sales in 2008. The year 2009 confirmed the enormous consumer success of the *HD* foundation line, originally created to meet the demands of digital television, and the *Aqua* line, initially designed for the world of entertainment. These two flagship lines were enhanced during the year. Make Up For Ever celebrated its 25th birthday in 2009. It was an opportunity for a global tour by designer Dany Sanz, accompanied by major public relations events in Beijing, Dubai, New York, Los Angeles and Paris. The brand also opened a "Make-up School" offering make-up lessons inside the Sephora store on the Champs-Elysées in Paris.


Make Up For Ever

Acqua di Parma, continued to count on the high quality of its traditional lines, particularly its *Colonia* line of timeless elegance. The company also expanded its presence in the women's perfume segment with the launch of a new fragrance known as *Magnolia Nobile*, marketed along with *Iris Nobile*. **Parfums Loewe** posted very solid performance in Spain, Russia and the Middle East. The brand also introduced a new women's perfume *Aire Loco*, which joins its best-selling *Aire* line.

Outlook

After succeeding in taking advantage of a difficult period in order to grow, the LVMH brands have set a new objective for greater than market growth in 2010, regardless of the date or magnitude of the expected economic recovery. To meet this objective, they will continue to illustrate their commitment to quality and creativity and maintain an offensive position in terms of innovations and advertising expenditures.

Parfums Christian Dior will concentrate its efforts on its priority markets and the development of its exceptional image. Continuing its efforts to showcase its capacity for innovation, the brand will keep on supporting and strengthening its star product lines of perfumes and make-up. The revolutionary launch of *Capture Totale One Essential*, a cutting edge product in terms of technology, will strengthen its position in a skincare segment, that of the high-growth new generation serums.

Guerlain will continue its expansion, primarily in France and China. The House will continue to assert its luxury-brand status through its creations, exclusive boutiques and Institutes. It will support its strategic core products *Shalimar*, *Orchidée Impériale* and *Terracotta* as well as its new *Idylle* perfume which offers huge potential.

Parfums Givenchy will develop an ongoing program of innovation supported by its three product segments. A major initiative will be launched to develop the *Play* line, and a totally revolutionary anti-aging product, both in concept and in formulation, will also be launched.

In 2010, **Parfums Kenzo** will celebrate the 10th anniversary of *FlowerbyKenzo*, which has become a perfume classic. Two new products and an original film shot on the roofs of Paris will promote this major line. A new communications campaign will highlight the *KenzoAmour* and *Eaux par Kenzo* lines.

Make Up For Ever will drive its growth in 2010 primarily with the expansion of its two flagship lines *HD* and *Aqua*, the launch of new gloss and lipstick products, and sustained promotional expenditures.

Watches & Jewelry

The reactivity of our companies, a well-managed sales offensive, precisely targeted investments, and strong creativity deployed to serve the iconic lines and products are all initiatives that consolidated market share for the Group's watch and jewelry brands in a sector that was severely disrupted by the global economic environment.

Rigorous management, creativity, gains in market share

Highlights of 2009

TAG Heuer celebrated the 40th anniversary of its legendary *Monaco* chronograph. The anniversary was marked by a series of innovations, particularly a first edition of the revolutionary *Monaco V4*, which made big news as a "concept watch" in 2004. **///** Hublot launched operations at its new Manufacturing plant in Nyon and began to develop its own movements. TAG Heuer continued its industrial investments which were also intended to increase its production of movements. **///** Zenith capitalized on the 40th anniversary of its El Primero chronograph movement, a symbol of watchmaking precision, and began relaunching its traditional models. **///** Along with the development of its *Christal* line, Dior Watches launched the *Mini D*, a jewelry version of the *D de Dior*. **///** Chaumet introduced the new *Lune de miel* jewelry collection and expanded its line of *Dandy* watches. De Beers designed the *Lotus* collection, while Fred built on the success of its *Force 10* line. **///** While focusing on improving the productivity of the existing stores, the Watches and Jewelry group expanded its presence very selectively in key markets with high potential. **///** TAG Heuer and its new ambassador Leonardo DiCaprio launched their collaboration and supported two major environmental associations.

THE MONACO V4 IS THE WORLD'S
FIRST WATCH FITTED WITH BELTS,
A LINEAR MASS AND BALL BEARINGS.
A REVOLUTION IN THE WORLD
OF WATCHMAKING!

Philippe Pascal
President of the Watches and Jewelry business group

« Improvement in our business throughout the year »

Our sector was impacted in 2009 by a crisis of extraordinary magnitude. The economic decline in demand, combined with reductions in inventories by multi-brand retailers and distributors, heavily affected the traditional major markets like the United States and Japan, where our brands have a strong presence. We had anticipated these difficult conditions and initiated measures to cut costs and reduce inventories in the second half of 2008. We also succeeded in generating a solid cash level while maintaining our strategic investments, particularly at the industrial level with the opening of Hublot's manufacturing plant. In terms of our marketing and sales plan, our brands focused their offensive on their emblematic products and lines. They intensified their creative efforts to serve these iconic products. For this reason, the double anniversaries of the Monaco from TAG Heuer and of the El Primero movement from Zenith provided two major opportunities. Our business continued to record improvement throughout the year. Finally, we posted better than market growth in the watch segment and revenue remained stable from 2008 in our own network of jewelry boutiques. This is a performance that we owe more than ever to the talent and determination of our teams in our companies and in our markets.

REVENUE
EUR million

2009	764
2008	879
2007	833

PROFIT FROM RECURRING OPERATIONS
EUR million

2009	63
2008	118
2007	141

INVESTMENTS
EUR million

2009	23
2008	39
2007	28

REVENUE BY GEOGRAPHIC REGION OF DELIVERY in %

FRANCE	9%
REST OF EUROPE	27%
UNITED STATES	18%
JAPAN	12%
REST OF ASIA	17%
OTHER MARKETS	17%

40 years apart—two TAG Heuer ambassadors.

A film created by TAG Heuer, *The "Duel"*, brought them together in 2009. Using subtle special effects, Lewis Hamilton and his McLaren race car were integrated into images from the 1970 film *Le Mans*, starring Steve McQueen as the driver and hero. In this virtual competition, Lewis Hamilton emerges as the winner and offers his illustrious rival the new Monaco LS chronograph as a consolation.

(Reproduction of a double page in the book TAG Heuer 150 years, Editions Assouline)

THE MOST RECENT OF THE LVMH BUSINESS GROUPS HOLDS A PORTFOLIO OF LUXURY WATCH BRANDS WITH HIGHLY COMPLEMENTARY MARKET POSITIONS. THIS BUSINESS GROUP BENEFITS IN PARTICULAR FROM TAG HEUER'S STATURE AS THE WORLD LEADER IN LUXURY SPORT CHRONOGRAPHS AND WATCHES AND FROM THE SOLID VITALITY OF THE HUBLOT BRAND, WHICH JOINED LVMH IN 2008. THE BUSINESS GROUP ALSO RELIES ON THE WATCHMAKING EXPERTISE OF ZENITH, A MEMBER OF THE SELECT GROUP OF TRUE SWISS WATCHMAKERS, THE DEVELOPMENT AND TRANSITION TO HIGH-END PRODUCTS OF DIOR WATCHES AND ON THE CREATIVITY OF THE JEWELRY COLLECTIONS FROM CHAUMET, FRED AND DE BEERS. THE NAME RECOGNITION OF THESE BRANDS AND THE VITALITY OF THEIR LINES AND ICONIC PRODUCTS MAKE LVMH ONE OF THE BEST PERFORMING GROUPS IN THE MARKET.

TAG HEUER: THE STRENGTH OF THE ICONS

In 2009, penalized by its exposure in the United States, a market, like Japan, that was particularly impacted by the economic crisis, **TAG Heuer** withstood the economic conditions in Europe well and continued to expand in China. By concentrating on its iconic lines and implementing programs to stimulate demand in retailers, the brand increased its market share in all countries in the segment of watches and chronographs sold between 1,000 to 5,000 euros. A trend toward renewed growth in sales to end users at retailers began in the fourth quarter, including in the United States.

One of the highlights of the year was related to the celebration of the 40th anniversary of the legendary *Monaco* watch, the first square chronograph on the market, which made its movie debut on Steve McQueen's wrist. This anniversary was marked by the launch of several new products that perfectly reflected the skill and technological expertise of TAG Heuer: two exceptional limited series, one of which was scrupulously faithful to the original, a high-tech prototype, the *Monaco Twenty Four*, a new model, the *Monaco LS Chronograph Calibre 12*, which is worn now by Lewis Hamilton. Finally, the marketing of the first models of the *Monaco V4* which, with its belt-driven mechanical movement, made the news when it was introduced as a "concept watch" in 2004, crowned this series of innovations and was a reaffirmation of the company's values of audacity and performance. The *Carrera* and *Grand Carrera* lines, other TAG Heuer icons, recorded very solid performances. In the *Aquaracer* line, 2009 marked the launch of the *Aquaracer 500 M*, the first watch designed in collaboration with Leonardo DiCaprio, TAG Heuer's new ambassador. The high-end *Meridiist* telephone line launched in 2008 made good progress in Asia.

TAG Heuer selectively expanded its presence in strategic markets, opening boutiques and franchises in Tokyo, Osaka, Hong Kong, Beijing, Shanghai, Singapore, Seoul, Sofia, Moscow, Ekaterinburg and Abu Dhabi.

PASSIONATE ABOUT CREATIVITY

LEONARDO DICAPRIO AND TAG HEUER

sharing more than an image

The relationship between TAG Heuer and Leonardo DiCaprio, one of Hollywood's most iconic film stars, has been built on the basis of shared values and concerns. A portion of the profits from their collaboration and the actor's fee will support several environmental associations.

As an illustration of this commitment in 2009, the Aquaracer 500M was redesigned by Leonardo DiCaprio to support two major international environmental groups: the Natural Resources Defense Council (NRDC) and Green Cross International. The royalties generated by sales of the TAG Heuer Aquaracer 500 M Leonardo DiCaprio Limited Edition model will be contributed to these organizations.

TAG Heuer's shared commitment with the film star also resulted in the implementation of a large number of specific measures to protect the environment within the watchmaking plants. Dynamic ambassador Leonardo DiCaprio shares much more than just an image with TAG Heuer.

HUBLOT INAUGURATES ITS MANUFACTURING PLANT

Hublot withstood the economic conditions extremely well. Its unique positioning, coupled with a very strict control of its inventories at retailers, were the two main factors driving its performance.

2009 saw the inauguration of the Hublot Manufacturing plant in Nyon, a decisive step in the future development of this high-growth brand. The integration of the various production steps will give greater autonomy to the Manufacturing plant. It has begun to produce the highly innovative UNICO automatic chronograph movement, which has been completely designed by the Hublot Research and Development department.

For the third time in five years, Hublot won a first prize in the Geneva Watchmaking Grand Prix with the *Big Bang One Million Dollar Black Caviar* model. This unique piece, which houses a Tourbillon movement, is a symbol of the fusion of watchmaking and jewelry. Its white gold case is covered with an invisible mounting of black diamond baguettes.

In 2009, Hublot continued to demonstrate its strong capacity for product innovation: four years after designing the *Big Bang* line, the *King Power* line pushes the original aesthetics of the *Big Bang* to the edge with an even more powerful and advanced design. The *King Power* will eventually house the UNICO movement. Limited *Big Bang* series were also designed in partnership with auto maker Morgan and yacht builder Wally. The *Big Bang* line was further enhanced with the success of its women's collection. Hublot opened boutiques with partners in Cannes, Prague, Istanbul, Doha, Saint Martin, Saint Thomas and Macao.

ZENITH CELEBRATES ITS EL PRIMERO MOVEMENT

In the crisis experienced by the watchmaking industry, Manufacture **Zenith** implemented a major program to cut costs and investments and initiated industrial restructuring to lower its breakeven point.

In 2009, the company celebrated the 40th anniversary of its El Primero chronograph movement. A symbol of innovation and the watchmaking precision embodied by Zenith, the El Primero is the only chronograph movement capable of measuring time to a tenth of a second. The anniversary of this movement, which is still unequaled, was celebrated with the release of a *New Vintage* collection of watches inspired by the original model. In order to build on its strong points and its watchmaking values, Zenith began to refocus its collections and marketing campaigns on its traditional models and its El Primero movement, which was once again placed at the center of its product offer.

Two boutiques were opened in Moscow and Dubai in 2009.

TRENDS FOR THE OTHER BRANDS OF THE BUSINESS GROUP

Chaumet's revenue was impacted by retailer's inventory reductions, but remained solid within its own network of boutiques.

In jewelry, the brand benefited from the confirmed success of its *Liens* and *Attrape-Moi si tu m'aimes* lines. The company boldly expanded the lines with the launch of a new *Lune de Miel* collection which melds diamonds and colored stones. In watches, the jewelry watches from Chaumet and the *Dandy Arty* model introduced during the year also performed well.

Dior Watches continued to transition to high-end products and strengthen its positioning by combining a Swiss watchmaking tradition, a "couture" spirit, and strong creativity.

The *Christal* line was enhanced with several automatic versions and the creation of the *Dior Christal Mystérieuse* watch. A small, jeweled version, the *Mini D*, was added to the *D de Dior* collection. Development of the *Chiffre Rouge* men's line continued with the introduction of two diving watches, guaranteed waterproof up to 300 meters.

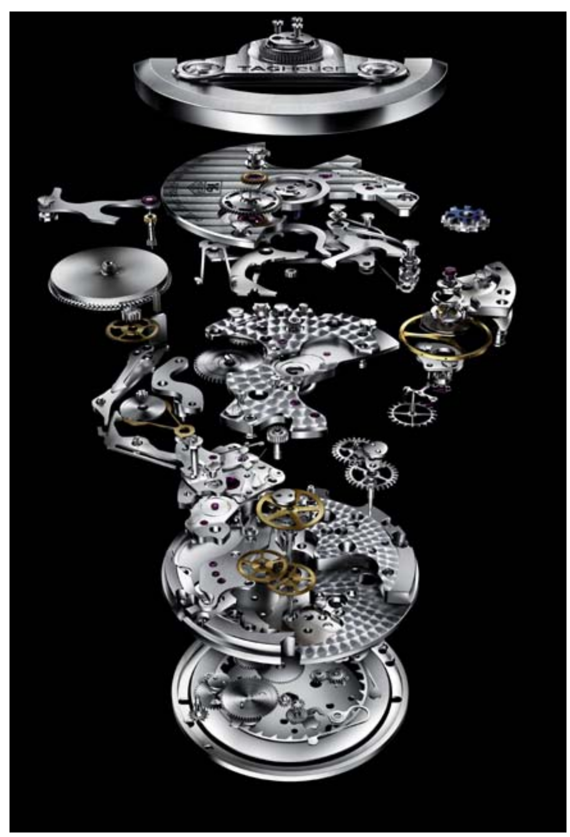
Fred posted a very good year in France. The growth achieved in this market is due to the success of the recent re-issue of its legendary *Force 10* line, inspired by the world of sailing and enhanced with jewelry versions in 2009. Fred also launched a *Gladiateur* chronograph that also includes jeweled versions and, continuing a well-established tradition of collaboration with artists, re-issued its *Fredy's* pendants created thirty years ago, and redesigned today by Jean-Paul Goude.

De Beers, with a heavy exposure in the United States and in markets where its products are distributed through franchises, faced a difficult year. The company performed better in the economic climate within its own network of boutiques. The option taken in 2009 to give priority to developing its engagement rings and its classic diamond collections brought results. The brand maintained its innovative momentum, illustrated in the launch of the *Lotus* line.

Outlook

After the impact on revenue from the inventory reductions made by distributors and multi-brand retailers in 2009, the year 2010 should bring progressive recovery, a prospect reinforced by the positive signals given by consumption in recent months. As the LVMH companies have strictly controlled the level of their inventories with retailers, they are well positioned to take advantage of improved market conditions. The global economic context is still uncertain, however, so they will continue to rely primarily on the expansion of their iconic product lines and maintain rigorous control of costs and inventories. Investments will remain highly targeted. They will be primarily devoted to the development of industrial watchmaking capacities for the production of movements and to the opening of a few monobrand boutiques in strategic locations. For retail, ongoing improvement in the network of existing boutiques will remain a priority.

One of the highlights of 2010 will be the 150th anniversary of **TAG Heuer**. To celebrate the occasion, the world leader in luxury sports watches and chronographs is re-issuing one of its most iconic designs, the Silverstone chronograph (named after the famous race track) initially launched in 1974. The brand is also releasing a new movement, the TAG Heuer Calibre 1887 chronograph manufactured in house. One of **Hublot**'s top priorities is the industrial manufacture of its UNICO movement developed and fabricated by its Manufacturing plant and the opening of some strategic boutiques. **Zenith** will continue to strengthen its product lines and present a new, highly anticipated offer of chronographs equipped with the El Primero movement and displaying a tenth of a second.



Selective retailing

Present in all four corners of the world, the teams developing theLVMH Selective Retailing businesses work, each in their own area, to offer their customers a unique product and service experience. Their talents have won greater recognition for our concepts each and every year, demonstrating LVMH's ability to meet the expectations

Creative offers for customers with high demands

Highlights of 2009

● DFS continued the resounding success of its first location in Macao and progressively opened a second site at this high-potential travel destination. It recorded promising initial results in Abu Dhabi. ● Sephora accelerated its gains in market share worldwide. The brand became the leader in perfume and cosmetics selective retailing in France. In North America, Canada is now a significant market with 20 stores covering the entire country from Québec to the west coast. China confirmed its strong potential for growth. ● Le Bon Marché completed the work to restore its architectural heritage, showcasing its original dimensions and its spectacular windows. The department store initiated a structural transformation designed to give greater prominence to the most profitable departments. ● DFS, Le Bon Marché and Sephora completed their Carbon Footprint assessment. ● Sephora adopted delivery by electric trucks for its French stores, becoming a pioneer among retail specialists in this environmentally friendly method of delivery. In the United States, Sephora completed its first LEED store (Leadership in Energy and Environmental Design, a certification awarded to voluntary eco-construction operations).

Focused attention on the value of the product offer

Attract, surprise and retain: our selective retailing brands have all built a strong identity and in-depth expertise in their competitive universe. With an unequaled luxury brand offer, coupled with proven service expertise, the DFS Gallerias aim to be magnets for international travelers. Sephora, the only global player in selective beauty products, is distinguished from its competitors by its unique way of making a shopping moment one of freedom and discovery. Le Bon Marché continues to establish its identity as a place where culture and authentic values meld with the pleasure of buying. In a difficult economic environment, serving customers who naturally became more demanding and selective, these models and concepts confirmed their power and, because even greater attention was paid to the value of the product offer, continued to gain market share.

REVENUE
EUR million

2009	4,533
2008	4,376
2007	4,164

PROFIT FROM RECURRING OPERATIONS
EUR million

2009	388
2008	388
2007	426

NUMBER OF STORES

2009*	1,075
2008	1,053
2007	909

* *Change of method for counting DFS stores in 2009*

INVESTMENTS
EUR million

2009	183
2008	228
2007	236

REVENUE BY GEOGRAPHIC REGION OF DELIVERY
en %

FRANCE	24%
REST OF EUROPE	10%
UNITED STATES	37%
JAPAN	2%
REST OF ASIA	20%
OTHER MARKETS	7%

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

DFS maintains its strategic course

After a first half year penalized both by the consequences of the economic crisis and by concerns related to the H1N1 virus, the second half of the year showed a trend toward improvement for the players in "travel retail".

In a difficult context worldwide, DFS posted a solid sales performance and contained its profitability through rigorous control of all operating costs. Excellent inventory management generated cash flow that was significantly improved from 2008.

At the destinations traditionally popular with Japanese travelers, business was impacted by a decline in traffic and the change in DFS revenue was in line with the market. On the other hand, the travel retail leader took advantage of the growth in Chinese tourism, a phenomenon that had long been anticipated and that had been placed at the center of its growth strategy. The stores serving this customer base showed strong improvement. The Galleria in Macao, which opened in 2008 at the Four Seasons Shopping Mall, was an outstanding success. The renovation of the Chinachem Galleria in Hong Kong also had a very positive impact on the appeal and business of the store.

DFS also recorded very strong results for its first full year of operation in Abu Dhabi. It should be noted that this promising store represents the first luxury site in a Middle East airport. Business at the Mumbai airport (the first concession in India), which was still modest, grew slowly but steadily.

The success of the new locations and stores which had been expanded and redecorated confirmed the relevance of the investments made by DFS in recent years and reinforces its prospects for future growth.

Miami Cruiseline works to further differentiate its offer

In 2009, the business of Miami Cruiseline suffered from the economic slowdown in the cruise market and the decline in purchases made by primarily American customers. Cost-cutting efforts did not totally offset the decline in revenue.

Despite the current difficulties, the cruise market offers excellent prospects over the longer term, driven by an increase in new customers. With this in mind, Miami Cruiseline maintained its efforts to make ongoing improvements in its supply chain and is working, in line with a more targeted purchasing policy, to increasingly differentiate its product offer on the basis of the customer profiles for different cruise ships.

Sephora confirms its position as the most dynamic player in the beauty market

Sephora turned in an excellent performance worldwide, with revenue growth and an increase in profit from recurring operations, resulting in market share gains in all its operating regions. Sephora's exceptional commercial vitality was driven by the expansion of its store network in the most profitable markets and by a product offer that is increasingly innovative and unique. The sustained attention paid to the value of this offer, the development of brand new services in the stores, and the very effective customer loyalty programs are all additional assets that continue to be strengthened. Tighter control of operating costs, positive changes in the product mix and ongoing efforts to improve store productivity contributed to the growth in profit from recurring operations.

Qualitative expansion As of December 31, 2009, Sephora's global network consisted of 986 stores located in 23 countries. Europe had 639 stores, North America 254 stores (234 in the United States and 20 in Canada), Asia 76 and the Middle East 17. Given the economic context in 2009, the rate of new stores opened slowed from the previous year, but reflected steady expansion. Sephora continued to give priority to the most promising markets in terms of revenue and profitability, the most promising emerging markets and the best commercial locations in each city selected. The company opened its largest Asian store in Singapore in the heart of the Ion Orchard shopping center, a flagship store in Beijing near Tiananmen Square, and a store with spectacular architecture in Times Square in New York.

The online store sites sephora.com (United States and Canada), sephora.fr (France) and sephora.cn (China) continued to grow rapidly, driven by a very dynamic promotional policy, increased interactivity, and the attention paid to the quality of customer service.

A creative offer In line with its positioning perfectly reflected in the slogan "The Beauty Authority", Sephora continued to implement its differentiation policy based on the creativity of its product offer, the large number of events conducted for the selective brands in its stores, and the development of innovative services. A new wave of exclusive and creative brands appeared in 2009, extending the success enjoyed by *StriVectin*, *Bare Escentuals* and others. In Europe, the *Rexaline* hydrating skincare products and *Fred Farrugia* make-up items introduced in the second half of 2009 were both major successes for the year. In the United States, the make-up line inspired by Kat Von D, a celebrity in the area of artistic tattoos, recorded very rapid growth. The *Sephora* brand products continued to be actively developed and posted steady growth in all markets. The brand continued to offer innovative services in the stores: Beauty Bars, Make-Up Studios, make-up lessons, express hair styling – even an innovative "Face Bar" in the new Singapore store, specifically for a customer base that made the foundation product into a cult favorite.

Sephora also strengthened and expanded its loyalty programs, targeting them ever more precisely, so that the programs promote a direct relationship with customers.

This entire strategy significantly accelerated the gains in market share achieved around the world. In France, where its concept first began, Sephora ranked number one in the selective retail market in 2009.

Le Bon Marché reinforces its unique character

After a difficult period early in 2009, Le Bon Marché gradually returned to moderate growth. The department store ended the year with revenue little changed from 2008, a true performance. This achievement was coupled with a perfectly controlled margin and strong results generated by rigorous management and a consistent policy of offering value.

Significant events in 2009 included the end of the major renovation project to once again highlight the architectural heritage of the building and to unveil the magnificent second-floor windows, a really wonderful light display for the store.

This beautiful project, part of the ongoing investments made by Le Bon Marché in recent years, reinforces the identity and unique atmosphere of the Left Bank department store in the Parisian commercial landscape and positions the store to develop a decisive sales offensive in the coming years.

Outlook

Based on the improved trend seen in the second half of 2009, **DFS** is facing the year 2010 with confidence. The leader in "travel retail" will continue to implement its strategy to strengthen its presence at the favorite destinations of Asian travelers. Among other positive elements, DFS will benefit from the completion of the work on its flagship store in Hong Kong Sun Plaza, where the Beauty department has already been renovated, and from the progressive opening of City of Dreams, the second Galleria in Macao.

As economic recovery in the United States promises to be gradual, **Miami Cruiseline** will maintain drastic cost management in 2010, while focusing on seizing the best opportunities for growth. Those opportunities include a new, very large ship operated by Royal Caribbean, where Miami Cruiseline has opened more attractive stores in which it can ideally express its expertise.

In order to maintain its global leadership and its positioning as a trend-setting beauty expert, **Sephora** will continue to expand its presence with new openings in profitable markets and will accelerate the rate of its innovations. A major project to develop online sales in Europe will also be initiated in 2010. An increasingly exclusive offer (new brands carried in the stores, previews launched in partnership with selective brands, the development of Sephora product lines), the roll-out of new merchandising and service initiatives and the expansion of customer loyalty programs etc. are all efforts that will contribute to a new year of growth and win new gains in market share.

In 2010, **Le Bon Marché** will implement a strong and dynamic sales offensive. The store will begin modifications to its sales areas to give greater space to sectors with high profit potential. This change will result in two major events. In the spring, the regrouping of the Home and Leisure departments on the store's second floor will reinforce the unique and inspired character of Le Bon Marché. In the second half of the year, the store will inaugurate a new expanded Balthazar space for men, offering notably a Shoe department that is unique in Paris.

LE BON MARCHÉ—*an inspired space*

"To be a setting for what is beautiful and rare" is the goal of the prestigious luxury department store on the Left Bank. Moving far beyond its initial purpose, Le Bon Marché has established itself over time as a place for exchanges and meetings open to the world and proudly displaying its pronounced taste for culture. This inspiration is not new. In the 19th century, founder Aristide Boucicaut created a reading room and painting gallery within the store.
Since the end of the 1980s, Le Bon Marché's taste for design has resulted in the acquisition of a large number of contemporary art works which are exhibited in the halls or sales areas. Every year, several temporary exhibits are also offered to the public in spaces dedicated to the themes of design, film, photography, fashion and music. Art occupies a prominent place and is an integral part of the store's overall strategy. Le Bon Marché today is a true benchmark, known worldwide by its identity and unique character.

IN THE FALL OF 2009, LE BON MARCHÉ PAID TRIBUTE TO LEGENDARY ARTIST GUY BOURDIN, A STAR OF INTERNATIONAL FASHION PHOTOGRAPHY. THE EXHIBIT UNVEILED THE PERSONAL FILMS OF GUY BOURDIN FOR THE FIRST TIME. THE FILMS IMMERSE THE VIEWER IN IMAGES AND EMOTIONS, THE RESULT OF INTIMATE AND MYSTERIOUS STAGE DESIGN. IT WAS A UNIQUE OPPORTUNITY FOR VIEWERS TO UNDERSTAND WHAT MADE GUY BOURDIN ONE OF THE MOST INFLUENTIAL PHOTOGRAPHERS OF OUR TIME.

SUSTAINABLE DEVELOPMENT

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

GUERLAIN'S ORCHIDARIUM: A UNIQUE MULTI-DISCIPLINARY RESEARCH PLATFORM, DISCLOSED IN 2009. THIS INTEGRATED CENTER WAS BUILT TO DISCOVER, STUDY AND PRESERVE ORCHID SPECIES AND TO ENHANCE ALL THE PROPERTIES THAT CONTRIBUTE TO THE LONGEVITY OF THE MOST EVOLVED FLOWER IN THE PLANT WORLD.

OUR COMMITMENTS

SOCIAL POLICY

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

A COMMITMENT TO CITIZENSHIP

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

ECONOMIC PERFORMANCE

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

ENVIRONMENT

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

"As actors in economic and social life, we are called to the highest standards of integrity, respect and engagement in our behaviors, everyday, everywhere."
Bernard Arnault

Our Code of Conduct

The growth and durability of LVMH are based on values and principles formalized today in a Code of Conduct presented and approved by the Group Board of Directors in May 2009.

The principles set forth in this Code of Conduct provide an ethical and practical framework within which LVMH employees are asked to act and to work together to make the passion that unites them a reality.

This Code is inspired both by the values of LVMH and the principles of the Universal Declaration of Human Rights, the principles of the Global Compact and the OECD Guidelines for Multinational Enterprises. It is defined on the basis of six fundamental principles: valuing talents, winning the trust of our customers, commitment to the preservation of the environment, implementing and promoting a responsible approach, acting as a socially aware company and winning the trust of shareholders.

It provides the foundation for the Group's comprehensive approach. The Environmental Charter and the Supplier Code of Conduct are extensions adapted to specific areas. This Code of Conduct is not intended to replace pre-existing ethics documents within the Brands or the businesses, but to serve as a common basis and source of inspiration. It sets forth the basic principles that illustrate our shared commitment and guide all LVMH employees every day.

THE VALUES OF LVMH

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

EXCELLENCE OF PRODUCTS AND SERVICE
Because we embody what is most noble and accomplished in the artisan world.

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

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

LEADERSHIP – BE THE BEST
Because it is through continually excelling that we accomplish the best and achieve the best results.

Contributing to the future of tradition

THE LVMH GROUP PROVIDES A FRAMEWORK FOR EXCELLENCE AND PROFESSIONALISM, WHERE EVERY INDIVIDUAL CAN INDULGE IN THE MAGIC OF CREATIVITY AND EXPRESS THEIR UNIQUE KNOW-HOW IN A WIDE VARIETY OF TRADES OR CRAFTS, ON AN INTERNATIONAL SCALE. TOTALLY DEDICATED TO LUXURY, ITS WORKING ENVIRONMENT STIMULATES AND MOTIVATES ENTREPRENEURIAL, CREATIVE AND PASSIONATE PEOPLE TO INVEST IN THE ADVENTURE THAT THESE BRANDS REPRESENT. IT'S AN ECOSYSTEM THAT BRINGS TOGETHER MORE THAN 77,000 STAFF AND OFFERS A BROAD RANGE OF EXPERIENCE AND OPPORTUNITY. THE AIM OF THE GROUP'S HUMAN RESOURCES POLICY IS TO CREATE THE CONDITIONS FOR THIS ECOSYSTEM TO SUCCEED AND LAST.

THE LVMH "ECOSYSTEM" OFFERS MULTIPLE CAREER OPPORTUNITIES

LVMH is a Group where creation and know-how are key, where women and men make the difference, and where people - our essential competitive advantage - are more than ever at the heart of our Houses' success. Consequently, our ability to attract, develop and retain talent is a major advantage for our Human Resources department, which works to stimulate and develop that talent and create the optimal conditions for creativity, entrepreneurial spirit, and leadership.

Developing the "employer brand"

Against this background, LVMH decided in 2009 to promote its "employer brand" and thus construct a new framework for its Human Resources communication.

The aim of this initiative is to reinforce awareness in all the regions where the Group operates that its brands are unequalled in the luxury goods world and their diversity makes LVMH a truly unique professional environment. LVMH offers unrivaled career opportunities within a rich Group of over 60 prestigious Houses.

This commitment to providing the resources to strengthen LVMH's reputation as an employer of choice is already widely recognized in France. Thus, in 2009, LVMH was once again named as the preferred employer by students from the top French business schools in the influential Universum and Trendence surveys.

In line with each House's character, the Group has decided to communicate its values and to express its employer characteristics as "The Future of Tradition", reflecting the art of living, incorporating both heritage and innovation. LVMH thus invites people who identify with this mission and want to join it and become genuine contributors to the history of its Houses.

Our recruitment policy is to continuously strengthen and diversify the pool of talent by enhancing our teams with people who are pragmatic, creative, multicultural and entrepreneurial, and by developing a keen understanding of luxury products.

Strengthening partnerships with targeted training

LVMH has forged strong links to make the Group better known worldwide in its businesses and markets. In 2009, it organized over 100 events in partnership with schools and universities in various trades, regions and levels of qualification.

In addition, the Group works very closely with the various players in the creative world, notably the French Institute of Fashion in Paris, Central Saint Martins College of Arts and Design in London, Parsons School for Design in New York and the Hong Kong Polytechnic University School of Design, both for training its staff and recruiting students.

To recruit new graduates in all countries, the Group is also a special partner in the CEMS network (an association of world-class business and management schools and large international companies) participating in many initiatives for students, from the best universities in over 20 countries around the world.

The LVMH Chair at ESSEC, a marketing chair in luxury goods, the aim of which is to communicate and develop the know-how specific

Asia-Pacific

Over 30 presentations and discussion meetings were organized in 2009 as part of "LVMH Days" on MBA campuses in the Asia-Pacific region, China, Hong Kong and Singapore: Tsinghua University, National University of Singapore, INSEAD, Beijing International MBA (BiMBA), Hong Kong University….

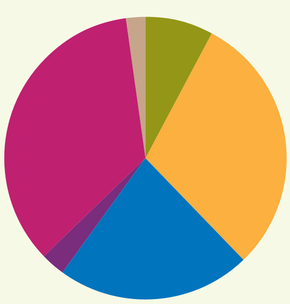
The search for talent for the Asian markets is also extending to the US and Europe. In 2009 Maison Louis Vuitton teamed up with a European organization to help identify candidates with European MBAs who speak Mandarin.

Attracting talent and protecting jobs

Against the background of a global crisis of unusually large dimensions, LVMH continues to invest in the talents of men and women. The average workforce over the year was up slightly by 0.7% over the previous year.
Today, LVMH employs 77,302 men and women around the world in the Group's various businesses: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing.

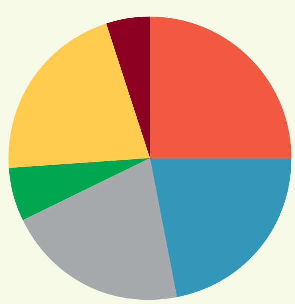
Through its policy of selling products with the "made in France" label, LVMH keeps industrial jobs in France. The distribution of the workforce by geographic region is stable and balanced. As a result, 75% of our employees are employed abroad, primarily in the retail networks of Europe, Asia-Pacific, and North and South America.

*Workforce * by business group*



8%	Wines & Spirits	6,032
30%	Fashion & Leather Goods	23,012
22%	Perfumes & Cosmetics	17,374
3%	Watches & Jewelry	2,091
35%	Selective Retailing	27,389
2%	Other activities	1,404
	Total	77,302

*Workforce * by geographic region*



25%	France	19,310
22%	Rest of Europe	16,793
21%	United States	16,567
6%	Japan	4,798
21%	Rest of Asia	15,996
5%	Other markets	3,838
	Total	77,302

**Total workforce (regular and temporary personnel) as at December, 31, 2009* to the luxury industry, is a key partnership. In 2009, students had the opportunity to meet the Group's managers, collaborate on advisory missions and spend time training in the Group's Houses.

Original events have been organized to communicate our creative passion to MBA students worldwide in our FuturA program, an international recruitment and development initiative for experienced, high-potential candidates.

To best communicate our brand management, values and businesses, in 2009 the LVMH Group organized "LVMH Rendez-vous" meetings with some of its MBA partners: IMD (Lausanne), the London Business School and the Harvard Business School. Participants in these programs were invited to join the Group's management for a day to see best practice in the art of developing a luxury brand, based on the forums offered at LVMH House.

It included key partnerships with many other prestigious MBAs in Europe (INSEAD, MBA HEC, IESE), the United States (Stanford, Columbia Business School, Northwestern, Wharton), Japan (Waseda Keio, Tokyo University) and the Asia-Pacific region.

Aiming at excellence in our recruitment

LVMH aspires to be exemplary in its Human Resources operations, especially in terms of recruitment and future employees. LVMH recruitment practices need to reflect the Group's values and the highest standards in terms of responsibility and mutual respect, day by day and worldwide.

In this respect, in 2009 the Group's Human Resources teams developed a recruitment code of conduct. Aimed at everyone involved in the recruitment process, this charter reflects the ambitions and requirements that the Houses hope to achieve in terms of respect for candidates and the efficiency of our methods, irrespective of the type of role, business or country.

Various initiatives have also been implemented to reinforce professionalism in terms of identifying and selecting future employees: strengthening the training options on recruitment, sharing tools and assessment methods for interviews to allow the most objective assessment possible, and developing recruitment days, for example.

UNCOVERING AND DEVELOPING MANAGERS' TALENTS

Every year, LVMH reviews the organizations and talents it needs to drive the Group's Houses' strategies and their implications in terms of Human Resources. This global review, steered by the Human Resources managers in close cooperation with operations directors, is aimed at ensuring that the Group's Houses have - when and where they need them - the necessary managerial resources for their development and sustainability. One of these objectives is to identify the Group's key contributors and to prepare their development. This makes it possible to define the Human Resources priorities for the next year, enhance the succession plan, and put in place the necessary training and development.

Each year a global assessment is drawn up to identify strengths and challenges. It is clear that a policy of sourcing two-thirds of management from internal candidates is a key factor in the motivation, stability and continuing performance of our teams. The Group has set for itself the challenge of enhancing the number of successors it has identified for its key roles and functions, and the need to broaden the Group's talent base in terms of nationality and gender. Quantitative indicators have been introduced to measure and monitor progress. Much more than just a management tool, this review of the organizations and talents is also an assessment of the company's culture and a critical requirement: contributing to the Group's future and building motivating professional careers for its most promising managers.

Louis Vuitton and the Parsons New School for Design in New York City: an exceptional new program

In September 2009, Louis Vuitton together with the Parsons New School for Design in New York launched a new competition to combine historical and contemporary fashion, blending musical and clothing creativity.

Dubbed "Reconstruction", this project involved 20 students working in pairs, direct from Parsons' Aronson gallery on Fifth Avenue, assembling costumes from the school's archives with Louis Vuitton items designed by Marc Jacobs. This was creative reconstruction in action based on historical profiles to give birth to new conceptual looks.

The winners of the "Reconstruction" challenge, Min Sun Kim and Yeo Chung Kim, saw their designs worn by the musicians of the "New Classical Project" as part of a series of classical music concerts.

LVMH Web Conference

In October 2009, a web conference was held for 270 web participants from 25 countries, dedicated to drawing together an annual review of Talents and defining the road map for 2010. In uniting the Human Resources community via a dynamic medium, Chantal Gaemperle brought together the most complete and international audience possible to talk about wide-ranging initiatives, enrich shared experiences, and launch the new LVMH employer brand.

Supporting career development in a dynamic environment

The LVMH ecosystem offers a management framework that is particularly focused on career development. The Group's size and scope allows for a wide variety of career routes, via its broad range of sectors, business areas, brands and Houses, and geographical sites. Thanks to its internal mobility, LVMH Managers progress to take on new responsibilities, grow their professional skills and broaden their personalities. To facilitate this mobility inside the Group, systematic and frequent reviews are conducted to see what posts are available and who may want to grow into them. To do this, monthly and fortnightly committees at all levels of the organization work to optimize the allocation of managerial resources.

Training is another powerful lever in career building to acquire and deepen new skills and promote skills transfer inside and outside the Group. In this respect, the LVMH House Forums in London are a unique way of pooling the Group's expertise in brand management, creativity, product innovation and customer relations in the luxury industry. In recent months, the emphasis has been on developing leadership qualities. To better reflect the Group's international diversity, the LVMH House Forums will now be replicated in the United States and Asia. A number of integration sessions organized by the Group will also be offered to new staff in the country or region where they joined. In 2009, the Group launched a new international integration session for high-potential managers that also involved LVMH managers and design directors. In addition, Group staff continue to be offered a broad range of training, both internal and external, to develop their management skills. Thus, in 2009, more than 1,800 managers took part in in-house training sessions and seminars offered by the Group's four main training centers in France, Asia, Japan and the United States.

In 2009, LVMH gave a new boost to its High Potentials program, called the "FuturA Initiative", recruiting some 90 people worldwide based on their potential to take on a managerial role in the medium term. These profiles were identified and selected at "Recruitment Days" using the most objective assessment techniques possible, based on role play. These managers will be integrated carefully so that – joining high-potential managers already identified in the Group – they will benefit from missions to highlight and make them shine at LVMH.

LVMH is thus constantly working to build up a pool of top-quality talent, diversified in terms of nationality, gender and skills, to be tomorrow's managers.

Enabling our staff to share in our success

The Group's Houses constantly try to offer attractive and motivating salaries. International salary surveys involving specific trades and business sectors show that we are always well positioned in terms of the market. Most of LVMH's French companies offer their staff substantial profit-sharing or incentive schemes. Managers are closely linked with the success of their particular mission via Group and individual variable performance-linked bonuses. In 2009, LVMH allocated stock options and bonus shares to reward its most effective people.

"SOCIAL RESPONSIBILITY" REFLECTS OUR HUMAN RESOURCES PHILOSOPHY

Exemplary commitment:

2007

- *LVMH is a signatory of the French Diversity Charter, and the French Charter of Corporate Commitment for equal opportunity in Education.*
- *The Handicap mission is created in France bringing together all the Group's companies.*

2008

- *LVMH is one of the founding CAC 40 groups of Arpejeh(1) (support for young handicapped students), an association now recognized as a major player in integrating young disabled people into companies.*
- *Chantal Gaemperle signs, on behalf of LVMH, a partnership agreement with Agefiph aimed at developing employment for disabled people.*

2009

- *LVMH is one of the only French groups to conduct "voluntary testing" to submit applications received from candidates on the website to assessment by an independent body.*
- *LVMHMind, an Intranet dedicated to Environment and Social Responsibility, is created.*
- *LVMH is awarded the Diversity Prize by a body made up of the key players in the sector.*

For LVMH, delivering pleasure and making dreams come true does not excuse it from responsibility; on the contrary, it puts extra pressure on it to excel. Our practices must reflect the highest standards of integrity, responsibility and respect for all. Every day and worldwide.

LVMH is a unique combination of Houses whose brands offer a strong promise to customers, and thus the whole of society, in all the countries where the Group is present, where it symbolizes a world leader originating in France and incarnates the Western way of life. LVMH and its Houses are therefore very concerned about being responsible employers in all these countries, in particular in areas where the Group's Houses are putting down roots.

LVMH's men and women have a strong attachment to their products, passion for their brands and an ambition to excel. They also acutely feel a social responsibility - an integral part of their brand values - and are conscious that underperformance affects potential.

The Human Resources Department underpins all these approaches. Its mission is to develop the talents of the Group's men and women in terms of creativity, ability to continuously excel, as well as exercise tolerance, openness and generosity.

People with disabilities

Innovative actions In creating the LVMH Handicap Mission, which brings together 31 of the Group's major companies in France and Switzerland, a team was created to provide technical and financial support for innovative and effective action:

- ❑ Recruitment of staff with disabilities in vocational "Retail" and "Office Assistant" training (Louis Vuitton, Sephora, Parfums Christian Dior, Bon Marché, etc.).
- ❑ Support for students with disabilities (LVMH is a founding member of the ARPEJEH(1) association and "Handi-Friends Trophies" in higher education).
- ❑ Development of partnerships with the protected sector, which means over 100 indirect employees (Hennessy, Moët & Chandon, Parfums Givenchy, etc.).
- ❑ Awareness campaigns (sense-heightening workshops: "discovering scents… in the dark").
- ❑ Accessibility of the 2008 annual report (now available to the visually impaired on the web).

A policy adopted and appropriated by the Houses Guerlain, which wanted to make its high-quality Champs-Élysées Spa formula accessible, has carried out an accessibility audit for disabled people and committed to giving specialized training to its staff, with the help of special trainers at the Garches hospital. In 2009 this initiative won the "Coup de coeur" of the "Acteurs économiques et Handicap" Award.

Moët & Chandon has set an example and drawn the attention of local authorities by setting up sheltered workshops. Louis Vuitton, via an ambitious disability policy, has involved all its staff in this recruitment policy. The latest Jobs Forum for people with disabilities brought together 20 of the Group's Houses…

International action

In accordance with its international obligations, LVMH has replicated its policy for employing people with a disability internationally: in Brazil, Wine & Spirits and Perfumes & Cosmetics run their own disabled recruitment policies in support and in production roles. In Spain, Loewe has forged three partnerships with sheltered workshops to manufacture work clothing and supply consumables.

(1) Accompagner la Réalisation des Projets d'Etude de Jeunes Elèves et Etudiants Handicapés – educational support for disabled pupils and students

The fight against discrimination and support for equality of opportunity

All Human Resources Directors are trained in legal aspects so they are sensitive to any form of discrimination.

The Group has put in place continuous “voluntary testing” on its Internet recruitment site: an independent firm assesses the responses of candidates subjected to discrimination. An internal committee composed of Human Resources Directors ensures that the ethical rules are complied with. In partnership with Sciences Po (the Paris institute for political science) as part of the Priority Education Agreements, LVMH managers participate in admission panels for young people who come from establishments in "sensitive" areas and the Group finances 2nd year courses abroad for young people from disadvantaged areas via the apprenticeship tax. With the guiding principle of providing access to the company solely on the basis of skill and commitment, LVMH belongs to and participates in the “National Network of Companies for Equality of Opportunity in Education". This association promotes corporate involvement in establishments located in disadvantaged areas and takes on trainees straight from school and college.

LVMH is also one of the leading partners in the "Our Neighborhoods Have Talent" (Nos Quartiers ont des Talents) association which arranges mentoring for young graduates from disadvantaged urban areas by experienced managers, with the aim of giving them the necessary "kick-start" to get them into a first job. Currently, 50 Group managers are mentoring or have mentored 76 young graduates from poor neighborhoods.

Céline has secured a partnership with a college in a disadvantaged area to take on16-year old students. The Management Committee of La Grande Epicerie has decided to sponsor a young person from a poor neighborhood. Parfums Christian Dior has signed a partnership with a disadvantaged area school to recruit apprentices.

Promotion and the male-female mix

Beyond simply taking into account legal provisions to promote equality and ban gender discrimination, LVMH is continuing to develop the role of women in its teams. This also translates into a voluntary commitment to professional development in all roles and at all levels of the organization. 70% of staff promoted in 2009 are women and more than one in two managers are women.

On March 8th, 2009, International Women's Day, Chantal Gaemperle, Human Resources and Synergies Director, along with Delphine Arnault, Group Board Member, as well as numerous heads of business groups and Houses, launched the "EllesVMH" photo exhibition which, via 80 portraits of Group employees, pays homage to women's talents at LVMH.

This year again, LVMH has renewed its support for the "Women's HEC Prize" which recognizes exceptional success by female HEC business school graduates.

Concrete actions A company-wide agreement on professional equality between men and women was signed at Moët Hennessy Diageo in 2007, and a Male-Female Equality commission was put in place at Moët & Chandon. A number of companies have set up career development systems and indicators, including interviews after a long period of leave, access to training, promotion and remuneration.

Some companies give awards to exceptional women around the world: Moët & Chandon has been sponsoring the “Women’s Gold Trophy” since 1993, and for the second edition of the "Wine Women Awards”; Veuve Clicquot Ponsardin offers the "Veuve Clicquot Business Women’s Award" which this year is enhanced by the "Veuve Clicquot Program for Economic Development”. It aims to recognize and highlight exceptional women who live and work in developing countries and play an important role in the economic development of their country.

Equality: concrete commitments

LVMH has committed to ambitious short-term projects. Management boards are expected to be composed of 30% women by 2010, and 35% in three years’ time.

To do this, the Group has decided to systematically request a female candidate for each key opening. Networking and discussion forums will be organized at all levels and a monitoring committee will be set up in 2010 to follow progress.

A policy favoring seniors

Access to jobs and job retention for seniors is a key concern for the Group.

At LVMH, all references to age have been suppressed, especially in replacement charts, the Group's recruitment site, and in the career management documents of its companies. A working group has been set up to help the Houses incorporate these changes and a training module is now being established to educate Human Resources Directors in the new systems and running "mid-career" support interviews.

For example, certain measures promoting jobs for seniors have now been taken by a number of the Group's Houses:

Parfums Givenchy, Moët & Chandon, and Veuve Clicquot have all signed jobs and skills forecast management agreements with their unions to organize and develop career plans for seniors. Givenchy Couture has implemented a tutoring system to facilitate knowledge transfer, setting up 1st or 2nd workshop tutor/apprentice pairs. Kenzo has set up ongoing orientation sessions for staff 50 years old and over, as well as an age-discrimination prevention procedure at recruitment. Moët Hennessy has been collaborating since 2007 with a recruitment agency specialized in recruiting seniors. All the Group's companies have developed "seniors plans".

Prevention of psychosocial risks

The Group is committed to preventing and treating phenomena such as harassment and stress, which affects all too many companies nowadays.

In this context, the Group has trained its Human Resources teams in preventing these risks, and in particular the risk of harassment. Teams of doctors and psychologists have been consulted and systems have been set up for companies, which, by the nature of their business area, consider they are more exposed than others.

Meetings have also been held with the Group's main French companies to put in place a global prevention plan and to deploy it in all Houses, taking into account the particular business needs of each.

Hennessy has installed a stress barometer in coordination with the medical service and staff representatives. Sephora France has set up training for its shop managers to prevent harassment and stress. Céline has trained its managers in preventing a feeling of harassment. Moët-Hennessy Diageo has opened up a helpline, run by a qualified external company, to keep any staff psychological problems confidential, whether relating to their professional or private lives. At Louis Vuitton, annual interviews are held with staff to discuss their working conditions and their commitment to the company.

On October 1, 2009, as part of the "International Diversity Meetings", LVMH was awarded the 2009 Diversity Prize for its policy of integration and partnerships with associations working for Diversity.

This distinction was awarded by a body that brings together diverse organizations such as the National Association of Human Resources Directors, Halde (High Authority against Discrimination and Exclusion), the Social Audit Institute, IMS Entreprendre pour la Cité, etc.

The jury paid particular attention to the action taken by the Group in supporting the disabled as well as sponsorship of young graduates from poor neighborhoods (100 sponsorships to date) and its policy to prevent psychosocial risks.

By launching the LVMH Mind Extranet in April 2009, accessible to all the Group's employees, LVMH has enabled Social Responsibility to become a shared policy among all its staff.

Responsible Cooperation

LVMH strives to maintain and promote responsible cooperation among its partners, suppliers, distributors, sub-contractors, etc.

Since 2008, all the Group's brands have adopted and implemented the Supplier Code of Conduct which lays down the Group's guidelines for social responsibility (freedom of contract, discrimination, harassment, child labor, compensation, hours of work, freedom of association and collective bargaining, health and safety, etc.), the environment (impact reduction, use of green technologies, waste reduction, compliance with regulations and standards), and the fight against corruption. Any collaboration with a partner requires their commitment to all the ethical principles in this code.

As part of the increased control due to the Supplier Code of Conduct, 2009 has seen an increasing number of social and environmental audits at our suppliers. A quick poll of the five largest Houses of the Group showed that more than 200 social audits were conducted at their suppliers in 2009. Pursuant to the implementation of the supplier code of conduct, whenever the results of these audits show a non-conformity with our requirements, corrective action plans are put in place.

Driven by a desire for continuous improvement, the expert Buyers of the various Houses under the direction of the Executive Management have set themselves ambitious targets, in particular with respect to honoring these fundamental requirements.

Employment Data

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

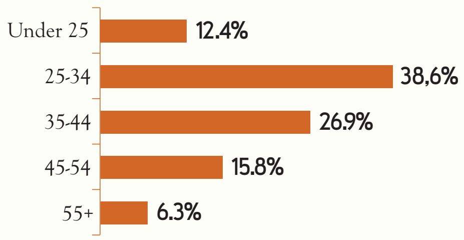
77,302 employees

The total workforce under regular and temporary employment contracts at December 31, 2009 was 77,302 employees, including 13,040 part-time employees, i.e., 17% of the total. This represented 70,003 full-time equivalent employees.

13,022 managers

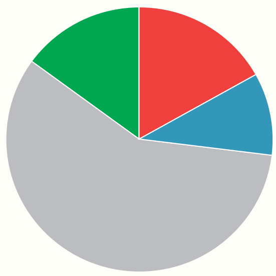
The total workforce at December 31, 2009 included 69,896 regular employees and 7,406 temporary employees.

Median age of **34**



Workforce as at December 31 by Professional Category

(includes both regular and temporary personnel)



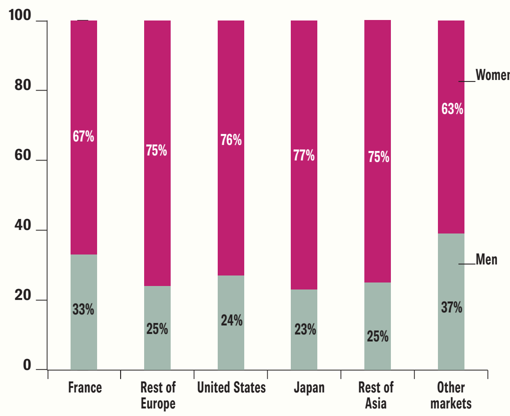
	2007	2008	2009	
Managers	11,233	12,809	13,022	17 %
Technicians and supervisors	7,050	8,036	8,075	10 %
Administrative and sales employees	43,667	44,616	45,075	58 %
Production workers	9,935	11,626	11,130	15 %
Total	71,885	77,087	77,302	100 %

73 % women

Managers	60%
Technicians and supervisors	69%
Administrative and sales employees	81%
Production workers	63%

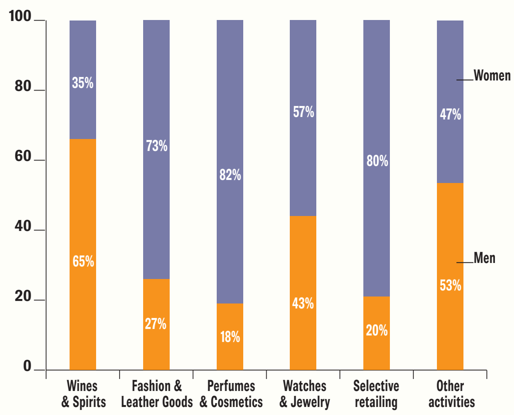
Breakdown of women/men by geographic region

(regular employees)



Breakdown of women/men by business group

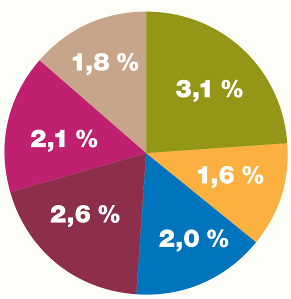
(regular employees)



€53.7 million invested in training

- Training investment totaled 53.7 million euros, representing an average of 689 euros per employee or 2.3% of payroll costs excluding incentives and profit-sharing worldwide.
- 59.1% of our employees (some 45,700) received at least a training session in 2009.
- Training per employee averaged 2.4 days.
- In 2009, LVMH offered a total of 184,275 days of training, the equivalent of 840 persons in full-time training over the year.

2.3% of payroll costs



	Training investment (million euros)	% of payroll
France	23.3	3.1
Rest of Europe	7.8	1.6
United States	10.5	2.0
Japan	4.9	2.6
Rest of Asia	6.1	2.1
Other markets	1.1	1.8
Total	53.7	2.3

Corporate sponsorship to support culture, youth and humanitarian action

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

Since 1991, the success of LVMH has allowed it to develop a global institutional communications plan built on an innovative and original corporate sponsorship program. This is a legitimate approach because it expresses the values that bind LVMH Houses together and form the basis for their success, and at the same time respects their individual communications and sponsorship projects. It is also a useful approach, because LVMH intends to demonstrate its active commitment to protecting historical and artistic heritage, promoting contemporary design, assisting young people and supporting great humanitarian causes, through initiatives designed to help the greatest number of people.

Culture, heritage and contemporary design

The first component of the LVMH corporate sponsorship program is to preserve artistic heritage in France and throughout the world by supporting the restoration of historic monuments, expanding the collections of leading museums, contributing to major national exhibits and encouraging contemporary design. The support provided to 33 national exhibitions has given millions of French and international visitors the chance to discover major artists from the history of art, artists whose talent has built our vision and nourished our sensitivity.

In the spring of 2009, LVMH supported “The Great World of Andy Warhol” exhibit at the national galleries of the Grand Palais. Nearly 500,000 visitors rediscovered the legendary Pop Art artist whose work brilliantly reflects the spirit of our era.

In January 2010 at the Grand Palais, after its support of the works of Anselm Kiefer in 2007 and Richard Serra in 2008, LVMH is making a commitment alongside French artist Christian Boltanski to the production of “Personnes”, a work specially designed for the third edition of Monumenta. In addition, the early months of 2010 are also marked by the Group's support for the retrospective at the Cité de l'Architecture et du Patrimoine on the work of French architect Claude Parent, an architectural giant of the second half of the 20th century who inspired some of the greatest names in contemporary architecture.

The year 2010 will be a new step in the construction of the Louis Vuitton Foundation building in the center of the Jardin d'Acclimatation in the Bois de Boulogne. The Louis Vuitton Foundation for Creation, which will open in late 2012, is the natural consequence of the cultural and artistic support provided by LVMH and the close ties between Louis Vuitton and the world of art and artists. In the spring of 2009, the exhibit “Louis Vuitton: a passion for creation”, organized in Hong Kong as part of the French May Festival, was an opportunity to introduce the Chinese public to the architectural project and a selection of works from the Foundation. There was significant media coverage in China of the exhibit, which was seen by 120,000 visitors in Hong Kong.

Initiatives to support youth

Various initiatives to assist young people represent the second component of the LVMH corporate sponsorship program. Children in elementary and high schools as well as art students benefit from educational programs designed and initiated by the Group to give them greater access to the best of culture, particularly in the areas of music and the plastic arts. LVMH’s “Discovery and Learning” classes organized during exhibits supported by the Group have reached over 20,000 children to date. Dozens of school groups benefited from this special educational program in 2009, particularly during the “Andy Warhol” exhibit at the Grand Palais.

Another goal is to encourage the talent of the future, which led to the creation of the LVMH Prize for Young Designers, awarded every year during exhibits sponsored by the Group. This program has awarded nearly 120 scholarships to students in art schools in France and around the world to complete their training.

Finally, the Stradivarius instruments loaned from the LVMH collection every year have given young virtuosos (including Maxim Vengerov, Laurent Korcia, Kirill Troussov, Tatjana Vassilieva, Raphael Pidoux) the opportunity to display the full measure of their talents.

A commitment to community through medical research and social programs

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

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

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

Protecting the environment

Veuve Clicquot's Hôtel du Marc:
an exemplary renovation

The Environmental Charter signed by Bernard Arnault in 2001 is a concrete expression of the vision of the LVMH Group of how to integrate protection of the environment in its businesses:

AIM FOR A HIGH LEVEL OF ENVIRONMENTAL PERFORMANCE

In developing its businesses internationally, LVMH works to align its practices with those that offer the best level of environmental protection around the world.

FOSTER A COLLECTIVE PURPOSE

The environment is the responsibility of every individual and LVMH believes that the awareness, education and training of its employees are top priorities. To ensure a continued high level of environmental performance, the Group believes it is vital for each company to set precise environmental objectives and implement a management system dedicated to this process.

CONTROL ENVIRONMENTAL RISKS

In addition to the most stringent compliance with environmental regulations, which is an absolute duty, the Group intends to focus on risk prevention. As a result, it allocates human and material resources to this goal.

DESIGN LUXURY PRODUCTS BY INTEGRATING ENVIRONMENTAL INNOVATION AND CREATIVITY

Guided by its overriding concern for high quality, LVMH is working to improve control and better anticipate the environmental aspects related to the life cycle of its products. LVMH encourages all processes that result in environmental innovations and accepts its duty to exercise prudence and take precautions to ensure total safety for the consumer.

MAKE COMMITMENTS OUTSIDE THE COMPANY

LVMH intends to contribute to the protection of the environment above and beyond just the aspects directly related to its own businesses. Because it considers that promoting respect for the environment is essential, LVMH is developing an active partnership with groups of businesses, local communities and the associations which contribute to this objective.

A STRUCTURED APPROACH AND MOTIVATED EMPLOYEES

Created almost twenty years ago, LVMH's Environmental Department defines the broad principles for initiatives. It assists in the adaptation of those principles within the different companies, particularly in the areas of training, management, eco-construction, the reduction of greenhouse gases emissions, energy savings, and the preservation of biodiversity and water resources. The companies implement the environmental objectives they have defined on a daily basis. All their practices contribute to ongoing improvement and are consistent throughout the Group.

Like every human activity, the operations of the LVMH Group have impacts on the environment, which vary in type and magnitude depending on the business.

Wines and Spirits

• Energy consumption and greenhouse gas emissions (production of packaging, distillation and transport of products).

• Water consumption (vine irrigation in Australia, New Zealand, Argentina and California, the production of effluent loaded with organic matter during the wine-making and distillation processes).

• Production of waste products (wine making and distillation processes).

• Protection of soils and biodiversity (vine management and protection of ecosystems).

Perfumes and Cosmetics

• Energy consumption and greenhouse gases (production of packaging and transport of products).

• Water consumption and the production of effluent loaded with organic matter.

• Production and transformation of raw materials (packaging and components of perfumes and cosmetics).

• Protection of biodiversity (protection of ecosystems and natural resources, particularly plant resources).

Watches and Jewelry

• Extraction and transformation of raw materials (packaging, precious stones and metals).

Fashion and Leather Goods

• Energy consumption and greenhouse gas emissions (lighting and air conditioning in stores, transport of products).

• Production and transformation of raw materials (packaging, cotton and other textiles, leathers, etc.).

• Protection of biodiversity (protection of ecosystems and the natural resources necessary for production).

Selective Retailing

• Energy consumption and greenhouse gas emissions (lighting and air conditioning in stores, transport of products)

The markers for improvement have been clearly identified. They require the participation of everyone, beginning with training.

Expanded awareness programs

Over the years, most of the Group's employees have received awareness training. In 2009, Guerlain conducted a large-scale operation for all personnel, both at the production sites and at its corporate offices. Five conferences were organized, during which the Chairman presented the challenges related to the environment and sustainable development, and the objectives of the company, such as the reduction of greenhouse gases by 12% between 2007 and 2012.

At Le Bon Marché, the "Cosmos" Environmental Committee set twelve objectives based on three principles: living together, the environment, and the sustainable economy. Those objectives have been translated into concrete actions which include a clothing drive for the Emmaüs association, collection of eyewear for African countries, and participation in the activity of a dispensary in Vietnam.

Louis Vuitton has expanded employee awareness through marketing campaigns based on national or international events. During Sustainable Development Week, a Sustainable Development Challenge mobilized all employees at the Paris headquarters. European Mobility Week was an opportunity to publish 900 copies of the first Guide to Green Transport in Paris. More generally, 2009 was a year in which existing tools were updated, new awareness campaigns (sorting, ISO 14001 certification and others) were launched, and indicators for water, energy and waste products were displayed in the shops.

In addition to the inauguration of the "Environment and Food Safety" intranet during Sustainable Development Week, Hennessy decided to increase awareness for 140 of its employees through a film. With their children, employees attended a showing of the film "We will remain on Earth," followed by a debate on water and green initiatives for citizens, or the animated film "My small, dear planet". Thanks to its partnership with the mayor's office in Cognac, Hennessy expanded this operation to the city itself.

Eco-material handbook

This work identifies around forty materials offering an environmental performance that has value for the Group's products and explains the different applications possible in each business. For the fifth edition, the "Eco-material Handbook" brochure was entirely revamped. It is intended as a matter of priority for stylists, marketing managers, developers and buyers for whom it is a true work tool.

TANGIBLE RESULTS AT ALL OUR SITES

The companies have their environmental management system, and 50% of them are ISO 14001 certified. They are working to meet their ambitious goals of reducing their environmental impact. In 2009, new ISO 14001 certifications were earned, new Carbon Footprints completed, eco-construction expanded, and initiatives to optimize waste management or protect biodiversity were strengthened.

Certification of management systems

All the companies in the Cognac-Champagne-Vodka segment are now ISO 14001 certified. In the Perfumes and Cosmetics business group, Guerlain launched the process at two of its sites, and Parfums Christian Dior certified its logistics center in Saint Jean De Braye. Louis Vuitton obtained certification in July for its Eole global logistics site, and successfully passed the follow-up audits for its Barbera workshop in Spain, its Paris headquarters and its European warehouse. The company is also developing a multi-site ISO 14001 project for all its production shops.

Strong involvement in the fight against climate change

An awareness of climate change has long been a component of the policy of LVMH, which was a true pioneer when it completed its first Carbon Footprints in 2002. As of this date, all the Group's major Houses have completed their footprints, and are working to implement priority initiatives for the production of packaging, product shipments, and energy consumption in the stores.

Every year, the Carbon Disclosure Project questions the companies about the integration of climate change in their strategy and their performance in terms of reducing greenhouse gas emissions. The Carbon Disclosure Leadership Index (CDLI) lists the companies that have demonstrated the best transparency and the highest quality response: LVMH earned a grade of 72/100 and is listed in the Carbon Disclosure Leadership Index France (the average obtained by the SBF120 companies is 56/100).

New Carbon Footprints completed

Veuve Clicquot, Moët & Chandon and Hennessy are currently finalizing the updates of their Carbon Footprints and Le Bon Marché, DFS and Sephora completed theirs last year. Le Bon Marché has set objectives for several years and will conduct computerized, virtually continuous tracking of its emissions. Make Up For Ever initiated the process in September 2009. In the same spirit, Domaine Chandon Australia calculated its greenhouse gas emissions with the aim of offering carbon-neutral products. And, of course, Guerlain, Parfums Christian Dior, Parfums Kenzo, Parfums Givenchy and Louis Vuitton had already completed their Carbon Footprints.

Structured initiatives to save energy

The LVMH Group is working very specifically on two major elements: transport of raw materials and finished products, and its buildings. Sephora, for instance, decided to use electric transport to deliver to all of

its 250 French stores. In December, 80% of the stores received deliveries using electric vehicles.

After Louis Vuitton, which in 2008 expanded its shipments by inland waterway, and Guerlain, which continues to improve its maritime ratio (61.7% in September, compared with 50% for 2008), Hennessy adopted rail-road shipments from Cognac in May. These connections should in time involve 50% of the products shipped, which will allow Hennessy to reduce its transport-related carbon footprint by one-third.

Buildings are a powerful vector for energy savings. The work performed at Le Bon Marché on lighting and other energy consumption items generated savings of 5.75% on the three buildings (Bon Marché, Grande Epicerie, Franck & Fils) and 9% on Le Bon Marché alone.

Savings already eligible for energy saving certificates

The French Energy Saving Certificates program consists of measuring energy savings and then placing those savings on the market. All the companies that have initiated longstanding energy savings actions on building lighting, insulation and ventilation have identified savings of over 50 GWh.

Eco-construction gains ground

Industrial sites, logistics warehouses, administrative buildings or stores – each construction project within the Group integrates concern for the environment, even during renovations. The renovation of the Hôtel du Marc, the historic Veuve Clicquot landmark in Rheims, was one of the highlights of last year. The renovation of the private mansion built by Madame Clicquot in 1840 was particularly exemplary. It combined three technologies to achieve an extraordinary energy performance for a building dating from the 19th century. In fact, 60% of the heating is provided by a geothermal system operating on a heat pump with a ground-coupled heat exchanger. 55% of the water needs are covered by solar panels. These panels were installed so that they complied with the wishes of the Building Architects of France. Finally, the Hôtel du Marc generates a carbon footprint of 13 tons of CO_2 equivalent, compared with 115.4 previously. Heating oil was abandoned and the remaining emissions will be offset in order to achieve a carbon neutral building.

In the United States, Sephora USA completed its first "LEED" store in Stonestown, California. This "Leadership in Energy and Environmental Design" certification is awarded by the Green Building Council for voluntary eco-construction operations. From construction materials, to water consumption, to waste recycling and the installation of bicycle racks to energy performance, everything was optimized to reduce the impact of the store's life. At the same time, eight Sephora US employees earned "LEED accredited professionals" certification.

Louis Vuitton, for its part, is increasingly integrating renewable energy sources at its various sites. For example, its Fiesso workshop in Italy is now heated and cooled using geothermy and its hot water is produced by solar panels. The Barbera workshop is also equipped with photovoltaic panels. The Cergy warehouse installed 2,000 m^2 of photovoltaic membranes which cut its electricity bill in half.

Hublot's new Swiss manufacturing site installed thermal solar panels to heat the hot water for its bathrooms and implemented a large number of energy-efficient technologies, including ventilation systems with heat recovery. Wind energy is very much in evidence at Cloudy Bay, which is testing a small wind turbine to supply its maintenance shop.

Biodiversity increasingly a top priority

For most of the Group's brands, the living world is a vital resource for product development. LVMH is committed to a large number of programs, including integrated wine growing and ethnobotany and conducted a study last year to measure the dependence of its businesses on biodiversity. The Group is heavily involved in the Foundation for Biodiversity. The principal objective of this Foundation, on the eve of the year of biodiversity in 2010, was to create synergy between French research and the challenges of society as part of a dialogue between science and society.

LVMH's initiatives in ethnobotany continue, and the Perfumes and Cosmetics Research and Development Department has been active in this area for years. In Madagascar, for example, the partnership initiated in 2006 with an association of longoza growers continues. The longoza plant is a plant species used in the composition of the Capture Totale eye skin care product: the quota repaid finances major programs, such as the creation of a House of Rice or even school improvements. In the context of Orchidarium, its orchid research platform, Guerlain is participating in a reforestation project in Laos: trees are in fact the prime location for orchids. Guerlain has therefore initiated a plant reserve coupled with a research and cultivation unit: the Exploratory Reserve. In 2009, special attention was paid to the wild Vanda coerula. Hundreds of young plants were reintroduced and will be followed by thousands more. Guerlain is also developing the ability to harvest its orchids under the conditions of their natural environment.

Integrated winegrowing is expanding to all the Estates & Wines companies of the Group. Cloudy Bay is working particularly on soil management and protection and is testing new solutions to improve disease resistance. Four hectares are already certified as organic winegrowing and the Australian company is letting its sheep graze during the winter to reduce the use of herbicides. Domaine Chandon California and Newton last year applied the "Mow & Blow" program on 60 hectares in order to significantly reduce the use of pesticides and insecticides. New habitats for owls and birds of prey were thus established in 2009, improving the natural protection against undesirable species.

A first in the luxury goods industry: a joint recycling platform

In order to reduce the use of incineration, the cost of which is rising, the Perfumes and Cosmetics companies established a recycling center for the waste products from perfume testers, unsold products and quality scrap, at a shared platform located in Cosmetic Valley. This recycling center, unprecedented in the luxury goods sector, is in line with the social and environmental commitments made by the Group when it signed the "Eco-Responsible Cosmetic Valley" Charter in October 2009.

Water—a vital resource to be protected

Water, a particularly precious resource for the Group's businesses, particularly for the Wines and Spirits and Perfumes and Cosmetics businesses, is the target of intense scrutiny: every year, ambitious objectives are set to reduce water consumption and efforts are redoubled to limit discharges. All this assumes the use of the best technologies available, whether this is reutilization equipment, more economic processes and/or closed systems, or even systems without any discharge. Bodegas Chandon in Argentina, for instance, obtained a brand new waste water treatment plant, which recycles the water for irrigation purposes. With the use of this new technology, water consumption was cut by 54% in 2009.

Continuing to reduce environmental risks

LVMH is particularly proactive in managing environmental risks: systematic identification, prevention, protection of people and property, and a crisis management procedure are the four components of its risk management policy. This particularly impacts the storage and shipment of raw materials. In June, Krug earned ISO 22000 certification, and the Belvedere distillery in Zyrardow, which is OHSAS certified, adjusted its system in 2009 in order to comply with the latest version of the standard.

Simplified dress code to limit air conditioning

At both Louis Vuitton and TAG Heuer, the trend is now a summer "dress code" in order to reduce the use of air conditioning and the related greenhouse gas emissions. Louis Vuitton has succeeded in establishing the principle in certain regions, including China, while TAG Heuer has made it a general principle in hot countries.

DESIGN PRODUCTS THAT INTEGRATE CREATIVITY AND ENVIRONMENTAL PERFORMANCE

Formalized requirements for our suppliers

In an effort to ensure consistency between its internal commitments and those of the companies with which it does business, the LVMH Group developed its Supplier Code of Conduct in 2008, with the aim of sharing with its suppliers its philosophy on social and environmental responsibility along with its work, control and audit methods. At the same time, the Group established a buyer work group which works collectively on these issues.

Supplier audits have been expanded. In the Wines and Spirits companies, for example, Hennessy audited seven of its dry materials suppliers and is conducting a performance review of 23 others in collaboration with the purchasing department. As part of its sustainable winegrowing policy, Veuve Clicquot last year offered its grape suppliers a new service for analyzing the processing schedules and organized a technical day on food safety at the Luxembourg vineyard (170 participants) in addition to its meetings to increase awareness of Carbon Footprints and the Champagne Climate Plan. At Moët & Chandon, fourteen partner pressing centers were audited during the harvests. Awareness programs for grape suppliers were continued and the suppliers attended a private showing of the film "The weather is changing" during Sustainable Development Week. At the same time, Louis Vuitton, which developed its own Guide to Good Practices and is extending environmental clauses to its contracts with suppliers, service providers and subcontractors, in 2009 conducted supplier surveys and preliminary audits on social responsibility standard SA 8000 and on the environment.

In addition, the Group is an active member of the Responsible Jewellery Council, the international association formed in 2005, which already has 130 representatives from the "gold and diamond" industry. The RJC works to make responsible ethical, social and environmental practices with respect for human rights widespread throughout the industry, from the extraction of materials to the sale of the finished products. Its certification tool offers both a reference system for the entire industry, a label of confidence for consumers, and a system that is credible because of the use of an independent outside audit agency.

Offer products resulting from eco-design

The LVMH Group participates actively in the work conducted in France and internationally on environmental information for products. Designed to inform the public about the environmental impacts of these products, the information provided, such as greenhouse gas emissions generated during the product life cycle, will eventually be a criterion for consumer choices. Eco-design is increasingly important within the companies, which have tools that are adapted to optimize the consideration of environmental factors in designing their products. This includes the reduction of packaging weight and volume, the choice of components and raw materials, the use of more energy-efficient production processes, and even initiatives to comply with the Reach regulations. In the Perfumes and Cosmetics companies, use of the environmental performance indicator, developed internally, is becoming more widespread. Created to evaluate, compare and improve the environmental perform ance of packaging, this indicator takes into account during the development phase the separability of materials, volume, weight, the use of refills, and the use of more environmentally friendly materials. A grade is given to each package and may lead to a review of some decisions.

Eco-designed packaging was a particular priority last year with noteworthy initiatives, such a Hennessy's Fine Cognac H2O project, or the work by Bodegas Chandon Argentina to lighten the weight of their glass. The bottle designs were revised with a 5% to 20% reduction in the weight of the glass. Finally, Parfums Christian Dior now offers a refill for the products in its *Or de Vie* line.

Guarantee maximum safety: a major objective

The cosmetics products offer the highest safety guarantees. LVMH prohibits the use of ingredients if their safety is not completely guaranteed. The Perfumes and Cosmetics companies are not content to simply apply the most stringent international regulations in force. They anticipate and implement future regulations in advance. For example, the Group's companies do not develop any products containing triclosan, phthalates or preservatives that generate formaldehyde. Moreover, following the example of Parfums Christian Dior, which announced its decision publicly in 1989, the different Perfumes and Cosmetics brands of the LVMH Group conduct no animal testing to evaluate the safety of their cosmetics and make substantial joint investments to research alternative tests, particularly in the area of allergies, with basic research partners, and on systemic toxicity within Colipa, the European federation of cosmetics manufacturers.

Reach: The Brands take a proactive approach to their obligations

LVMH continues to deploy its initiatives and works to anticipate future changes in the Reach regulations. The work group established by the Environmental Department is a venue for exchange and feedback from everyone. All the companies have prepared and/or modified their contracts and sales documentation and questioned their suppliers. They have set up a Reach Committee to increase employee awareness so that they can specifically answer any question asked.

Encourage responsible consumption

Efforts to increase consumer awareness continued in the Moët Hennessy companies. Promotion of a responsible consumption message will be made more visible at tour sites to encourage those who discover the Group's companies to follow the recommendations issued by health authorities. This effort is also reflected on the Moët Hennessy brand websites where a request for the visitor's age has become virtually systematic, and which include a responsible consumption message and reference to informational sites.

PROGRAMS EXTENDED TO CIVIL SOCIETY

The Global Pact, which was launched in 1999 by Kofi Annan, commits major corporations to compliance with ten principles relating to human rights and labor and environmental standards in order to contribute to more sustainable development for the planet. LVMH has made this international commitment and also contributes to its local implementation through the Ile-de-France Sustainable Development Club formed in 2007. This club works to disseminate best practices to small and medium businesses, and implements a system of cross-audits between representatives of companies that are comparable in terms of concerns and resources. Bernard Arnault also signed the Copenhagen Communique on Climate Change launched in June 2009 at the initiative of the Prince of Wales and Cambridge University. This document calls for an ambitious, vigorous and equitable global agreement that will respond credibly to the magnitude and urgency of the crises facing the world.

LVMH: a partner to associations, local communities and schools

Some particularly active companies have initiated partnerships with associations. Louis Vuitton, for example, renewed its support for Al Gore's Climate Project through a new institutional advertising campaign featuring Sean Connery, Jim Lovell, Sally Ride and Buzz Aldrin. Their fee and an additional amount were contributed to the Climate Project along with 15% of the profits from Internet sales during "Earth Day." The company also repeated the collection of cartons at its headquarters and paid the money obtained to the League against Cancer. And, finally, the leather goods company decided to acquire a forest located in Komoro City, in the Nagano region, which will be the site of specific projects to restore biodiversity.

Since 2002, TAG Heuer has been conducting various projects to reduce its carbon footprint. In 2009, it formed a partnership with Leonardo DiCaprio who personalized the design of the Aquaracer 500M watch. The gains generated by this limited series were contributed to the Natural Resources Defense Council and Green Cross International, two NGOs also personally supported by the actor. Since January 2009, Leonardo DiCaprio and TAG Heuer have been working together to identify the most appropriate measures to take to reduce the company's carbon footprint.

At the same time, Bogedas Chandon Argentina made a successful contribution to the "Educar Forestando" project launched last year: over 1,800 trees were planted at twelve different institutions or local communities. Belvedere continued to actively contribute to two projects conducted by the Foundation for the Protection of the Environment in Zyrardow, "Cleaning World" and "Cleaning the Pisia River".

Fine Cognac H2O, a model of eco-design

In the purest tradition of Fine à l'eau (brandy with a splash of pure water), Hennessy decided to review its emblematic Cognac. The House focused on the articles used for this "expanded" form of consumption: a filtering carafe and an eternal glass ice drop, the Eternal Ice Drop, were designed by 5.5 designers. These two articles create a subliminal image of the water that is particularly important to the Hennessy House, the quality of which is crucial for any tasting. In line with this process, the complete packaging system was eco-designed: the weight of the glass was reduced from 780g to 600g, the glass was labeled in enamels without ink or glue or paper, the cork is made of beech wood from FSC certified forests, the box is also FSC certified and bleached without chlorine, shipping cartons are lighter because they are simply fluted and have only the legal notices on them so as to limit ink use, with the printed product information inside the box.

LVMH continued its commitment to the environment within the association Orée, Enterprises and Territoires. In particular, the Group contributed to the development of the "eco-design" platform (http://ecoconception.oree.org), a clear and practical portal which illustrates the basic principles of eco-design and explains how to use it. It also invested in the conference on "Biodiversity and Climate, before and after Copenhagen", which brought together experts on climate change, biodiversity and top economists to draw an outline of what the world could be post-Copenhagen. Finally, the Group actively participated in the "Environmental Expertise" work group, which published a methodology for conducting an open and free debate on expertise. Along with other luxury brands, LVMH also worked in the Business for Social Responsibility (BSR) group, a work group launched in 2009 to promote the sharing and exchange of best practices for exotic leathers.

Finally, the Group continued to present the environmental challenges for its businesses and operations during special events in business schools or universities, including Essec, HEC, other business schools, and Leonard de Vinci and Saint-Quentin-en-Yvelines universities.

Communicate our commitments

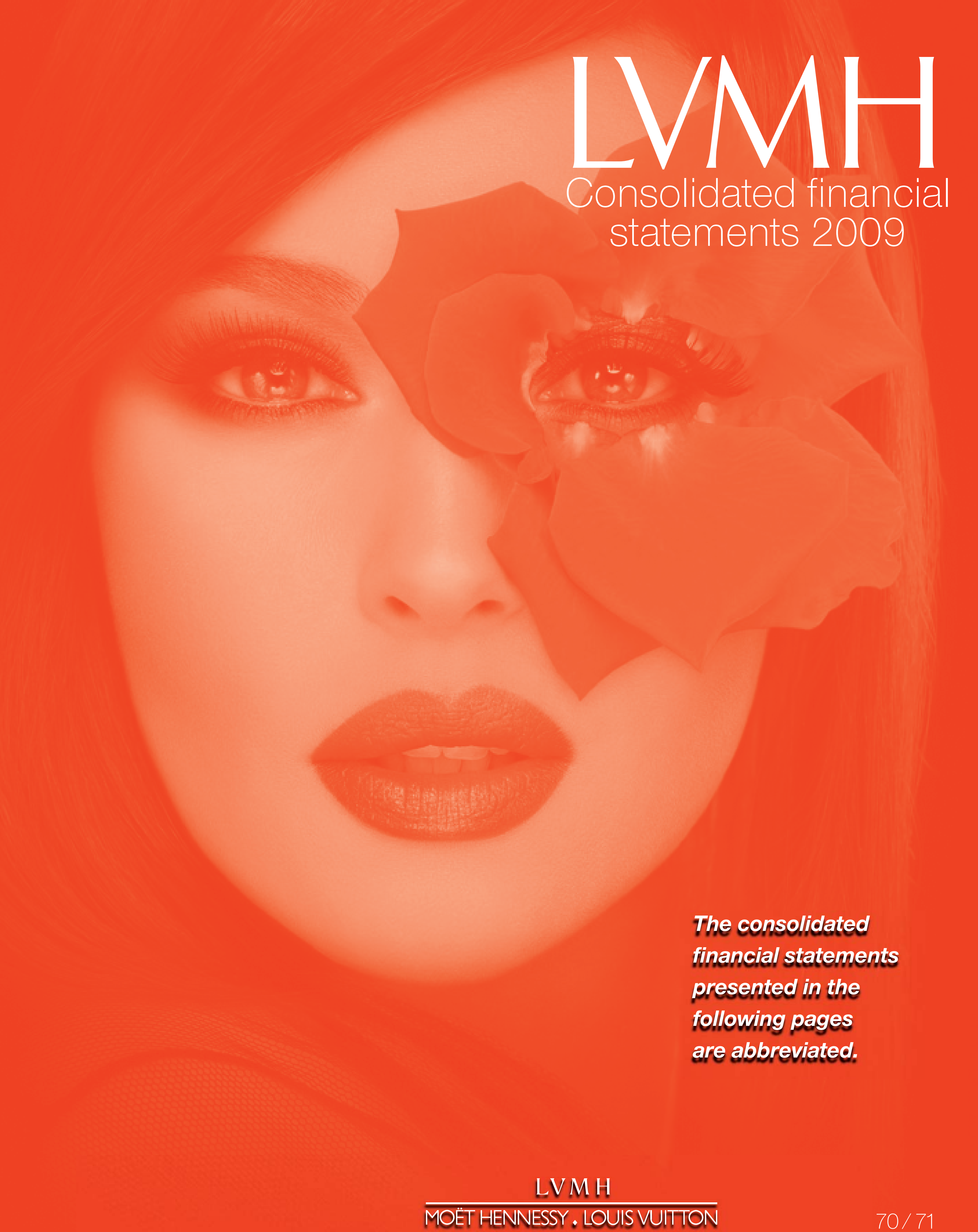
Domaine Chandon California has started to use a twelve-seat electric vehicle that runs on photovoltaic solar energy to carry visitors to the Newton cellars. During Heritage Days in France, Veuve Clicquot opened the Hôtel du Marc to the public and organized tours based on the theme "Protecting our heritage and renewable energy". Over 2,000 people enjoyed this tour.

Because it has always focused on the importance of water for its businesses, Hennessy made water the environmental theme for 2009. Through H2O Mixing Refined, the company allowed everyone tasting a Cognac to themselves continue the objectives set by the company to reduce its impact on the planet.

LVMH contributes to the greening of New York City with "Bike in Style"

Already a sponsor of the "Summer Streets" project, which closes the route from the Brooklyn Bridge to Central Park to vehicles three Saturday mornings in August, to make way for green methods of transport, LVMH USA last year launched an operation combining artistic design and protection of the environment with the Department of Transportation of the City of New York and the Fashion Institute of Technology. Through the "Bike in Style" challenge, design students worked to design key articles for the cyclists: a poncho, a shirt and a bag for both men and women with one guiding principle: it had to be stylish, practical and affordable. The students were assisted in their work by Donna Karan International, which contributed to the development of the prototypes selected. Selected from a large number of candidates, the three winners received their award at a ceremony attended by Marion Cotillard, the ambassador of Lady Dior, known for her commitment to the environment.

More information, including the guidelines for the Global Reporting Initiative and the requirements resulting from the French New Economic Regulations Act, along with the environmental impact indicators, is provided in the LVMH environmental report available on the Group's website and in the 2009 reference document. The environmental indicators have been audited by the Group's auditors since 2002 and audited with a reasonable level of assurance since 2008. Anyone wishing to have more information should contact: environnement@lvmh.fr



LVMH

Consolidated financial statements 2009

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

Consolidated balance sheet at December 31, 2009

ASSETS

EUR millions	2009	2008[(1)]	2007[(1)]
Brands and other intangible assets - net	8,697	8,523	7,986
Goodwill - net	4,270	4,423	4,824
Property, plant and equipment - net	6,140	6,081	5,412
Investments in associates	213	216	129
Non-current available for sale financial assets	540	375	823
Other non-current assets	750	841	586
Deferred tax	521	670	532
NON-CURRENT ASSETS	**21,131**	**21,129**	**20,292**
Inventories and work in progress	5,644	5,764	4,809
Trade accounts receivable	1,455	1,650	1,595
Income taxes[(2)]	217	229	151
Other current assets	1,213	1,698	1,884
Cash and cash equivalents	2,446	1,013	1,559
CURRENT ASSETS	**10,975**	**10,354**	**9,998**
TOTAL ASSETS	**32,106**	**31,483**	**30,290**

(1) The balance sheets as of December 31, 2008 and 2007 have been restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended.

(2) Since December 31, 2008, the Group's income tax liability with respect to the French tax consolidation structure is presented after offsetting advance tax payments. The balance sheet for the year ended December 31, 2007 was restated for comparability purposes.

LIABILITIES AND EQUITY

EUR millions	2009	2008[1]	2007[1]
Share capital	147	147	147
Share premium account	1,763	1,737	1,736
Treasury shares and LVMH-share settled derivatives	(929)	(983)	(877)
Revaluation reserves	871	818	976
Other reserves	10,684	9,430	8,098
Cumulative translation adjustment	(495)	(371)	(608)
Net profit, Group share	1,755	2,026	2,025
Equity, Group share	13,796	12,804	11,497
Minority interests	989	989	937
TOTAL EQUITY	**14,785**	**13,793**	**12,434**
Long term borrowings	4,077	3,738	2,477
Provisions	990	971	976
Deferred tax	3,117	3,113	2,843
Other non-current liabilities	3,089	3,253	4,147
NON-CURRENT LIABILITIES	**11,273**	**11,075**	**10,443**
Short term borrowings	1,708	1,847	3,138
Trade accounts payable	1,911	2,292	2,095
Income taxes[2]	221	304	332
Provisions	334	306	296
Other current liabilities	1,874	1,866	1,552
CURRENT LIABILITIES	**6,048**	**6,615**	**7,413**
TOTAL LIABILITIES AND EQUITY	**32,106**	**31,483**	**30,290**

Comments on the consolidated balance sheet

LVMH's consolidated balance sheet, which is shown on page 72, totaled 32.1 billion euros as of December 31, 2009, representing a year-on-year increase of 2.0%..

Non-current assets amounted to 21.1 billion euros, equivalent to the level recorded as of December 31, 2008, thus corresponding to 66% of total assets, slightly lower than the proportion a year earlier.

Tangible and intangible fixed assets (including goodwill) increased slightly to 19.1 billion euros from 19.0 billion euros at year-end 2008. Brands and other intangible assets amounted to 8.7 billion euros, up from 8.5 billion euros as of December 31, 2008. This increase is primarily attributable to the acquisition of a 50% stake in the prestigious winery Château Cheval Blanc, the valuation of the Royal Van Lent brand, and the impact of exchange rate fluctuations on brands and other intangible assets recognized in US dollars, such as the DFS trade name and the Donna Karan brand.

Goodwill decreased to 4.3 billion euros, from 4.4 billion euros a year earlier. The goodwill recognized on the initial consolidation during the year of Château Cheval Blanc and the Montaudon champagne house did not fully offset the decline in goodwill recognized in relation to purchase commitments for minority interests.

Property, plant and equipment increased slightly to 6.1 billion euros. This growth is chiefly attributable to the levels of the Group's operating investments made by Louis Vuitton, Sephora and DFS in their retail networks as well as those made by Parfums Christian Dior in new display counters and production facilities, together with those made by Hennessy and Veuve Clicquot in their production facilities, and to changes in the scope of consolidation, 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 amounted to 2.0 billion euros and were thus stable compared to 2008.

Inventories and work in progress amounted to 5.6 billion euros, compared to 5.8 billion euros at year-end 2008, reflecting inventory reduction efforts undertaken in 2009 and the impact of exchange rate fluctuations, despite the acquisitions made or initially consolidated in 2009.

Trade accounts receivable amounted to 1.5 billion euros, down from 1.7 billion euros at year-end 2008.

Cash and cash equivalents, excluding current available for sale financial assets, increased significantly from 1.0 billion euros as of December 31, 2008 to 2.4 billion euros.

The Group share of equity before appropriation of profit increased to 13.8 billion euros from 12.8 billion euros at year-end 2008. This improvement is due to the significant amount of the Group's share of net profit for the year, despite the negative change in the cumulative translation adjustment resulting from the fall in the US dollar against the euro, and the payment of dividends in the amount of 0.8 billion euros in 2009.

Minority interests remained stable at 1.0 billion euros as a result of the share of minority interests in the net profit for the year after the distribution of dividends, and the impact of the depreciation of the US dollar on minority interests in DFS.

Total equity thus amounted to 14.8 billion euros and represented 46% of the balance sheet total, compared to 44% a year earlier.

Non-current liabilities amounted to 11.3 billion euros as of December 31, 2009, including 4.1 billion euros in long term borrowings. This compares to 11.1 billion euros at year-end 2008, including 3.7 billion euros in long term borrowings. This increase was primarily due to the increase in long term borrowings, partially offset by the decrease in share purchase commitments, which comprise the bulk of Other non-current liabilities. The proportion of non-current liabilities in the balance sheet total remained unchanged at 35%.

Equity and non-current liabilities thus amounted to 26.1 billion euros, and exceeded total non-current assets.

Current liabilities amounted to 6.1 billion euros as of December 31, 2009, compared to 6.6 billion euros at year-end 2008, owing to reductions in trade accounts payable resulting from the entry into effect of the French Law on the Modernization of the Economy and the repayment of a portion of short term borrowings. Their relative weight in the balance sheet total decreased to 19%.

Long term and short term borrowings, including the market value of interest rate derivatives, and net of cash, cash equivalents and current available for sale financial assets, amounted to 3.0 billion euros as of December 31, 2009, compared to 3.9 billion euros a year earlier, representing a gearing of 20%, compared to 28% at year-end 2008.

Cash and cash equivalents exceeded short term borrowings.

As of December 31, 2009, confirmed credit facilities amounted to 4.0 billion euros, of which only 0.2 billion euros were drawn, which means that the undrawn amount available was 3.8 billion euros. The Group's undrawn confirmed credit lines substantially exceeded the outstanding portion of its commercial paper program, which amounted to 0.2 billion euros as of December 31, 2009.

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Consolidated income statement

(EUR millions, except for earnings per share)	2009	2008	2007
REVENUE	**17,053**	**17,193**	**16,481**
Cost of sales	(6,164)	(6,012)	(5,786)
GROSS MARGIN	**10,889**	**11,181**	**10,695**
Marketing and selling expenses	(6,051)	(6,104)	(5,752)
General and administrative expenses	(1,486)	(1,449)	(1,388)
PROFIT FROM RECURRING OPERATIONS	**3,352**	**3,628**	**3,555**
Other operating income and expenses	(191)	(143)	(126)
OPERATING PROFIT	**3,161**	**3,485**	**3,429**
Cost of net financial debt	(187)	(257)	(207)
Other financial income and expenses	(155)	(24)	(45)
NET FINANCIAL INCOME (EXPENSE)	**(342)**	**(281)**	**(252)**
Income taxes	(849)	(893)	(853)
Income (loss) from investments in associates	3	7	7
NET PROFIT BEFORE MINORITY INTERESTS	**1,973**	**2,318**	**2,331**
Minority interests	(218)	(292)	(306)
NET PROFIT, GROUP SHARE	**1,755**	**2,026**	**2,025**
BASIC GROUP SHARE OF NET EARNINGS PER SHARE *(in euros)*	**3.71**	**4.28**	**4.27**
Number of shares on which the calculation is based	473,597,075	473,554,813	474,327,943
DILUTED GROUP SHARE OF NET EARNINGS PER SHARE *(in euros)*	**3.70**	**4.26**	**4.22**
Number of shares on which the calculation is based	474,838,025	475,610,672	479,891,713

Consolidated statement of comprehensive gains and losses

EUR millions	2009	2008	2007
NET PROFIT BEFORE MINORITY INTERESTS	**1,973**	**2,318**	**2,331**
Translation adjustments	(128)	257	(575)
Tax impact	(20)	25	-
	(148)	**282**	**(575)**
Change in value of available for sale financial assets	114	(186)	8
Amounts transferred to income statement	(11)	(66)	(29)
Tax impact	(26)	21	18
	77	**(231)**	**(3)**
Change in value of hedges of future foreign currency cash flows	133	138	228
Amounts transferred to income statement	(125)	(206)	(168)
Tax impact	(2)	43	(33)
	6	**(25)**	**27**
Change in value of vineyard land	(53)	172	80
Tax impact	18	(59)	(26)
	(35)	**113**	**54**
GAINS AND LOSSES RECOGNIZED IN EQUITY	**(100)**	**139**	**(497)**
COMPREHENSIVE GAINS AND LOSSES	**1,873**	**2,457**	**1,834**
Minority interests	(189)	(352)	(239)
COMPREHENSIVE GAINS AND LOSSES, GROUP SHARE	**1,684**	**2,105**	**1,595**

Comments on the consolidated income statement

Consolidated revenue for the year ended December 31, 2009 was 17,053 million euros, down nearly 1% from the previous year. It was favorably impacted by the appreciation of the main invoicing currencies against the euro (average 2009 exchange rates), in particular the US dollar, which appreciated by 5%. On a constant currency basis, revenue for the year fell by 3%.

Since January 1, 2008, the following changes were made in the Group's scope of consolidation: in Wines and Spirits, a 50% stake was acquired in Château Cheval Blanc (consolidated on a proportional basis for the first time in August 2009); in Watches and Jewelry, the Hublot brand was consolidated for the first time in the second half of 2008; in Other activities, the Dutch yacht builder Royal Van Lent was consolidated for the first time in the fourth quarter of 2008. These changes in the scope of consolidation contributed 0.4 points to revenue growth for the year.

On a constant consolidation and currency basis, revenue declined by 4%.

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro fell by 2 points to 30%, that of the US dollar dropped by 1 point to 27%, yen-denominated revenue remained stable at 10%, while the contribution of all other currencies rose by 3 points to 33%.

By geographic region of delivery, the year saw a drop in the relative contribution of Europe (excluding France), from 24% to 21%. France, the United States, Japan and other markets remained stable at 14%, 23%, 10% and 9%, respectively, while Asia (excluding Japan) advanced by 3 points to 23%.

By business group, the breakdown of Group revenue changed slightly. The contribution of Wines and Spirits fell by 2 points to 16%, while the contribution of Perfumes and Cosmetics as well as that of Watches and Jewelry both fell by 1 point, to 16% and 4%, respectively. The contribution of Fashion and Leather Goods as well as that of Selective Retailing both rose by 2 points, to 37% and 27%, respectively.

Wines and Spirits saw a decline in revenue of 12% based on published figures. On a constant consolidation scope and currency basis, revenue decreased by 14%, with the favorable impact of exchange rate fluctuations increasing revenue by nearly 2 points. The economic crisis and substantial destocking at retailers weighed heavily on revenue in the United States, Japan and Europe. Demand remained more robust in the Asian markets, especially in Vietnam. China is still the second largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth in revenue of 2%, and 5% based on published figures. Louis Vuitton turned in a remarkable performance for the year, again recording double-digit revenue growth based on published figures. The brand has made spectacular headway in Asia (especially in China), and continues to benefit from strong momentum in Europe. Fendi and Marc Jacobs also confirmed their potential, showing a good level of resilience to the economic slowdown in Europe and reporting strong revenue increases in Asia.

Perfumes and Cosmetics saw a decline in revenue of 4% based on published figures. On a constant consolidation scope and currency basis, revenue decreased by 5%, with the favorable impact of exchange rate fluctuations increasing revenue by nearly 1 point. All of this business group's brands reinforced their rigorous management control, meticulously targeting their investments so as to limit the impact of the economic crisis. Despite the difficult economic environment, the Perfumes and Cosmetics business group reported revenue increases across Asia and especially in China.

On a constant consolidation scope and currency basis, Watches and Jewelry saw a decline in revenue of 19%, and 13% based on published figures (a 3-point positive impact of exchange rate fluctuations and a 3-point positive impact due to changes in the scope of consolidation). This business group's performance in all regions was affected by the economic crisis, particularly in its traditional markets, including the United States and Japan.

Selective Retailing posted organic revenue growth of 1%, and 4% based on published figures. This growth was driven by Sephora, whose sales increased strongly due to the expansion of its retail network in Europe, North America, and Asia, particularly in China. Despite weaker performance in tourist regions popular with Japanese travelers, DFS was able to record revenue growth based on published figures thanks to the strong rise in business generated with customers from other parts of Asia, and especially Chinese tourists.

The Group posted a gross margin of 10,889 million euros, down 3% compared to the previous year. The gross margin on revenue was 64%, 1 point lower than in 2008.

This decrease was kept in check thanks to measures taken to control the cost of products sold, higher selling prices, efforts to move brands upmarket resulting in product mix improvements, and the effectiveness of currency hedges.

Marketing and selling expenses totaled 6,051 million euros, remaining stable based on published figures and representing a 3% decrease at constant exchange rates. This decrease resulted mainly from the supervision and control of communications expenditures by the Group's main brands, partially offset by costs related to the continued development of retail networks. Nevertheless, the level of these marketing and selling expenses remained stable as a percentage of revenue, amounting to 35%.

General and administrative expenses totaled 1,486 million euros, up 3% based on published figures, and up 1% on a constant currency basis. They represented 9% of revenue, thus increasing by 1 point compared to 2008.

The Group's profit from recurring operations was 3,352 million euros, 8% lower than in 2008. Operating margin as a percentage of consolidated revenue amounted to nearly 20%, 1 point lower than its level a year earlier.

Exchange rate fluctuations had a negative net impact on the Group's profit from recurring operations of 2 million euros compared with the previous year. This total comprises the following three items: the impact of changes in exchange rate 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 Group's profit from recurring operations would still have decreased by 8%.

Profit from recurring operations for Wines and Spirits was 760 million euros, down 28% compared to 2008. Better control of costs and the careful targeting of advertising and promotional expenditure were not able to offset the impact of lower sales volumes. Operating margin as a percentage of revenue for this business group decreased by 6 points to 28%.

Fashion and Leather Goods posted profit from recurring operations of 1,986 million euros, up 3% compared to 2008. Exchange rate fluctuations had a favorable impact on this business group's earnings. Louis Vuitton once again performed remarkably well, while performance by the other brands was more mixed. Nevertheless, operating margin as a percentage of revenue for this business group remained stable at 32%.

Profit from recurring operations for Perfumes and Cosmetics was 291 million euros, remaining stable compared to 2008. 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 1 point to 11%.

Profit from recurring operations for Watches and Jewelry decreased to 63 million euros. Against the backdrop of a slowdown in sales, the operating profitability for this business group was 8%.

Profit from recurring operations for Selective Retailing was 388 million euros, remaining stable compared to 2008. Sephora continued to improve its operating margin, despite expenses resulting from its rapid expansion in Europe, North America and China, thus confirming its high-growth momentum. Operating margin as a percentage of revenue for Selective Retailing as a whole remained stable at 9%.

The net result from recurring operations of Other activities and eliminations was a loss of 136 million euros, representing an improvement compared to 2008. In addition to headquarters expenses, this heading includes the results of the Media division and those of the yacht builder Royal Van Lent, acquired in 2008.

Other operating income and expenses amounted to a net expense of 191 million euros, compared to a net expense of 143 million euros in 2008. In 2009, they comprised reorganization costs for commercial and industrial processes in the amount of 98 million euros. The balance of other income and expenses consists of accelerated depreciation and asset impairment in the amount of 88 million euros, as well as various non recurring expenses or provisions amounting to 5 million euros.

The Group's operating profit was 3,161 million euros, representing a 9% decrease from 2008.

The net financial expense was 342 million euros, compared to 281 million euros in the prior year.

The cost of net financial debt was 187 million euros as of December 31, 2009, down from 257 million euros the previous year. This decrease reflects the combined impact of a favorable interest rate environment and the decline in the average net financial debt outstanding during the year.

Other financial income and expenses amounted to a net expense of 155 million euros, compared to a net expense of 24 million euros in 2008. The financial cost of foreign exchange hedging operations had a negative impact of 46 million euros for 2009; it had a negative impact of 64 million euros in 2008. The net loss on current and non-current available for sale financial assets and other financial instruments amounted to 94 million euros, down from a net gain of 53 million euros the previous year. This change was due both to the market downturn and the recognition of impairment losses on current and non-current available for sale financial assets. Other financial expenses amounted to 25 million euros, compared to 24 million euros in 2008.

The Group's effective tax rate was 30% in 2008, compared to 28% in 2008. The rate in 2008 was primarily attributable to the capitalization of tax loss carryforwards.

Income from investments in associates was 3 million euros in 2009, down from 7 million euros in 2008.

Profit attributable to minority interests was 218 million euros as of December 31, 2009, compared to 292 million euros the previous year. This total mainly includes profit attributable to minority interests in Moët Hennessy and DFS and reflects lower earnings by Moët Hennessy.

The Group's share of net profit was 1,755 million euros, decreasing by 13% compared to 2008. It represented 10% of revenue in 2009, compared to 12% in 2008.

Consolidated cash flow statement

EUR millions	2009	2008	2007
I. OPERATING ACTIVITIES AND INVESTMENTS			
Operating profit	3,161	3,485	3,429
Net increase in depreciation, amortization and provisions, excluding tax and financial items	826	695	638
Other computed expenses, excluding financial items	(37)	(42)	(39)
Dividends received	21	17	33
Other adjustments	(43)	(59)	(22)
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	**3,928**	**4,096**	**4,039**
Cost of net financial debt: interest paid	(185)	(222)	(191)
Income taxes paid	(900)	(866)	(916)
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	**2,843**	**3,008**	**2,932**
Change in inventories and work in progress	69	(826)	(565)
Change in trade accounts receivable	206	(29)	(197)
Change in trade accounts payable	(362)	135	222
Change in other receivables and payables	178	(10)	66
TOTAL CHANGE IN WORKING CAPITAL	**91**	**(730)**	**(474)**
NET CASH FROM OPERATING ACTIVITIES	**2,934**	**2,278**	**2,458**
Purchase of tangible and intangible fixed assets	(748)	(1,039)	(990)
Proceeds from sale of tangible and intangible fixed assets	26	100	58
Guarantee deposits paid and other operating investments	(7)	(8)	(20)
OPERATING INVESTMENTS	**(729)**	**(947)**	**(952)**
NET CASH FROM (USED IN) OPERATING ACTIVITIES AND INVESTMENTS	**2,205**	**1,331**	**1,506**
II. FINANCIAL INVESTMENTS			
Purchase of non-current available for sale financial assets	(93)	(155)	(45)
Proceeds from sale of non-current available for sale financial assets	49	184	33
Impact of purchase and sale of consolidated investments	(278)	(642)	(329)
NET CASH FROM (USED IN) FINANCIAL INVESTMENTS	**(322)**	**(613)**	**(341)**
III. TRANSACTIONS RELATING TO EQUITY			
Capital increases of LVMH	30	5	-
Capital increases of subsidiaries subscribed by minority interests	11	4	1
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	34	(143)	14
Interim and final dividends paid by LVMH	(758)	(758)	(686)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(175)	(188)	(156)
NET CASH FROM (USED IN) TRANSACTIONS RELATING TO EQUITY	**(858)**	**(1,080)**	**(827)**
IV. FINANCING ACTIVITIES			
Proceeds from borrowings	2,442	2,254	2,006
Repayment of borrowings	(2,112)	(2,301)	(1,700)
Purchase and proceeds from sale of current available for sale financial assets	321	(47)	(278)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**651**	**(94)**	**28**
V. EFFECT OF EXCHANGE RATE CHANGES	**(120)**	**87**	**(44)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	**1,556**	**(369)**	**322**
Cash and cash equivalents at beginning of period	**718**	**1,087**	**765**
Cash and cash equivalents at end of period	**2,274**	**718**	**1,087**
Transactions included in the table above, generating no change in cash:			
- acquisition of assets by means of finance leases	12	11	6

Comments on the consolidated cash flow statement

The consolidated cash flow statement, which is shown on the opposite page, details the main cash flows for the 2009 fiscal year.

Cash from operations before changes in working capital decreased by 4.1%, to 3,928 million euros in 2009 from 4,096 million euros a year earlier.

Net cash from operations before changes in working capital (i.e., after interest and income tax) amounted to 2,843 million euros compared to the amount of 3,008 million euros recorded in 2008.

Interest paid in 2009 amounted to 185 million euros, down from 222 million euros in 2008, a decrease due mainly to lower interest rates on average over the year and the decline in the average net financial debt outstanding, despite the increase in corporate loan and bond spreads and the Group's recourse to longer term borrowings intended to solidify its financial structure.

Income tax paid in 2009 amounted to 900 million euros, as against 866 million euros in 2008.

Working capital requirements decreased by 91 million euros, a remarkable performance in both absolute and relative terms compared to 2008, when they increased by 730 million euros. In particular, changes in inventories generated cash resources amounting to 69 million euros, mainly as a result of the reduction in purchases of distilled alcohol for cognac and progress made by all brands, especially Louis Vuitton. The change in trade accounts receivable generated cash resources of 206 million euros over the year, notably at Louis Vuitton, Parfums Christian Dior and Moët & Chandon. Reduced trade accounts payable balances consumed 362 million euros, mainly at Sephora, Hennessy, Moët & Chandon and Parfums Christian Dior, due to lower purchasing volumes and, for the French brands, as a result of the entry into effect of the Law on the Modernization of the Economy.

Overall, net cash from operating activities posted a surplus of 2,934 million euros, representing a 29% increase compared to the 2,278 million euros recorded in 2008.

Group operating investments for the year, net of disposals, resulted in net cash outflows of 729 million euros. This amount reflects the Group's growth strategy and that of its flagship brands such as Louis Vuitton, Sephora and Parfums Christian Dior.

Net cash from operating activities and operating investments thus amounted to 2,205 million euros.

Acquisitions of non-current available for sale financial assets, net of disposals, together with the net impact of the purchase and sale of consolidated investments, resulted in an outflow of 322 million euros in 2009, compared to 613 million one year earlier.

Transactions relating to equity generated an outflow of 858 million euros over the year.

Share subscription options exercised by employees during the year raised a total of 30 million euros. The company intends to proceed with the cancellation of a number of shares equivalent to the total issued.

Disposals of LVMH shares and LVMH-share settled derivatives by the Group, net of acquisitions, generated an inflow of 34 million euros.

In the year ended December 31, 2009, LVMH SA paid 758 million euros in dividends, excluding the amount attributable to treasury shares, of which 592 million euros were distributed in May in respect of the final dividend on 2008 profit and 166 million euros in December in respect of the interim dividend for the 2009 fiscal year. Furthermore, the minority shareholders of consolidated subsidiaries received 175 million euros in dividends, mainly corresponding to dividends paid to Diageo with respect to its 34% stake in Moët Hennessy and to minority interests in DFS.

After all operating, investment and equity-related activities, including the dividend payment, the total cash surplus amounted to 1,025 million euros.

Among other cash resources, 321 million euros were divested from current available for sale financial assets and 2,442 million euros were raised through bond issues and new borrowings. In May 2009, LVMH SA issued a five-year public bond in a nominal amount of 1 billion euros. Furthermore, the Group made use of its Euro Medium Term Notes program in June to conclude long term private placements through two issues, the first in the amount of 250 million euros with a maturity of 6 years and the second in the amount of 150 million euros with a maturity of 8 years and, at other times during the year, to diversify its investor base and seize opportunities for private placements.

In 2009, these resources allowed the Group to increase its cash position and to pay down borrowings for an amount of 2,112 million euros. In particular, the Group decreased its recourse to its French commercial paper program by 517 million euros, thus making greater use of long term financial resources.

As of December 31, 2009, cash and cash equivalents net of bank overdrafts amounted to 2,274 million euros.

Consolidated statement of changes in equity

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Translation and revaluation reserves					Net profit and other reserves	Total equity		
					Cumulative translation adjustment	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Total		Group share	Minority interests	Total
AS OF DECEMBER 31, 2008	**489,937,410**	**147**	**1,737**	**(983)**	**(371)**	**136**	**59**	**623**	**447**	**11,456**	**12,804**	**989**	**13,793**
Gains and losses recognized in equity					(124)	77	4	(28)	(71)		(71)	(29)	(100)
Net profit										1,755	1,755	218	1,973
COMPREHENSIVE GAINS AND LOSSES		**-**	**-**	**-**	**(124)**	**77**	**4**	**(28)**	**(71)**	**1,755**	**1,684**	**189**	**1,873**
Stock option plan and similar expenses										43	43	3	46
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				50						(57)	(7)	-	(7)
Exercise of share subscription options	557,204		30								30	-	30
Retirement of LVMH shares	(88,960)		(4)	4							-		-
Capital increase in subsidiaries											-	11	11
Interim and final dividends paid										(758)	(758)	(176)	(934)
Changes in consolidation scope											-	3	3
Effects of purchase commitments for minority interests											-	(30)	(30)
AS OF DECEMBER 31, 2009	**490,405,654**	**147**	**1,763**	**(929)**	**(495)**	**213**	**63**	**595**	**376**	**12,439**	**13,796**	**989**	**14,785**

LVMH

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Cover page:
Monica Bellucci is photogaphed by Tyen.

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Design and production

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ISSN: 1292-3737