

A woman with blonde hair is shown from the chest up, looking upwards and to the right. She is wearing a black lace strapless top. In the background, a large, ornate chandelier with many lit candles is visible, creating a warm, golden glow. The overall mood is elegant and sophisticated.

LVMH

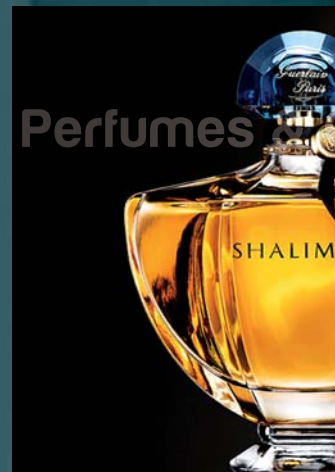
Passionate about creativity

ANNUAL REPORT 2010

LVMH
MOËT HENNESSY • LOUIS VUITTON



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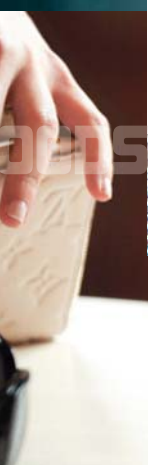
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Bernard Arnault

I am pleased to see that our concept of creation, our passion to take our products to the highest echelon of quality and our desire to offer an exceptional retail experience at our brands, perfectly fits our customers' expectations.

2010: A GREAT VINTAGE FOR LVMH

The desire for excellence, the recognition of know-how and fine craftsmanship and the culture of authentic quality are enjoying significant growth throughout the world. This trend will remain prominent in the years ahead, opening up for us magnificent perspectives for the future.

OUR BUSINESSES GREW AT A REMARKABLE PACE IN 2010, WHICH RESULTED IN OUR GROUP BREAKING ALL ITS HISTORICAL RECORDS. THIS GROWTH CAME ALONGSIDE SHARPLY HIGHER RESULTS AND A FURTHER IMPROVEMENT IN OUR FINANCIAL POSITION. IT ALLOWED THE HIRING OF AROUND 18 000 EMPLOYEES AND SOME MAJOR INVESTMENTS FOR THE FUTURE. THE EXCELLENT PERFORMANCE OF THE LVMH SHARE PRICE REFLECTS THE QUALITY OF WHAT WE HAVE ACHIEVED AND INVESTORS' CONFIDENCE IN OUR STRATEGY AND OUR FUTURE. A FUTURE UNDERPINNED BY OUR UNIQUE, EVER MORE VIBRANT HERITAGE. A FUTURE THAT WE ARE BUILDING ON SOLID FOUNDATIONS, AS WE PURSUE OUR LONG TERM VISION.

For several months, LVMH has enjoyed uninterrupted growth, to which all our business groups have contributed. It would be an over-simplification to suggest that this is due to the economic upturn alone. The Group's performance is also, above all, the result of the relevance and consistency of our long term strategy. A strategy that we pursued, unchanged, throughout the recent economic crisis. The support of the enduring values of our star brands, creativity as an absolute imperative, the quest for perfection in our products, and our efforts to ensure an environment of excellence coupled with impeccable service at our stores form the wellspring of our success. To these we must also add the agility and the motivation of our organization which benefits from the hands-on enterprise culture of the men and women of our Group. It enables us to take the right decisions quickly, invest where needed and seize opportunities to increase our market share. And this applies just as much when global economies are shrinking as when they start growing again.



HIGHLY RESPONSIVE, WITH A VERY SELECTIVE APPROACH TO OUR MARKETS

We are responsive to current growth in the world market, but we also take a very selective, long term approach. The two components of this strategy are reflected in a wide range of developments in 2010. Dom Pérignon – in a first for the industry – launched several exceptional vintages, all of which achieved critical acclaim, and used the excitement surrounding these remarkable launches as an opportunity to organize exclusive events celebrating Dom Pérignon's prestigious heritage, which stretches all the way back to the seventeenth century. Louis Vuitton deployed its creativity and demonstrated its excellence across all product lines. The opening of the new Louis Vuitton Maison in London was one of the highlights of the year, an outstanding achievement which has enhanced both the appeal of the brand and the reputation of the British capital. In the perfumes and beauty domain, Christian Dior brilliantly illustrated the unique magic created by Mr Dior, recalling its roots in Haute Couture, and boosting the success of its legendary creations: *Miss Dior*, *J'adore*, *Rouge Dior*... TAG Heuer marked its 150th anniversary with a vast array of innovations throughout the world. Sephora strengthened

the appeal of its concept and innovation strategy in its key markets and has broken into a promising new market, Latin America.

PASSION TO TAKE OUR CREATIONS TO THE HIGHEST ECHELON OF KNOW-HOW

The performance of many other brands are also worthy of mention: Hennessy, Moët & Chandon, Fendi, Guerlain, Givenchy, Make Up For Ever, Marc Jacobs, Benefit, Hublot... We are home to a wide range of brands, we respect and strengthen the originality of each of them, each of our brands builds its future on its own culture and its historic know-how; this is a source of unique know-how for our Group. We give them all the nurturing and support they need for their long term development, while respecting their roots, their heritage and their individual personality. Whether they have established leadership positions in their markets, or have embarked on a promising development campaign, all of our brands have enhanced their standing and their appeal. They have continued their rational expansion and acquired the strength they need for the future. This same determination to invest for the long term led LVMH to become a shareholder in Hermès International – another

CHAIRMAN'S MESSAGE

brand which symbolizes French know-how, whose standards we share and whose vision we support. Its culture, so particular, is to be preserved preciously and our Group, as a shareholder of this company, will guarantee it.

Naturally, we have set ourselves high goals for 2011 with the aim of further strengthening our global leadership position. But we need to look well beyond this horizon. I am pleased to see that our concept of creation, our passion to take our products to the highest echelon of quality and our desire to offer an exceptional retail experience at our brands, perfectly fits our customers' expectations. The desire for excellence, the recognition of know-how and fine craftsmanship and the culture of authentic quality are enjoying significant growth throughout the world. Everything suggests this trend will remain prominent in the years ahead, opening up for us magnificent perspectives for the future...

AN EXCITING BUSINESS PLAN

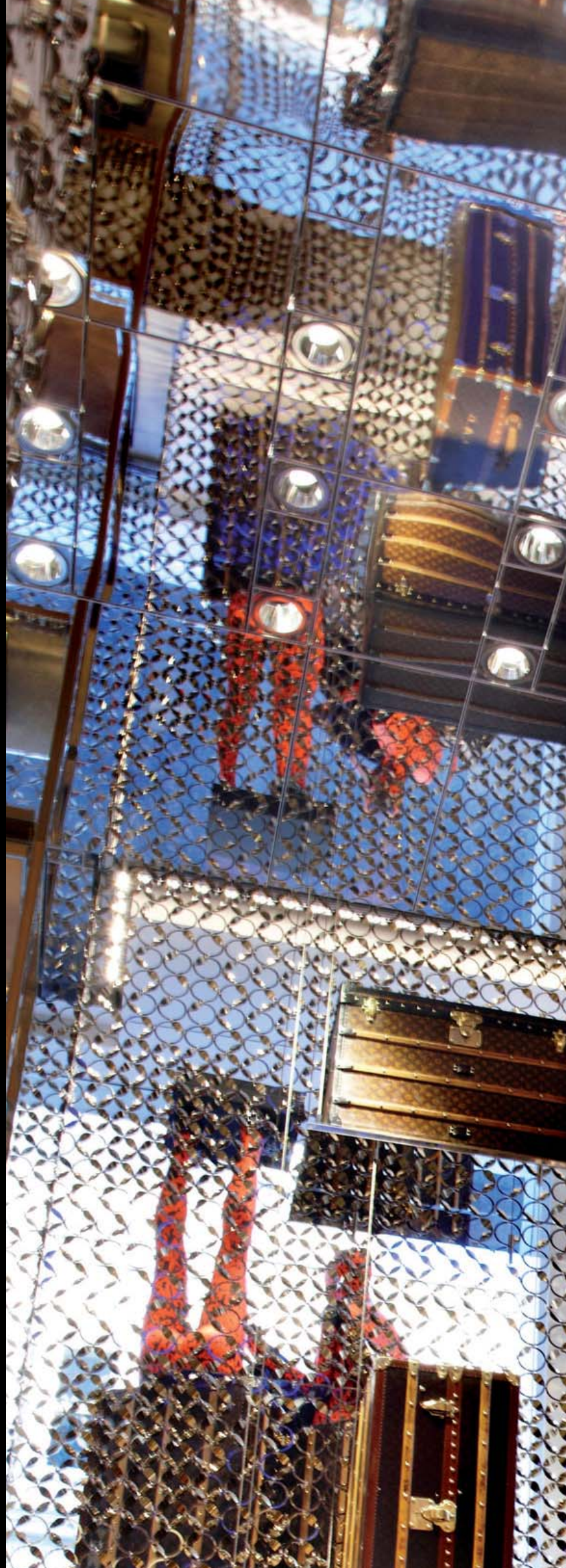
...And an exciting challenge for our teams: we must support this positive momentum while adhering to the standards of quality and creativity on which our long term success depends. We must meet the growing demand for our products: Louis Vuitton is opening a new workshop in France, our watch brands are increasing capacity at their manufactures. We will reach out to all of our customers throughout the world: we will continue to break into new markets (Hennessy in Asia, Sephora in Latin America...), extending and perfecting our global network of flagships and stores. We must also invest in brand reputation, supporting innovation and our creative teams, highlighting the close connection between their current work and that of the history of each brand.

A MODEL FOR RESPONSIBLE GROWTH

I firmly believe that if we are to inspire our customers, we must have dreams of our own. This is why we need to continue to invest in the know-how and talents of our women and men, so that we can all feel part of a responsible enterprise project. This project is both financial and cultural, as can be seen from the support we have given over the last two decades to the fields of history, art and contemporary design. To my mind, LVMH's commitment as a corporate citizen is completely enshrined in our *raison d'être*. I would like to assure our shareholders – who are also our partners in this great project – that our company will continue its efforts to increase its value and ensure that our responsible growth model, which relies on a long term vision shared by everyone in the Group, is here to stay.

4 February, 2011

Bernard Arnault
Chairman & Chief Executive Officer



ON MAY 28, 2010, LOUIS VUITTON INAUGURATED ITS NEW BOND STREET MAISON IN LONDON. THIS WAS A SYMBOLIC DATE MARKING 125 YEARS OF HISTORY BETWEEN LOUIS VUITTON AND THE BRITISH CAPITAL. UNIQUE IN ITS CATEGORY, THIS 1,520 M2 SPACE COVERING THREE FLOORS IS AN OUTSTANDING ACHIEVEMENT. SIMULTANEOUSLY LUMINOUS, OPEN AND INTIMATE, IT PRESENTS THE FULL UNIVERSE AND EXPERTISE OF OUR BRAND. ART ALSO HOLDS A CENTRAL PLACE IN THIS SPACE, HIGHLIGHTING THE HISTORIC TIES MAINTAINED WITH THIS WORLD BY LOUIS VUITTON.

ON THE APARTMENT WALL:

- 1 - "NET", A WORK BY GILBERT & GEORGE.
- 2 - "LITTLE GIRL", A WORK BY JEFF KOONS.
- 3 - «THE BLUE COWBOYS», A WORK BY JEFF KOONS.



FINANCIAL HIGHLIGHTS

REVENUE

EUR million



REVENUE BY BUSINESS GROUP

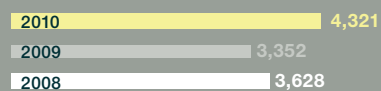
EUR million

	2008	2009	2010
Wines and Spirits	3,126	2,740	3,261
Fashion and Leather Goods	6,010	6,302	7,581
Perfumes and Cosmetics	2,868	2,741	3,076
Watches and Jewelry	879	764	985
Selective Retailing	4,376	4,533	5,378
Other activities and eliminations	(66)	(27)	39
TOTAL	17,193	17,053	20,320

A STRONG MOMENTUM IN ALL OUR BUSINESSES

PROFIT FROM RECURRING OPERATIONS

EUR million



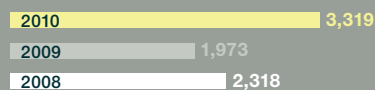
PROFIT FROM RECURRING OPERATIONS BY BUSINESS GROUP

EUR million

	2008	2009	2010
Wines and Spirits	1,060	760	930
Fashion and Leather Goods	1,927	1,986	2,655
Perfumes and Cosmetics	290	291	332
Watches and Jewelry	118	63	128
Selective Retailing	388	388	536
Other activities and eliminations	(155)	(136)	(160)
TOTAL	3,628	3,352	4,321

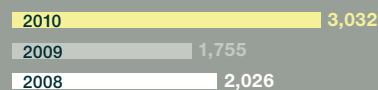
NET PROFIT

EUR million



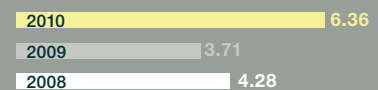
GROUP SHARE OF NET PROFIT

EUR million



BASIC GROUP SHARE OF NET PROFIT PER SHARE

EUR



CASH FLOW FROM OPERATION

EUR million



OPERATING INVESTMENTS⁽¹⁾

EUR million



(1) Acquisitions of tangible and intangible fixed assets

TOTAL EQUITY⁽²⁾

NET FINANCIAL DEBT TO EQUITY RATIO

EUR million

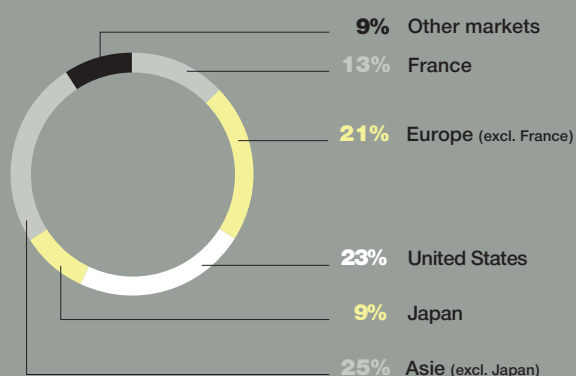


(2) Includes minority interests before appropriation of net profit.



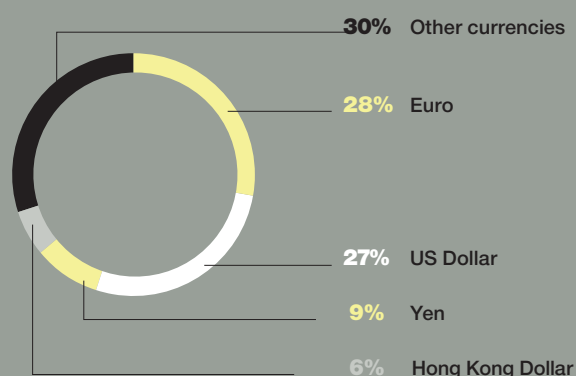
REVENUE BY GEOGRAPHIC REGION OF DELIVERY

in %



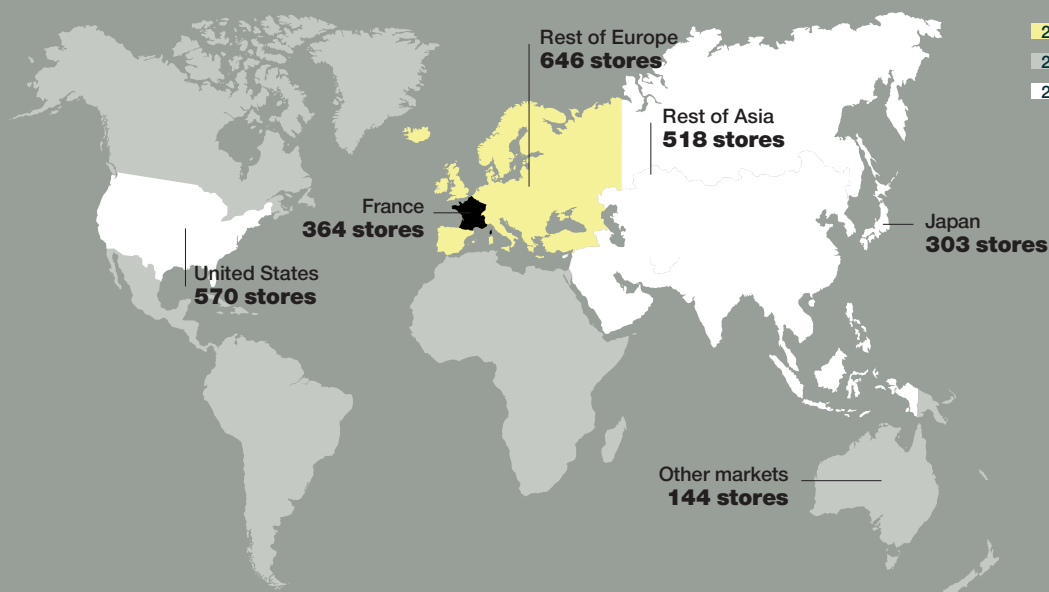
REVENUE BY INVOICING CURRENCY

in %



STORES NETWORK

at december 31, 2010



NUMBER OF STORES



THE AUTHENTICITY OF OUR BRANDS

LINKING HERITAGE AND MODERNITY



INTERVIEW WITH **ANTONIO BELLONI**,
GROUP MANAGING DIRECTOR OF LVMH

The luxury market is growing rapidly. Supporting that growth around the world while keeping the dream and the exceptional alive - isn't that the principal challenge for the Group's brands?

The luxury brands have the talent to be able to combine these two apparently contradictory requirements. They know how to develop, and to cross time and borders while preserving their soul and their share of the dream. Their long-term success depends on this ability. Our customers want real and lasting products of exceptional quality, which unquestionably spring from sincerity and faultless workmanship and therefore arouse a strong emotional response. This is why our brands focus and will continue to focus on excellence and perfection. Because these same customers are increasingly better informed, they are also more and more sensitive to the authenticity of the brands. This aspect of authenticity is founded primarily on two inseparable pillars - the history of our brands and their heritage, which connect them to a place, an expertise or a tradition of excellence; and the creativity which distinguishes them, makes them part of their era and moves them toward the future without ever denying their timeless values. The management of LVMH, which gives priority to great autonomy for our brands and teams, encourages this development process.

Is there an example of this authentic approach?

Chaumet, which was the appointed supplier to Napoleon, has just launched its *Joséphine* jewelry collection to mark its 230th anniversary. This very contemporary creation pays tribute to the Empress, one of the Brand's first important clients. The two high-end jewelry tiaras, the centerpieces of the collection, are engraved with a declaration of love from Napoleon to Josephine. And the rings in the collection are freely inspired by the legendary

historical Chaumet tiaras. The face of the promotional campaign is Sophie Marceau who brings to life the audacious character of the collection and reminds us that, in her day, Josephine was a modern, independent woman. From start to finish, Chaumet's creative process is a perfect example of legitimacy and the relationship between heritage and modernity. The new *Rouge Dior* lipstick collection, designed in association with the models of the Haute Couture shows and a true reflection of the spirit of Monsieur Dior, is another wonderful example.

We tend to see tradition and innovation as opposites.

Our heritage and our traditions are sources of creativity and endless renewal for our brands. Far from remaining locked in tradition, our brands use it as the basis for creations which are often audacious, but always anchored in the values of the brand and always perfectly executed. Luxury is the link between the best the past has to offer and a future of exciting creativity. Louis Vuitton is built on a long history and carries on the tradition of artisanal skills, but it also has the vocation and reputation of being a pioneer. It is worth remembering that the founder of the Brand moved away from the archaic curved trunks which no one had ever questioned and invented the flat trunk that was so perfectly adapted to the fantastic growth in travel that would mark his era. There is often a leap, or even an act of transgression, in the very idea of luxury. Dom Pérignon "invented" the blending and effervescence of the wines from Champagne. Hublot, one of the most brilliant representatives of contemporary luxury, owes its success to its expertise in traditional watchmaking, but also to a daring that might have seemed unthinkable: the first luxury watch with a rubber bracelet. Luxury also has the power to break codes and transcend accepted ideas.

LVMH is continually investing in the quality of its retail network. So is this a dominant growth factor for the Group's brands?

Our stores are designed to magnify the products, to create an atmosphere specific to each brand and its universe. They are the front line in creating the feeling of something exceptional which is attached to the Group's brands. They have to stir the emotions and give our customers a unique and happy experience throughout their encounter with the brand. Our sales assistants are there to establish a real relationship based on listening, to share their expertise and their passion for the brand, and to help our customers perceive the essence of the brand's sincerity. Help them experience a moment of pure magic. The excellence of the experience within our retail stores is therefore a key aspect of the authenticity and growth of our brands.

Are the values of artisanship, heritage and emotion really compatible with the digital revolution?

Our brands are expanding their presence in the new media: one can also create the dream in a virtual world and this is the ambition of our brands. A number of initiatives marked the year 2010 and will become a reality in the coming months. In addition to e-commerce which we are using to build a close relationship with each customer and to offer exceptional services, the Internet is an amazing tool, offering countless ways of understanding the universe of a brand and becoming imbued with its imagination. Sephora is particularly committed to this universe, so familiar with its customers. While Louis Vuitton is one of the most visible brands because of the quality of its digital platform, it is less well known, for example, that Château d'Yquem, one of the Group's oldest brands, has just created its own blog and is communicating on the net. The new media bring the brands alive, immediately publish their news, and allow dialogue and sharing. The fact that our brands are accessible and proactive in this universe is also a guarantee, for our customers and for consumers in general, of the authenticity of our products and our messages.



The priority objectives of the Board of Directors, the strategic body of LVMH, are enterprise value creation and the defense of the Company's interests. Its principal missions are to adopt and monitor the implementation of the major strategic orientations, verify the fair and accurate presentation of information relating to 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 the Company and ensures that they fulfill 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.

CORPORATE GOVERNANCE

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 sets out, in particular, the rules regarding membership, missions, operations and responsibilities of the Board.

The Board of Directors has two Committees, the membership, role and missions of which are defined by internal 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 or she assumes his or her duties.

BOARD OF DIRECTORS

The Board of Directors has seven independent Directors with no interests in the Company. Two of its members are women.

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 2010, 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 87%.

The Board approved the annual and interim financial statements and reviewed the Group's major orientations and strategic decisions, budget, the implementation of a bonus share plan, authorization for third party guarantees and various agreements with related companies, and the renewal of the authorization to issue bonds. It also evaluated its ability to meet shareholder expectations by reviewing its membership, organization and operations, and amended its Charter and the internal rules of the Performance Audit Committee, primarily to define "close periods" for trading by Board members in the Company's stock and to provide for the opinion of an independent expert prior to the signature of significant related party agreements.

It also decided to make payment of a portion of the directors' fees subject to members' attendance at the Board meetings or the committees of which they are members and amended the Charter accordingly, and established procedures designed to ensure more harmonious renewals of Directors over time.

EXECUTIVE MANAGEMENT

The Board of Directors decided not to separate the positions of Chairman of the Board of Directors and Chief Executive Officer. It made no limitations on the powers 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 primary missions of the Performance Audit Committee are to ensure the supervision of the process of preparing the financial information, the effectiveness of the internal control and risk management systems and the legal audit of the corporate and consolidated accounts by the Independent Auditors. It directs the procedure for selecting the Auditors and ensures their independence.

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

The Audit Performance Committee met four times in 2010. All meetings were attended by all members of the Committee, with the exception of one meeting at which one Committee member was unable to be present. The meetings were also attended by the Auditors, Chief Financial Officer, Management Control Director, Internal Audit Director, Accounting Director, Tax Director, General Counsel and, depending on the issues discussed, the Director of Financing and Treasury, Risks and Insurance Director and Director of Information Services.

In addition to reviewing the corporate and consolidated annual and interim financial statements in connection with the detailed analysis of changes in the businesses and scope of the Group, the work of the Committee focused primarily on the following points: the objectives and achievements of internal audit, internal control within the Group, currency hedges, the tax position, values of the brands and goodwill, and changes in the standards (IASB) governing lease agreements.

NOMINATIONS AND COMPENSATION COMMITTEE

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

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

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

The Committee met twice in 2010 with all members in attendance. It issued recommendations on the compensation of the Chairman & CEO and the Group Managing Director, and on the award of performance bonus shares to these officers, and issued an opinion on the compensation, bonus shares and benefits in-kind awarded to some Directors by the Company or its subsidiaries. It also issued an opinion on the appointment of Bernadette Chirac as a Director, and on the terms of office of Directors expiring in 2010.

In addition, the Committee issued an opinion on the situation of all Board members with regard, in particular, to 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; while their absence does not affect the validity of these proceedings.

As of this date, the Company has no Advisor.

COMPENSATION POLICY

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

BOARD OF DIRECTORS AND GENERAL MANAGEMENT

BOARD OF DIRECTORS

Bernard Arnault
Chairman
& Chief Executive Officer

Antoine Bernheim¹
Vice Chairman

Pierre Godé²
Vice Chairman

Antonio Belloni²
Group Managing Director

Antoine Arnault
Delphine Arnault²
Nicolas Bazire²
Bernadette Chirac¹
Nicholas Clive Worms¹
Charles de Croisset^{1,2}
Diego Della Valle^{1,2}
Albert Frère
Gilles Hennessy²
Patrick Houël
Lord Powell of Bayswater
Felix C. Rohatyn
Yves-Thibault de Silguy¹
Hubert Védrine¹

PERFORMANCE AUDIT COMMITTEE

Antoine Bernheim¹
Chairman

Nicholas Clive Worms¹
Gilles Hennessy

NOMINATIONS AND COMPENSATION COMMITTEE

Antoine Bernheim¹
Chairman

Charles de Croisset¹
Albert Frère

¹ Independent Director

² Nomination / renewal
proposed at the Shareholder's
Meeting of March 31, 2011

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,
Synergies

Jean-Jacques Guiony
Finance

Christophe Navarre
Wines & Spirits

Patrick Quart
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 et Autres
represented by
Olivier Breillot
and **Gilles Cohen**

DELOITTE & ASSOCIES
represented by
Thierry Benoit

STRONG INCREASE IN THE LVMH SHARE PRICE

Supported by the extraordinary budget policies implemented by governments to handle the crisis, most of the Western economies began to recover at the end of 2009. The recovery continued in 2010, but remains slow and relatively fragile. The crisis and recovery plans also negatively impacted the finances of certain countries, adding additional significant uncertainty in the markets. In this context, the equity markets in 2010 fluctuated as a function of investors' fears about the prospects for growth, the debt of the "peripheral" states, the new regulations in the banking sector, and even the risks of overheated economies in the emerging countries. At year-end, the trend was more favorable, but market performances in 2010 were ultimately very mixed: up in countries where the recovery seemed to have got the best start and where the budget situation generated fewer concerns, and down to a greater or lesser degree elsewhere.

Thanks to its particularly well directed activity, the share price of LVMH stood out in sharp relief in 2010. Even though the price of the share had already gained 64% in 2009, it recorded a 57% increase in 2010, the largest in the CAC 40 index. In comparison, the CAC 40 and Eurostoxx 50 indices closed the year with respective declines of 3% and 6%, while the American Dow Jones Industrials index was up 11%.

The LVMH share price closed at 123.10 euros on December 31, 2010. LVMH's market capitalization was 60 billion euros, making it fourth 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 and DJSI STOXX, the leading European indices 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.

THE LVMH SHARE

AGENDA

FRIDAY, FEBRUARY 4, 2011
Publication of 2010 revenue and annual results

THURSDAY, MARCH 31, 2011
Annual Shareholders' Meeting

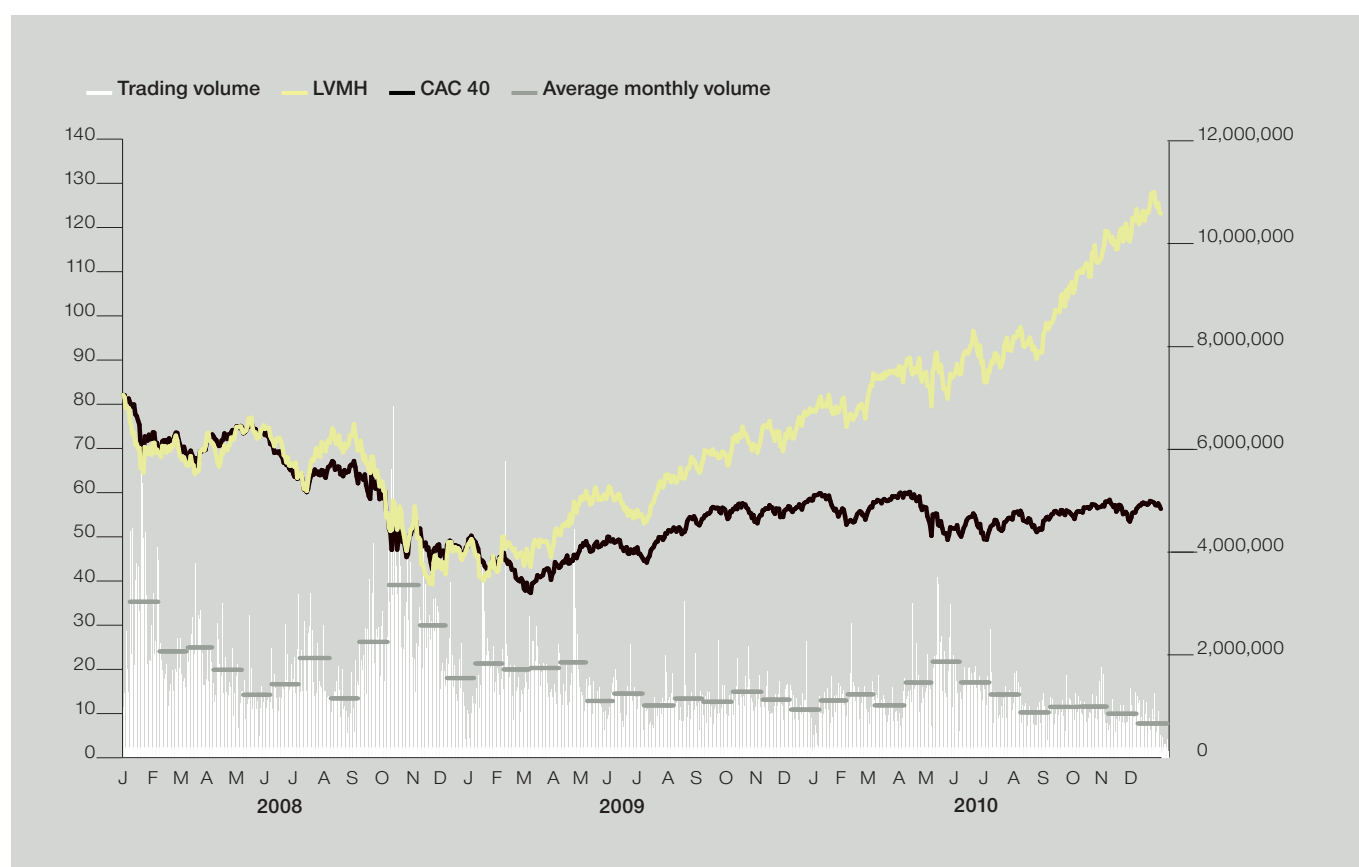
APRIL 2011
Publication of 2011 first quarter revenue

WEDNESDAY, MAY 25, 2011
Payment of the balance of the dividend for 2010 (last trading day with dividend rights: thursday, May 19, 2011)

JULY 2011
Publication of 2011 half year revenue and results

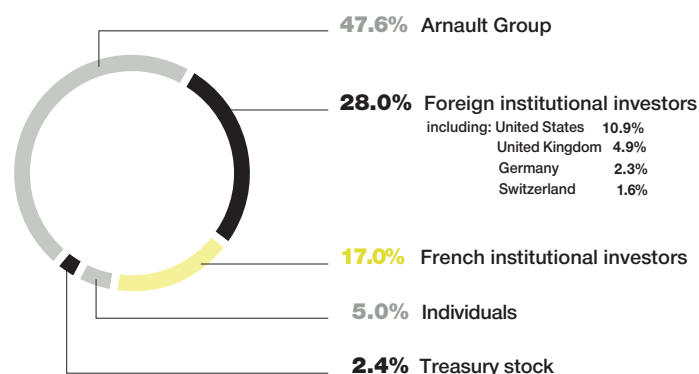
OCTOBER 2011
Publication of 2011 third quarter revenue

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



CAPITAL STRUCTURE

(Euroclear France survey on bearer shares at December 2010)



MARKET CAPITALIZATION

EUR million

December 31, 2010	60,328
December 31, 2009	38,419
December 31, 2008	23,404

CHANGE IN THE DIVIDEND

	2010	2009	2008
Net dividend (€)	2.10	1.65	1.60
Growth for the year	27.3%	3.1%	–
Payout ratio*	34%	46%	39%

* as a percentage of Group share of net profit.

DISTRIBUTION OF CAPITAL AND VOTING RIGHTS

at December 31, 2010

	Number of shares	Number of voting rights ⁽¹⁾	% of capital	% of voting rights
Arnault Group	233,760,436	448,391,426	47.64%	63.66%
Other	256,881,796	255,980,986	52.36%	36.34%
TOTAL	490,642,232	704,372,412	100.00%	100.00%

(1) Total number of voting rights that may be exercised at Shareholders' Meetings.

CONTACTS

Investor and Shareholder Relations

Tel.: 33 1 44 13 27 27 - **Fax:** 33 1 44 13 21 19

Shareholders' Club

Tel: 33 1 44 13 21 50

www.lvmh.com



THE FRENCH SHAREHOLDERS' CLUB – AN INITIATIVE TO STRENGTHEN TIES

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

Highlights

In the stress and sports segment, 2010 was a year of several landmark events, and this was particularly so for the champagne brands that were the most negatively impacted in 2020. Moët & Chandon organized an exceptional event at harvest time in Champagne, highlighted by the presence of international celebrities. The American star Scarlett Johansson, 7' was an extremely young star for Dom Pérignon which launched four vintages in the same year and paid tribute to Andy Warhol with a limited edition.

2010 was the quietest year in the bottle sales of Dom Pérignon known to date. In the middle of the 19th century, vines were decimated on a wreck in the Pacific Sea.

Perseus reinvented its classics by offering limited series with high added value, including K.O. Dujovye and V.S.O.P. Réserve, and launched P.A.S. (Petit As) in 2010. The brand was awarded a number of awards and certifications for its environmental management and their commitment to sustainable development.

Moët & Chandon was singled out by the Commission for the Promotion of Equal Opportunity for the initiatives it took to promote diversity in the workplace. The brand's social and sports efforts dedicated to women are also

**EXCEPTIONAL PRODUCTS
FOR CUSTOMERS WHO VALUE QUALITY**

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 Gro in the world leader in prestigious wines and spirits.



**A UNIQUE FAMILY OF BRANDS
IN THE LUXURY MARKET**

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.

[illegible]

AN APPROACH BASED ON EXCELLENCE
AND **Perfumes & Cosmetics**
ABSOLUTE MODERNITY



Watches & Jewel

**INNOVATION, AN ENTREPRENEURIAL
SPIRIT AND GAINS IN MARKET S**

THE YEAR 2010 PROVIDED CONFIRMATION OF THE ABILITY OF OUR WATCH AND JEWELRY TO MAINTAIN STEADY ORGANIC GROWTH, WIN MARKET SHARE AND SIGNIFICANTLY IMPROVE PROFITABILITY, AND DEMONSTRATED THE EFFECTIVENESS OF A STRATEGY BASED ON CLEAR PRIORITIES FOR EACH BRAND.

[illegible]



REVIEW OF OPERATIONS

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- 46 SELECTIVE RETAILING

out creativity



Spirits & Wines

Highlights

In the wines and spirits segment, 2010 was a year of renewed volume growth, and this was particularly strong for the champagne brands that were the most negatively impacted in 2009. / Moët & Chandon organized an exceptional event at harvest time in Champagne, highlighted by the presence of its international ambassador, the American star Scarlett Johansson. / It was an extremely strong year for Dom Pérignon which launched four vintages in the same year and paid tribute to Andy Warhol with a limited edition.

/ 2010 was the year when the oldest bottles of Veuve Clicquot known to date, dating from the middle of the 19th century, were discovered on a wreck in the Baltic Sea.

/ Hennessy reinvented its classics by offering limited series with high added value, including X.O Odyssey and V.S.O.P Helios, and launched Paradis Impérial. / The Wines and Spirits Houses earned a number of awards and certifications for their environmental management and their commitment to sustainable development.

Moët & Chandon was singled out by the Commission for the Promotion of Equal Opportunity for the initiatives it took to promote diversity. Hennessy intensified its commitment and efforts dedicated to water resources.

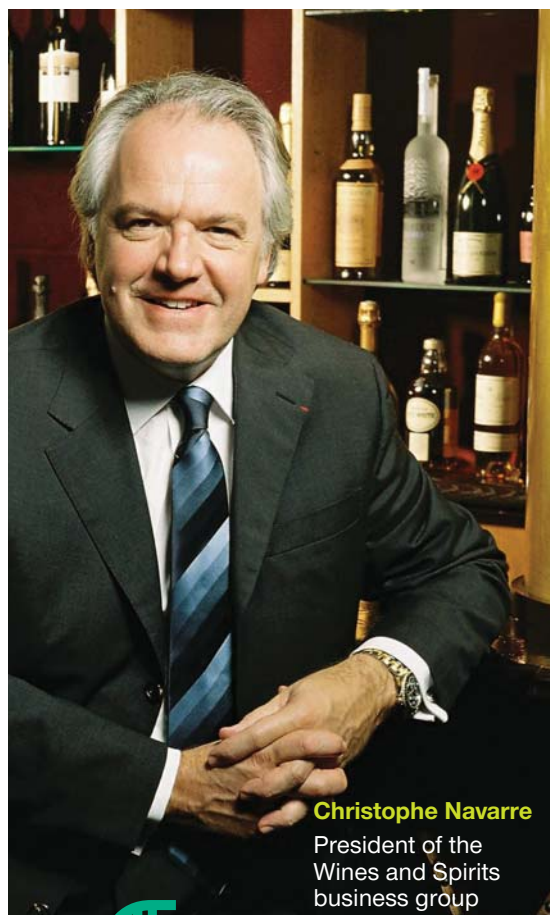
EXCEPTIONAL PRODUCTS FOR CUSTOMERS WHO VALUE QUALITY

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 prestigious wines and spirits.



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.





Christophe Navarre
President of the
Wines and Spirits
business group

At the height of the global economic crisis, faced with the inventory reductions made by retailers and slowing demand, our brands continued to make selective investments and, against a general background of severe price pressures, worked to protect their image and maintain their value creation strategy. In 2010, in order to assist the gradual recovery that occurred over the months, we expanded our sales teams in key markets. The significant profitable growth that we achieved proves the relevance of our strategic choices, and was testimony to the strength of our brands given the rather unequal improvement in the global economy.

In order to appeal to demanding consumers who are increasingly the target of marketing efforts, our champagne Houses continued to focus on their fundamentals, with advertising efforts that were more intensive as well as more precisely honed: a message closer to the exceptional product they prepare, a message of authenticity that values their heritage.

Cognac, which suffered slightly less from the crisis, benefited more than ever from its strong presence in Asia and is building its future by affirming its ambitions to conquer new countries and win new consumers. In our wine, champagne, cognac and spirits Houses, our teams which form the backbone of our performance, are working in the field around the world to provide consistent and innovative responses to changes in our markets and to new consumer trends.

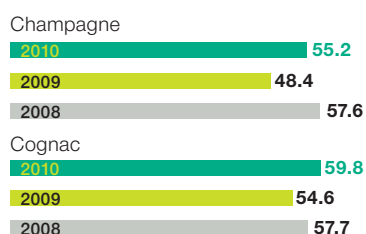
Revenue EUR million



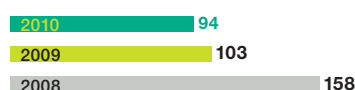
Profit from recurring operations EUR million



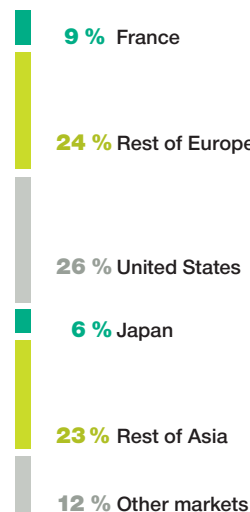
Sales volumes million of bottles



Investments EUR millions



Revenue by geographic region of delivery in %



“A year
of solid
growth”



Champagne and wines

In 2010, revenue generated by the Champagne and Wines business amounted to 1,664 million euros. Profit from recurring operations totaled 453 million euros.

Moët & Chandon consolidated its position as the world leader in champagne. The brand fully benefited from the recovery in demand in most of the major consumer countries and recorded remarkable growth in the emerging markets.

The creation of *Moët Ice Impérial*, the first champagne developed to be drunk over ice during the summer, was another illustration of the tradition of innovation and the pioneering spirit of Moët & Chandon. This new product offers a brand new experience and a radically new way to drink champagne. The introduction of the 2002 Vintage, the first since 1930 to have aged for seven years, achieving exceptional levels of maturity and harmony, was the year-end high point and illustrates the wine-making expertise of the brand.

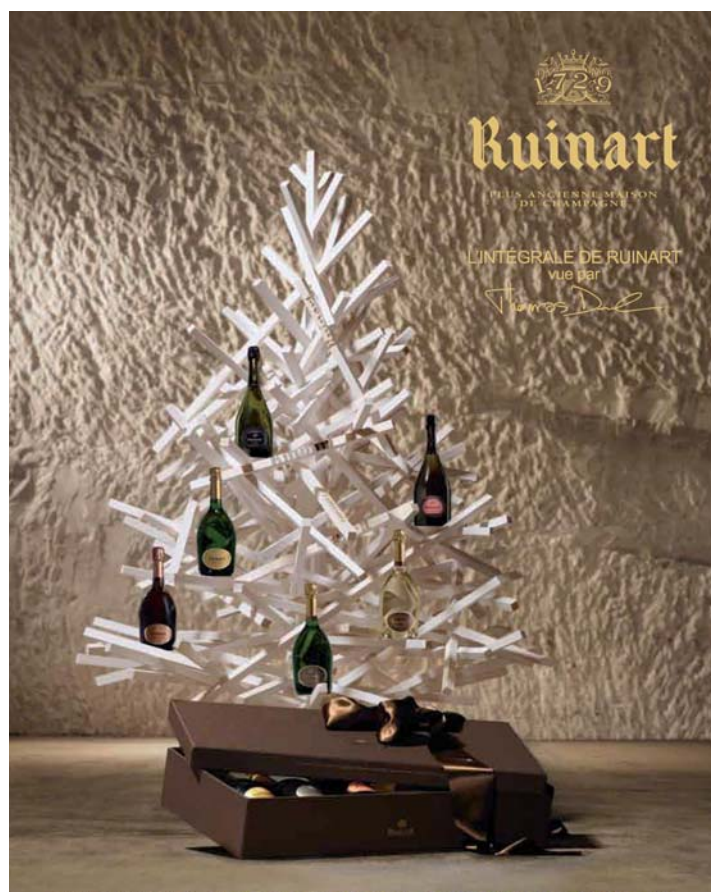
Moët & Chandon expanded its presence and its visibility at international film festivals. The House also organized an extraordinary event at its vineyard during the harvest to celebrate its heritage and its expertise, an event attended by its international ambassador Scarlett Johansson.

Moët & Chandon invents summer champagne.



Dom Pérignon, an iconic brand, showing strong growth, performed exceptionally well in the United States, Europe and Asia as retail inventories returned to normal levels. The brand organized dynamic events, including VIP dinners to highlight a history that dates back to 1668 at the Abbaye d'Hautvillers. The year 2010 was an exceptional year with the launch of four vintages (Vintage 2002, Rosé Vintage 2000, Cœnothèque Vintage 1996 and Cœnothèque Rosé Vintage 1990, the first of its kind), which were all received enthusiastically by the trade press. Another unique moment during the year was the tribute to Andy Warhol, the master of Pop Art, through a limited edition produced with the assistance of Central Saint Martin's College of Art and illustrated with an international advertising campaign.

Ruinart, whose strategy is geared primarily to the development of premium cuvées, recorded solid revenue growth in France and abroad. Several new product launches marked by exciting events



illustrated the innovative values of the brand, like the *Extraits* box designed by India Mahdavi and the *Fil d'Or*, created by Patricia Urquiola. In the second half of the year, Ruinart launched the "Integrale" case holding its six vintages in France. True to its long-standing ties with the world of art, the brand continued to be present at major contemporary art exhibits and maintained its partnership with the magazine *Connaissance des Arts*.

Mercier, a brand which has geared its strategy primarily to the French market where it is highly appreciated, continued to expand its presence in its traditional restaurant segment through its original program "Les Lieux de Tousjours".

Taking full advantage of the improved economic environment, **Veuve Clicquot** grew substantially in all its markets. The sharp recovery seen in the major traditional countries went hand in hand with the appearance of solid prospects in emerging markets such as Brazil and Russia.

The performance of Veuve Clicquot is based on the constancy of its value strategy, the quality of its wines recognized by excellent ratings, and its tradition of daring and innovation, which was particularly illustrated in 2010 by the success of the *Fridge*, a designer case that suggests both "vintage" and the avant-garde.

Veuve Clicquot also relied on an international event platform that was set up and on a publicity campaign in the new media (internet sites and social networks, expanded relations with bloggers).

The end of the year was marked by the happy discovery, reported by the international press, of the oldest bottles of Veuve Clicquot champagne known to date. The intact bottles, found on a wreck off the Alan Islands in the Baltic Sea, date from the mid-19th century and still have admirable organoleptic qualities.



Capitalizing on its fundamentals, **Krug** implemented a tasting program paying homage to the Grande Cuvée, its emblematic champagne which embodies the values of generosity, excellence and non-conformity. This initiative was highly successful worldwide. The Krug champagnes again earned the top international ratings. The brand focused on giving an opportunity to discover or rediscover its universe and the excellence of its champagnes to representatives from the general and trade press and to preferred consumers during trips to Reims and during an amazing gastronomical evening in Paris prepared by six famous chefs from around the world.

The excellence of the wines developed throughout the world by **Estates & Wines** has regularly been recognized by many international critics. These wines recorded strong growth in 2010 in all their markets, with a special mention for the Asia-Pacific and Latin American regions.

The Chandon sparkling wines achieved remarkable growth in their domestic markets, and consolidated their leadership position in the super premium category. After its successful launch in Japan and in Asia, the brand continued its internationalization strategy.

The still wine brands of Cloudy Bay (New Zealand) and Terrazas de los Andes (Argentina) recorded excellent results in all markets, as did Newton (California), Numanthia (Spain), Cheval des Andes (Argentina) and Cape Mentelle (Australia) in more selective markets.

Château d'Yquem offered the first sale of a classic vintage, the 2009, which was enthusiastically received by international experts and buyers, particularly in the Asian market. Out of a desire to place its brand within its era, Château d'Yquem created its own blog called "mYquem" and joined its fans in the social networks.



Cognac and Spirits

In 2010, the Cognac and Spirits business generated revenue of 1,597 million euros. Profit from recurring operations amounted to 477 million euros.

Hennessy X.O, a legendary cognac

HENNESSY X.O WAS BORN MORE THAN 140 YEARS AGO, FROM THE VISIONARY IDEA OF MAURICE HENNESSY, THE GRANDSON OF THE FOUNDER, AND THE EXPERTISE OF THE MASTER BLENDER OF THE HOUSE. MORE THAN JUST A COGNAC, HENNESSY X.O IS A WORK OF ART, A SUBTLE SYMPHONY OF RARE BRANDIES, AN EXACT BALANCE OF POWER AND DELICACY.

SINCE 1870, THE HENNESSY CELLAR MASTERS HAVE PASSED DOWN THE SECRET FOR PREPARING THIS EXCEPTIONAL COGNAC WHICH HAS BECOME THE TRUE STAR OF THE HENNESSY LINE. THE BOTTLE? MORE THAN EMBLEMATIC. ITS CURVES HAVE NOT CHANGED SINCE THE MARQUIS DE GEOFFRE FIRST TRACED THEM IN 1947 AND YET THEY LEND THEMSELVES YEAR AFTER YEAR TO BEING INTERPRETED BY NEW CREATIVE TALENTS. HENNESSY THUS BLENDS THE SYMBOL OF SECULAR EXPERTISE WITH THE MODERNITY OF CONTEMPORARY DESIGN FOR LIMITED SERIES WHICH CONTINUE TO WIN OVER MANY WELL-INFORMED COLLECTORS.



1947 Sketch of the Marquis de Geoffre



2010 X.O Odyssey The designer Arik Levy

CREATED A SILVER BASE FOR THE HENNESSY X.O. BOTTLE. THE ROUND CURVES BLEND WITH THE SHARP GEOMETRY OF THE PEDESTAL. AND, LIKE A GAME OF MIRRORS, A PARTICLE OF PURE SILVER ADORNS THE BOTTLE.

Hennessy completed a year of growth in all regions and for all its qualities of cognac. The brand again reached its historical highs and confirmed its position as a global leader in terms of both volume and value.

In the United States, in a competitive environment of lower prices, Hennessy returned to a positive trend without compromising its value strategy and strengthened its positions due to ambitious innovations. *Hennessy Black*, launched in 2009, confirmed its success as it was deployed throughout the US. The *Hennessy Artistry* concert program, one of the most effective vectors for promoting the brand, also expanded throughout the country with the participation of prestigious artists.

Hennessy reinforced its historic leadership in Europe. It grew in its traditional markets, like Ireland, Germany, Russia and the United Kingdom, and developed on new markets in Eastern and Northern Europe. The dynamic repositioning of Hennessy *Fine de Cognac*, a brand exclusively marketed in Europe, is a good indicator of both the recovery and of Hennessy's intention to invest in this continent.

For the third consecutive year, Asia was the primary growth driver for Hennessy. In China, the top contributor to profit, the brand recorded double-digit growth in all its products. It won new positions as a result of an ambitious distribution policy and the expansion of its prestige product line illustrated particularly by the success of *Paradis Horus*, a special limited edition packaged by the designer Ferruccio Laviani. Hennessy continued to expand in the other Asian countries, maintaining a strong position in Taiwan and growing in promising markets such as Vietnam, Malaysia and Cambodia.

In addition to its principal markets which ensure a very balanced distribution of revenue, Hennessy continued to deploy its strategy of conquering the emerging countries of Asia, Africa, Central Europe and Central America. A brand that is international but has deep roots in national cultures, it knows how to celebrate historic moments. In 2010, for example, it launched two limited editions in Mexico and Nigeria to celebrate the anniversary of the independence of those two countries.

Supported by the investments made by Hennessy in all its markets, the dynamic performance of the brand is driven year after year by its desire to create the exceptional and to create value for its offer. In 2010, the brand reinvented its classics with "collector" series offering high added value like *X.O Odyssey* and *V.S.O.P Helios*. It also enhanced its prestige line with the launch of *Paradis Impérial*, a cognac with incomparable finesse set in a crystal and gold carafe created by the young designer Stéphanie Ballini. This creation evokes Hennessy's historical relations with the imperial courts.

In 2010, the single malt whiskies **Glenmorangie** and **Ardbeg** were again the recipients of the most prestigious awards in the International Wine & Spirit Competition (IWSC). The efforts made by these two brands since joining LVMH now mean that they can begin a decisive stage in their growth under optimum conditions.

Glenmorangie whisky recorded a very good year in the United States, continental Europe and Asia. This very encouraging growth was backed by a new advertising campaign highlighting the considerable work involved in producing a single malt without equal. The brand plumbed its rich heritage to create Glenmorangie *Finealta*, the new opus of its *Private Edition* collection, which reinterprets a whisky that was introduced for the first time in 1903. Glenmorangie, whose spirit of innovation and leadership has been recognized by six "Best in Class" gold medals, increased the capacities of its distillery and launched construction of a new bottling site with leading-edge technologies. The brand thus developed the solid basis and high-performance tools to ensure its future growth.





Ardbeg continued to maintain its position as the most desirable Islay whisky. It recorded strong growth in the United States and continental Europe. The introduction of Ardbeg *Corryvreckan* was greeted enthusiastically and the product won the title "Best Single Malt" in the 2010 Whisky Bible.



Belvedere vodka completed an extraordinarily eventful year. The contribution of a new global advertising campaign, an offensive strategy based on the social networks, the launch of two new products - *Pink Grapefruit*, now the leader in macerated vodkas, and *Intense Unfiltered 80* - were just some of the highlights of 2010. Tied to the nightclub sector, the brand is supported by a very dynamic strategy of events during the "Fashion Weeks" and the principal music festivals in the United States. Revenue grew significantly to reach an historic high in 2010, demonstrating both its success in the United States and in the rest of the world as well: Europe is now recording the most rapid growth.

In line with its strategy for growth, the **Wenjun** brand is now well established in southern China and began its first shipments to Macao in October 2010 for distribution to wine merchants and restaurants. A new promotional campaign was launched at the end of the year to boost its visibility just before the peak sales season during the Chinese New Year. The *Master Selection* limited edition offered on the Wenjun visitor's site was created for collectors.



Outlook

Strengthened by the rebound in 2010 caused by the relative improvement in the global economy, the Wines and Spirits business group intends to continue solid growth in the volume and value of its sales during the coming months and to consolidate its market share.

In an increasingly competitive environment, the LVMH brands will continue to capitalize on their powerful fundamentals: excellence, authenticity, an image of luxury and exceptional creativity. While they will continue to pay careful attention to controlling production costs, their growth strategies will be based on their strong ability to innovate and on substantial media and marketing investments.

The Champagne sector will aggressively pursue its growth targets in the major consumer countries with increasingly strong goals in promising markets such as Japan and Latin America, which are longer term growth drivers. Hennessy's focus will primarily be on its two key geographic regions: Asia, which is dominated by China but includes other growth areas; and the United States where the brand continues its conquest of new consumers.

A UNIQUE FAMILY OF BRANDS IN THE LUXURY MARKET

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.

It was another year of strong growth for **Louis Vuitton**, in which all of its businesses contributed. Innovation still holds the place of honor, particularly with the roll-out of Monogram Empreinte, a new line of flexible leather goods. Louis Vuitton opened its new Maison on New Bond Street in London, an extraordinary building designed like the home of an art collector. Louis Vuitton showcased 80 pieces of high-end jewelry at the Biennale des Antiquaires in Paris and was the focus of an exhibit in the Carnavalet Museum. **Fendi** recorded growth in all product categories and expanded its distribution. In conjunction with the growing success of *Peekaboo*, the brand launched three new lines of leather goods. Marc Jacobs and Phoebe Philo, two of our designers, were recognized in New York and London as designers of the year. The **Thomas Pink** brand was awarded for an innovative initiative in customer service. **Louis Vuitton** supported the actions of Ali Hewson and Bono, the founders of the Edun ethical brand and the new ambassadors for the campaign expressing the core values of Louis Vuitton. The profits from the sales of the *Keepall* model designed for this occasion and the fees for Ali and Bono were given to Technoserve, an association that works for economic development in Africa and to Chernobyl Children International.





LOUIS VUITTON, FENDI,
DONNA KARAN, LOEWE,
MARC JACOBS, CÉLINE,
KENZO, GIVENCHY,
THOMAS PINK,
PUCCI, BERLUTI,
AND ROSSIMODA
ARE THE BRANDS
THAT FORM THE FASHION
AND LEATHER GOODS
BUSINESS GROUP.
LVMH SUPPORTS
THE GROWTH OF THESE
BRANDS BY RESPECTING
THEIR IDENTITY AND THEIR
CREATIVE POSITIONING.
THE FASHION AND LEATHER
GOODS BRANDS
CONTINUED TO EXPAND
THEIR RETAIL NETWORK.

Sophistication, exclusivity:

Since 1854, Louis Vuitton has always placed its know-how, its creative resources, and its focus on perfection at the service of world travelers and the most demanding customers. Today this tradition is more than ever alive and is manifested in all our areas of expression.

The development of the most noble leathers, supported by the construction of the Tanneries de la Comète, the partnership with Sofia Coppola to design timeless and particularly detailed models, are two illustrations of this exacting rigor in leather goods. Just like the development of custom products made to order which satisfy the desire to own an original piece in the material of one's choice. And the development of our personalized painting and calligraphy (in several styles) for luggage, and heat branding for our supple products: the seal of exclusivity for those of our customers who wish it. We also make custom orders of exceptional ready-to-wear products and will soon do the same for footwear.

Our entry into the high-end jewelry segment, focusing on the exceptional, is further proof of the level of excellence which Louis Vuitton demands from everything that bears its name.

Finally, we want to make our stores ever more sophisticated showcases, designed in the spirit of the city in which they are located, in order to upscale our worlds and offer our customers a unique experience of luxury. This desire was magnificently illustrated in 2010 with the opening of our House in New Bond Street in London, a House where art holds center stage, expressing both the spirit of our House and the spirit of the British capital.



YVES CARCELLE
PRESIDENT OF THE FASHION AND LEATHER GOODS BUSINESS GROUP



traditions more alive than ever

REVENUE

EUR million



PROFIT FROM RECURRING OPERATIONS

EUR million

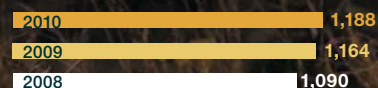


INVESTMENTS

EUR million

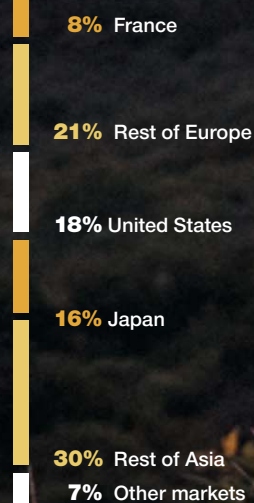


NUMBER OF STORES



REVENUE BY GEOGRAPHIC REGION OF DELIVERY

in %



LOUIS VUITTON : expands its leadership

Louis Vuitton achieved another year of double-digit revenue growth and again gained market share. This performance was, as usual, accompanied by exceptional profitability in a context of continued investments in the retail network, in the expansion of production capacities, and in communications.

A unique dimension in the world of luxury

The uninterrupted growth of Louis Vuitton, due to the global success of its products, continued to be supported by strong and dynamic innovation. In the leather goods segment, 2010 saw significant development of the *Damier* line in its three colors of ebony, azure and graphite, the contribution of new designs in the *Monogram* and *Vernis* collections, and the introduction of the first models of *Monogram Empreinte*, a new line in embossed soft leather with high potential. The brand expanded the creation of models in high-end leather and the activity related to the personalization of certain products.

Louis Vuitton also recorded solid successes in its other businesses (including ready-to-wear, footwear, textiles, accessories). While it continued development of its watches, the brand marked its entrance into the world of high-end jewelry by



participating for the first time in the prestigious Biennale des Antiquaires in Paris. Invited to exhibit during this major event in the international art market, Louis Vuitton showed 80 outstanding jewelry pieces, including the second opus in the *L'Ame du Voyage* collection designed by Lorenz Bäumer.

The retail segment proved to be just as rich in developments in 2010. As part of the qualitative expansion of the store network, new store openings and remarkable renovations punctuated the year on all continents. One of the high points was the opening of the Maison Louis Vuitton in New Bond Street in London: designed like the apartment of an art collector, housing a number of exceptional works, this remarkable project is one of the brand's most sophisticated in this area. Two new stores in Shanghai, along with the brand's participation in the World Expo, and its entrance into two new countries, Lebanon and Santo Domingo, were all notable events and testimony to Louis Vuitton's leadership and uniqueness within the high quality universe.

Enhanced influence

Louis Vuitton intensified and expanded its communications strategy. The brand confirmed its media presence with strong campaigns that reflected its many facets, including its new jewelry signature. In the second half of the year, the campaign illustrating the core values of Louis Vuitton on the travel theme benefited from the participation of Ali Hewson and Bono, the founders of the Edun ethical clothing brand, which is developing fair trade with Africa. In Paris, the "Africa Rising" exhibit, a tribute to the vitality of contemporary art in Africa, was an integral part of the launch of this campaign. In its various Maisons around the world, a number of initiatives helped to illustrate Louis Vuitton's historic ties to the art world and honored the wealth of expertise of its artisans. The end of the year was marked by a major exhibit devoted to Louis Vuitton at the Carnavalet Museum, which specializes in the history of Paris.



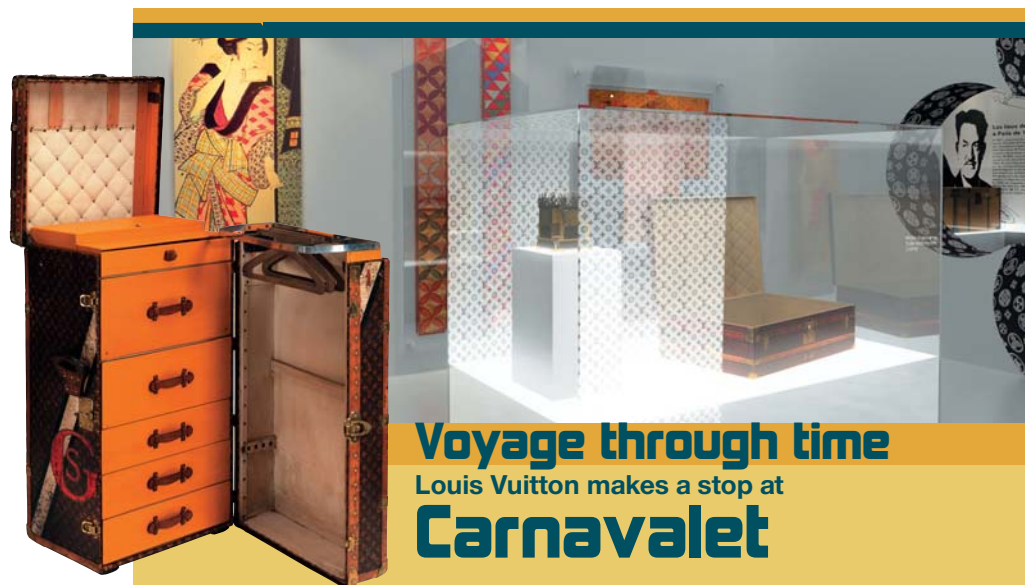
In order to meet the very high demand for its products, Louis Vuitton committed significant resources to increasing its artisanal production capacities. The year 2010 saw the completion of the Fiesso d'Artico site in Italy for footwear, and the inauguration of the first workshops of Tanneries de la Comète, the future center for development and excellence for leather treated with vegetable extracts. Louis Vuitton is also preparing to open a new leather workshop in Marsaz in the Drôme.

FENDI : growing desirability, expanded organization

Fendi achieved an excellent performance in 2010 as illustrated by the significant growth in all product categories (leather goods, footwear, ready-to-wear, furs and accessories) and the solid improvement in profitability to a new high. This dynamic momentum was visible in all geographic regions, highlighting Fendi's desirability, the appeal of its designs, the growing efficiency of its network of boutiques and the quality of the customer service offered by its teams: the in-depth work initiated in recent years to create value for the brand and consolidate the general organization of the company continued to reap benefits.

In leather goods, Fendi continued to develop its historic lines. The star *Peekaboo* line remained a benchmark, combining elegance quality and timelessness. 2010 saw the launch of some new lines.

As part of the qualitative expansion of its retail network, the Palazzo Fendi in Rome and the Plaza 66 store in Shanghai were expanded.



Voyage through time Louis Vuitton makes a stop at Carnavalet

"Voyage en capitale- Louis Vuitton et Paris": bringing together for the first time an exceptional set of trunks and luggage from the heritage and archives of Louis Vuitton, the exhibit organized in late 2010 (and which runs until February 27, 2011) by the Musée Carnavalet places the designs of the House within the cultural and artistic life of the capital.

This voyage through time traces the history of Louis Vuitton, revealing its unique expertise and its constant search for innovation. Anticipation of the revolution in transportation, custom designs to meet the wishes of the world travelers and celebrities of successive eras, participation in World Expos: a history that gives an understanding of why the Brand has been the symbol of the art of travel for more than 150 years.

Through over 800 documents and photos, the work "100 legendary trunks", prefaced by Patrick-Louis Vuitton and published for this exhibition, offers a retrospective of the most beautiful designs from the Brand, from the very first curved trunks to the luggage that continues to be designed and fabricated in the Asnières workshops today.



New stores were opened in such places as Las Vegas, Atlanta and Beverly Hills in the United States, in Singapore and in Hangzhou, China.

Fendi intensified its artistic communication along its priority vectors, under the guidance of its creator, Karl Lagerfeld. It highlighted the creativity of the Roman brand and its artisanship, the prime focus of its activity. All year long, innovations focusing on selected artists gave birth to original works praised in the different design shows in Europe and the United States.

TRENDS FOR THE OTHER BRANDS OF THE BUSINESS GROUP

Donna Karan continued to establish the components of its growth model. After safely weathering the difficult economic conditions of 2009, the New York brand once again recorded revenue growth in 2010, in the United States and abroad, and continued to improve its profitability. It was driven by the success of its fashion shows and by the work that had been conducted for several years to upscale its image and intensify the spirit of its designs with collections that reflect the energy of New York City and that are built on the values of sophistication and functionality.

The Donna Karan *Collection* line, whose new positioning is giving excellent results, celebrated its 25th anniversary in 2010. After “Icons” and “Cashmere,” growth continued with a “Casual” collection, synonymous with luxury and modernity. This new line expanded the customer base and established its position in a high-growth segment. A new store devoted to the *Collection* line opened in Las Vegas in December.

Donna Karan continued to consolidate and expand the international presence of its very New York line *DKNY*, which also recorded very strong performances, particularly in Asia.



Marc Jacobs continued to grow. The American brand is still driven by the exceptional audience for its fashion shows, both for its emblematic *Collection* and for the second line *Marc by Marc Jacobs*. In 2010, the designer received his ninth award from the Council of Fashion Designers of America (CFDA). The brand achieved very strong performance in all its markets, and was particularly successful with its *Collection* accessories and its *Marc by Marc Jacobs* lines of accessories and jewelry. A new men's fragrance was launched in 2010. Marc Jacobs expanded its retail network with the opening of two flagship stores in Hong Kong and Tokyo.

The solid performance in 2010 of Spanish brand **Loewe** confirmed that is now expanding rapidly. It recorded very encouraging results by applying its strategic choices: focusing on leather, its core business, reaffirming its identity codes, and rolling out a new store concept designed by architect Peter Marino. The emblematic *Amazona* and *Napa* leather goods lines, made from leather of exceptional quality, grew significantly. The leather ready-to-wear *Leather Icons* collection exceeded its objectives.



Céline benefited from the creative renaissance that began with the arrival of Phoebe Philo as Artistic Director. The extremely encouraging media success that heralded the beginning of this collaboration is now generating substantial commercial results. This momentum is reflected in all product categories: ready-to-wear, leather goods and footwear. In 2010, Phoebe Philo was named designer of the year at the British Fashion Awards.



Kenzo continued its repositioning and reorganization. In 2010, the brand focused primarily on streamlining its retail network.

Givenchy confirmed the success of its creations since the arrival of Riccardo Tisci and had an excellent year. The solid results for Women's ready-to-wear were amplified by the development of the “capsule” collections which pick up the strong themes of the fashion shows, an initiative launched in 2009 and expanded in 2010. The Haute Couture activity completed a transition to a “Salon de Couture” concept, which is closer, in terms of its exclusivity, to the roots of the brand and the origins of this prestigious business.

Thomas Pink recorded solid revenue growth in its key markets, the United Kingdom and the United States. The British brand introduced successful innovations with the *Imperial*, *Informal* and *Comfort Stretch* shirt lines. It focused on developing exemplary customer service expressed particularly in the “Pink on Demand” offer which resulted in the brand being awarded the grand prize at the *Retail System Awards* in London. Thomas Pink selectively expanded its retail network, establishing a presence for the first time in Australia. Its online sales have grown rapidly.

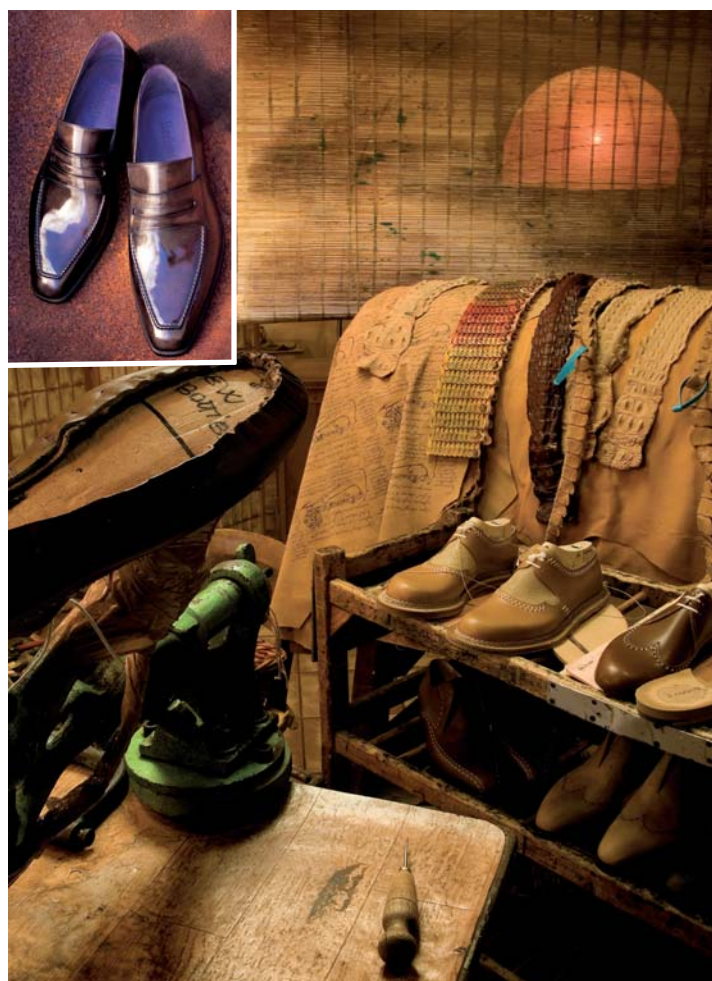
Pucci, an iconic brand, unique because of its original inspiration, continued to capitalize on its historic assets and benefited from the progressive introduction of the style orientations of Peter Dundas. A new showroom was opened in Milan. The year 2010 was also marked by the publication of an outstanding work on Pucci by Taschen, an art book publisher.

Berluti recorded a good year, driven by the success of its footwear collections and the new higher end lines of leather goods. Several new products marked the year: the *Démésures Incision*, the *Indio2* moccasin, and the “tryptic” models of the *Pierre* line. The inauguration of the Shanghai Peninsula store, a new advertising campaign and the launch of a new website were the other high points of the year.



Collection Haute Joaillerie, L'Âme du Voyage.

LOUIS VUITTON



Outlook

In 2011, Louis Vuitton will maintain its innovative momentum and continue to focus on its values of perfection and sophistication. The brand will expand its personalization services, continue qualitative development of its global store network and strengthen production capacities. The new Marsaz workshop in the Drôme will open in the spring of 2011. Pursuing its ambitions in high-end jewelry, Louis Vuitton will open a dedicated boutique and workshop of jewelry artisans in the Place Vendôme in Paris. The launch of a new digital platform is also planned in the first half.

Fendi will continue to rely on developing its iconic products and highlighting its know-how, one that is synonymous with both artisanal tradition and stylistic innovation.

Its retail network will be expanded in regions offering high potential.

Extending the significant rebound in their activities in 2010, the other brands will intensify their momentum and continue to implement the different components of their growth model. The quality of the creative teams in place will increase the commercial impact of the collections. And the attention given to the excellence at all levels is also an absolute priority for all our brands.



AN APPROACH BASED ON EXCELLENCE AND Perfumes & Cosmetics ABSOLUTE MODERNITY

Deployment of the emblematic product lines, authentic creativity, transition towards high-end, and increased long-term value: the brands of LVMH keep excellence and innovation at the center of their growth strategy.

HIGHLIGHTS

The year 2010 focused on the exceptional vitality of the emblematic perfumes of Christian Dior, led by *J'adore*, *Miss Dior Chérie* and *Dior Homme*. Wonderful innovations inspired by the haute couture collections, like the re-launch of *Rouge Dior*, enhanced the make-up lines. The brand strengthened its presence in skin care with the enormous success of the *Capture One Essential* serum. / In 2010, Guerlain demonstrated amazing vitality expressed in all its product categories. The artist Jade Jagger reinterpreted the mythical *Shalimar* bottle. The brand developed innovative skin care and make-up products and expanded its own stores in France and abroad. / LVMH created a perfume segment, LVMH Fragrance Brands, which brings together the brands Parfums Givenchy, Kenzo, Pucci and Fendi. This initiative led to the formation of a joint sales team which gives greater weight to the brands in the market, while protecting the independence of each brand's creative policy. / Parfums Givenchy launched *Play for Her* and expanded its skin care and make-up lines. Fendi returned to the perfume segment with *Fan di Fendi* and Parfums Pucci introduced *Miss Pucci*. / Benefit continued its rapid and profitable growth, illustrating its creativity through the various highly successful new products it launched. / Make Up For Ever completed another year of exceptional growth driven by the development of its two flagship lines, the launch of *Rouge Artist*, a rich collection of 50 lipstick shades, and by the expansion of its distribution network. / As part of the projects conducted by the Perfumes and Cosmetics brands in support of sustainable development, particular attention was paid to the eco-design of packaging. Parfums Kenzo was recognized in 2010 for two innovative solutions that were implemented, allowing consumers to refill the *FlowerbyKenzo* bottles.

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 BRANDS: BENEFIT AND FRESH, TWO RAPIDLY GROWING AMERICAN BRANDS; ACQUA DI PARMA, WHOSE PERFUMES SYMBOLIZE ITALIAN ELEGANCE; PARFUMS LOEWE, ONE OF THE LEADERS IN THE SPANISH MARKET; AND MAKE UP FOR EVER, A FIRM FAVORITE OF PROFESSIONAL MAKE-UP ARTISTS WHICH RECORDED OUTSTANDING GROWTH BY OPENING UP TO THE GENERAL PUBLIC. THE RECENTLY CREATED FENDI AND PUCCI PERFUMES ROUND OUT THIS BUSINESS GROUP.

A selective approach in a very competitive environment



After a particularly difficult year in 2009 when our brands held up well, the year 2010 marked a return to growth in the perfumes and cosmetics market. This recovery was generated against a backdrop of heavy media investments and intense promotional activity by a number of players in the sector.

In this highly competitive environment, our brands continued to demonstrate their commitment to quality and strong creativity. They capitalized on the exceptional vitality of their great classics, which have successfully reinvented themselves from one year to the next without losing one ounce of their magic. And while relying on these strong pillars, the brands grew the value of their product portfolios through perfectly adapted and authentic innovations. Each of our brands contributed to the growth of the business group. Each one enhanced its image of excellence, its modernity, and the foundation for its long-term growth.

Revenue EUR million



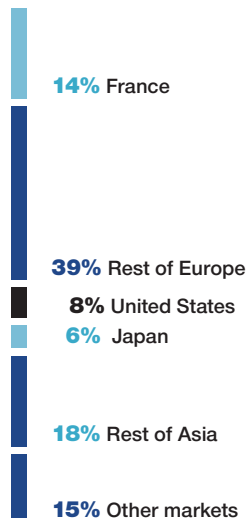
Profit from recurring operations EUR million



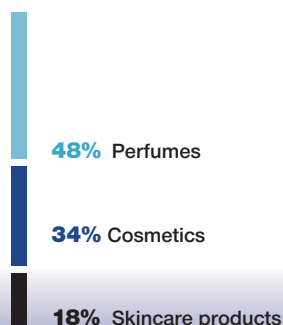
Investments EUR million



Revenue by geographic region of delivery in %



Breakdown of revenue by product category in %



PARFUMS CHRISTIAN DIOR:

exceptional vitality of flagship products, very qualitative innovations

Parfums Christian Dior achieved a remarkable performance, with double-digit growth in revenue and profit from recurring operations. The year was marked by a rebound in the major traditional markets and continued growth in Asia.

Intensifying its strategy to create value, the brand maintained and highlighted a very selective approach in its creations, in the development of its know-how in line with the values of high fashion and in the design and organization of its points of sale. The exceptionally steady and dynamic performance of the flagship product lines and the implementation of a high-quality strategy of innovation generated growth in all segments—perfumes, make-up and skincare. The activity of the brand was supported by significant advertising investments in its priority markets.

In the perfume segment, Dior focused on the development of its strategic products. The continued global success of *Miss Dior Chérie*, a new format for *J'adore*, the deployment of *Eau Sauvage*, the production of new films for *Hypnotic Poison* and *Dior Homme* were some of the high points of 2010. The year was also punctuated by the creation of a new opus in the *Escales* series and by the launch of the *Collection Couturier Parfumeur*, a true tribute to Monsieur Dior: this collection signed by François Demachy, the perfumer-designer for the Brand, offers ten fragrances assembled by hand, all of which, from the *Oriental* to the *Cologne*, from women's fragrances to men's, are composed with the most noble and precious ingredients in the world of perfume.

In the make-up segment, where innovation plays a major role, Dior distinguished itself in the first half of 2010 with the success of its mascara *Diorshow Extase* and the extension of its *Diorskin Nude* foundation line. The second half of the year saw the highly successful launch of the new *Rouge Dior*, available in 32 shades directly inspired by the world of *haute couture*, and the introduction of a collection of nail polishes designed in the same spirit and also offering an exceptional palette of colors.

The skincare lines performed extremely well, driven in particular by the solid growth in the emblematic anti-aging *Capture* line and the highly successful new-generation *Capture One Essential* serum launched in 2010.

All these developments enhanced the legitimacy, modernity and expertise of the brand.



Shalimar, the perfume of a magical “other” world



JADE JAGGER
reinterpreted
the Shalimar
bottle with a sense
of its history.



Its name means “temple of love” in Sanskrit. Time holds no sway over Shalimar from Guerlain –undoubtedly because the perfume that was the first oriental fragrance in perfume making embodied modernity when it was created in 1925: the modernity of its powerful and unexpected scent which celebrates the splendor of the Orient, that “other” world which inspired and sparked the imagination of the Roaring Twenties; the modernity of its original bottle glorifying the curves of the fountains in Indian gardens; the modernity of its faceted, sapphire-blue stopper, the production of which was a technical feat in that era.

A burning wick, still incandescent, Shalimar is still a star perfume in the exceptional saga of Guerlain fragrances. It has continued to fascinate women and to inspire artists over the years. In 2010, the British designer Jade Jagger reinterpreted the legendary bottle. She created a true sculpture which met the challenge of combining soft and sensual forms with fiercely contemporary lines, highlighting the essential and the exceptional.

1935:
illustration
by Elise Darcy



TODAY,
Natalia Vodianova is the
embodiment of Shalimar.

GUERLAIN:

a dynamic and profitable year

After its resilient response to the effects of the economic crisis on the perfumes and cosmetics market the previous year, **Guerlain**, one of the world's oldest perfume houses, created in 1828, returned to strong, dynamic growth and established a new record for both revenue and profit. The brand achieved an exceptional performance in France and recorded strong growth in China.

The growth in perfumes was particularly driven by the confirmed success of the new fragrance *Idylle* and by the exceptional strength of the legendary *Shalimar*. The year 2010 also highlighted the sustained performance of the *Orchidée Impériale* skincare line, which generated double-digit growth, and the promising beginning of the innovative *Abeille Royale* derived from the royal jelly. The make-up business benefited from the strengthening of the powder *Terracotta*, and from the introduction of a new foundation *Lingerie de Peau*, which was very favorably received.

Continuing to affirm its status as a leading name in the world of beauty, Guerlain expanded its network of boutiques in France (renovation of the Paris boutique in Passy and a point of sale opened in Le Printemps Haussmann) and abroad (re-opening of the “imperial” boutique in Tokyo and the inauguration of two exclusive spaces in Dubai).





TRENDS FOR THE OTHER BRANDS OF THE BUSINESS GROUP

Parfums Givenchy recorded an excellent year with strong growth in revenue and marked growth in operating profitability. This strength was confirmed in almost all geographic regions and distribution circuits. The most dynamic lines were the perfumes *Ange ou Démon* and *Play* (the women's version of which, *Play for Her*, was successfully launched in 2010), *Le Soin Noir* and *Vax'in*, an innovative anti-aging serum launched during the year. Among other innovations, Parfums Givenchy introduced *Mister Lash Booster*, a revitalizing serum for eyelashes.

The business of **Parfums Kenzo** benefited from the solid performance of the *FlowerbyKenzo* line, which reacted positively to its new advertising campaign and the launch of a woody variant in the *Kenzo Homme* line.

Fendi returned to the perfume market in the second half of 2010 with *Fan di Fendi*, a new line with a highly identifying design, rolled out by the LVMH Fragrance Brands sales network in around ten countries. The first results for this perfume were excellent and it will be extended to the rest of the world in 2011.

Parfums Emilio Pucci continued to expand its international presence and launched a new fragrance, *Miss Pucci*.



The performance of **Benefit** in 2010 continued to generate rapid growth. The brand expanded in the United States, its country of origin, and continued to develop in Asia and Europe. A young and creative brand, primarily geared toward clever and effective make-up solutions, Benefit successfully relies on its unique talent to reconcile the serious side of its products and the playful and offbeat nature of their names and packaging. Several successful innovations, like *Sugarbomb* (a compact powder), *Stay don't Stray* (foundation) and *Girl Meets Pearl* (pearled liquid), marked the year 2010. The brand also focused on the development of its *Brow Bars* concept in perfume stores and expanded its digital media presence.





Make Up For Ever recorded another year of exceptional growth in revenue and profit. The brand grew in all its markets, particularly in North America and Europe. It increased its market share in Asia significantly and resumed control of its distribution in South Korea. In order to communicate about its new *Rouge Artist lipstick*, Make Up For Ever for the first time launched large-scale media campaigns in France and the United States. The two star lines *Aqua* and *HD* (High Definition) were expanded with the introduction of *Aqua Cream* and *HD Blush*. While intensifying its success with the general public, the brand recorded a high growth rate in the professional make-up segment and boosted its brand recognition with the entertainment world.

Fresh and **Parfums Loewe** recorded solid growth. The American brand expanded its face and body skincare offer with new products containing natural ingredients. The Spanish company demonstrated remarkable resistance in its country of origin and accelerated its international growth.

Acqua di Parma recorded excellent performances generated by the continued success of its perfume lines, emblematic of Italian style, and a few very selective innovations.



Outlook

Continuing the momentum developed in 2010, the year 2011 promises to be rich in developments for the brands of the Perfumes and Cosmetics business group.

Parfums Christian Dior has strong growth prospects for *Miss Dior Chérie*, which will benefit from the association with its new ambassador Natalie Portman. Particular efforts will also be dedicated to the *Dior Addict* lipstick line and to the re-introduction of the *Capture Totale* skincare line based on the cell-regenerating power of the *One Essential* serum and with the addition of a new and exclusive active cosmetics ingredient. *J'adore* will be strongly supported as every year. A number of initiatives will contribute to enhancing the desirability of the Dior brand in liaison with the Haute Couture and will be based on the search for excellence and the increased visibility of the brand's points of sale around the world.



Guerlain's objectives are also ambitious. A new evolution of the *Shalimar* legend and a new communications plan for *Idylle* will be the high points of 2011 in perfume. In the beauty segment, Guerlain will further strengthen the *Orchidée Impériale*, *Abeille Royale* and *Terracotta* lines and will roll out a new lipstick.

The news from **Parfums Givenchy** will be dominated by the launch of a new perfume for women, developed with the collaboration of the fashion house and strongly emblematic of the values of Givenchy.

Parfums Kenzo will launch a new fragrance for women while it unveils a new and very original variant of *FlowerbyKenzo*.

Benefit will continue to illustrate its dynamic innovative ability through the year and will expand distribution in all its key markets. The brand will open its first boutique in New York.

Make Up For Ever will focus on strengthening its two star product lines *Aqua* and *HD*, while at the same time expanding its offer in the professional make-up segment.

Dior



Watches & Jewelry



INNOVATION, AN ENTREPRENEURIAL SPIRIT AND GAINS IN MARKET SHARE

THE YEAR 2010 PROVIDED CONFIRMATION OF THE ABILITY OF OUR WATCH AND JEWELRY BRANDS TO MAINTAIN STEADY ORGANIC GROWTH, WIN MARKET SHARE AND SIGNIFICANTLY IMPROVE PROFITABILITY, AND DEMONSTRATED THE EFFECTIVENESS OF A STRATEGY BASED ON CLEARLY DEFINED PRIORITIES FOR EACH BRAND.

HIGHLIGHTS

■ **TAG Heuer** celebrated its 150th anniversary. It was a year rich in remarkable events, particularly the launch of its 1887 caliber, the re-issue of historic watch designs, and the organization of a spectacular exhibit shown around the world. ■ **Hublot** earned the prestigious Walpole Award for Excellence in the luxury brand category. The company launched its entry into China and opened a boutique in the Place Vendôme in Paris. ■ **La Manufacture Zenith** successfully developed its classic offer and returned to a positive trend. It launched with great success the *El Primero Striking 10th*. ■ **Chaumet**, the jeweler to Napoleon, gave tribute to its heritage with the introduction of the *Joséphine* jewelry collection. ■ **Fred and De Beers** focused successfully on the development of their iconic product lines and best-sellers. ■ In conjunction with its efforts to boost productivity in the existing stores, the Watches and Jewelry business group expanded the presence of its brands in the world's leading countries with successful new store openings, managed selectively in strategic cities and locations. ■ **TAG Heuer** intensified its commitment to sustainable development. In addition to its partnership with Tesla Motors, the maker of zero-emissions electric cars, the brand completed on the roofs of its buildings in La Chaux de Fonds one of the largest photovoltaic installations in French-speaking Switzerland which can produce 100,000 kWh per year.





A year marked by entrepreneurial passion

In 2010, our business sector recovered significantly after the serious crisis we faced in 2009. Against a background of improved economic conditions, our watch and jewelry brands invested all their creative energy, expertise and entrepreneurial passion in growing more rapidly than the competition and in continuing to win market share in the world's leading countries.

Our 29% revenue growth was driven by rigorous management and a significant and targeted increase in marketing, sales and industrial investments. As a result of this discipline, our profit from recurring operations doubled. We owe this excellent performance to all the talented men and women who work with determination in our brands and our retail subsidiaries around the world.

Carried by the enthusiasm of these teams and building on clear priorities that rigorously focus the efforts of each brand, our strategy will be continued and expanded with the aim of achieving a major objective: to carry on the dynamic creation of value that drives the development of our portfolio of brands.

Philippe Pascal
President of the
Watches and Jewelry
business group



Revenue
EUR million



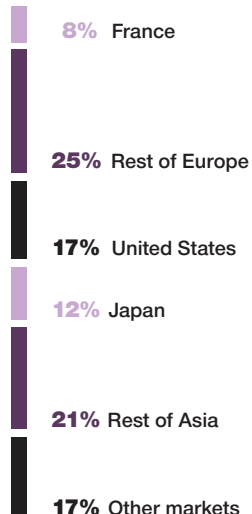
Profit from recurring
operations
EUR million



Investments
EUR million



Revenue by geographic
region of delivery
in %



THE MOST RECENT OF THE LVMH BUSINESS GROUPS HOLDS A PORTFOLIO OF LUXURY 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 THE CREATIVITY AND PRODUCTIVITY OF THE JEWELRY COLLECTIONS FROM **CHAUMET**, **FRED** AND **DE BEERS**. THE NAME RECOGNITION OF THESE BRANDS AND THE VITALITY OF THEIR ICONIC COLLECTIONS MAKE LVMH ONE OF THE MOST DYNAMIC GROUPS IN THE MARKET.

TAG HEUER : 150 years of innovation

In 2010, **TAG Heuer** stylishly celebrated its 150th anniversary, achieving strong organic revenue growth in all markets, including very steady expansion in China, double-digit growth in the United States, and a solid performance in Japan.

TAG Heuer completed the industrial production of its automatic chronograph movement, the Calibre 1887, launched successfully in the *Carrera* line. This development earned the Geneva Grand Prix de l'Horlogerie and enjoyed excellent commercial success. At the Basel Trade Show, TAG Heuer also introduced the Pendulum, a magnetic regulator concept, an innovative alternative to traditional regulating movements. In the women's watch segment, TAG Heuer expanded its offer with the steel and ceramic *F1*, and demand for the model exceeded the most optimistic projections.

Finally, TAG Heuer expanded its network with twenty new stores, both owned and franchised, notably in China and Southeast Asia, but in Japan, Russia and Paris as well. The brand now has over one hundred stores worldwide (owned and franchised), the productivity of which increased significantly.

The famous Chinese actor Chen Dao Ming joined the prestigious team of TAG Heuer Ambassadors. The brand boosted its marketing investments, focusing on television and the Internet. It used the occasion of its 150th anniversary to intensify its communication campaign and highlight its avant-garde positioning, its values of daring and performance, and its technological expertise. Highly visible initiatives punctuated the year, including the "Odyssey of Pioneers" exhibit, a tribute to its prestigious heritage which traveled the world as part of a partnership operation with Tesla Motors.



It was the very first world tour of a 100% electric sports car, with zero carbon dioxide emissions. Original and symbolic at several levels, the adventure brought together two avant-garde brands that share the same performance values and a strong commitment to sustainable development: Tesla Roadster, designed by the only auto maker to sell electric cars adapted to sports auto racing, joined by the revolutionary watches of TAG Heuer, emblematic of 150 years of innovation.

The Odyssey of Pioneers traveled to 16 cities throughout the world, where the opening of the exhibit dedicated to the 150 years of TAG Heuer was attended by journalists, celebrities and opinion makers. This extraordinary sports tour, which ended in Paris with Leonardo DiCaprio, a TAG Heuer Ambassador and guest of honor, was also watched live by a large Internet audience.



HUBLOT: the acceleration of a remarkable journey

After demonstrating remarkable resistance in 2009, **Hublot** accelerated its growth on several fronts in 2010.

Its Nyon manufacturing facility increased capacity with the inclusion of the "Confrérie Horlogère", a unit for research and development in advanced watchmaking, and the development of its own chronograph movement UNICO.

Hublot also expanded its network of boutiques by opening stores in strategic locations in Paris (Place Vendôme), Beijing, Singapore, New York, Miami, and St Thomas, giving the brand high visibility and strong positioning in the luxury watch market.

Hublot increased its marketing investment expenditures with original and highly publicized partnerships like the World Cup of Soccer until 2014, the F1 World Championship, and Fashion Week in New York.

Hublot continued to steadily improve its positioning as a luxury brand with the King Power line, the Big Bang line of chronographs for women, *Tutti Frutti*, which is set with precious stones, and a number of high-end watch complications developed by its manufacturing facility and its "Confrérie Horlogère." As a result, Hublot substantially increased its market share of the high-end watch segment. The brand also began to establish a presence in China, with highly visible stores in partnership with actors Jet Li and Fan Bing Bing.

Finally, Hublot was awarded the "Walpole Award for Excellence 2010" which recognizes the most prestigious luxury brands.

ZENITH: a pioneering spirit and watchmaking precision

Manufacture **Zenith** achieved an extremely energetic recovery after the restructuring completed at the end of 2009.

The new strength of its collections, inspired by a return to classic watches and by the legendary expertise of the Manufacture, was praised by customers and opinion leaders.

The reduction in the number of catalogue items and the emphasis on the continued unequalled performance of the celebrated El Primero movement generated dynamic demand in all markets.

The brand partnered with celebrities who are true pioneers in their professions, like the explorer Jean-Louis Etienne, reflecting the avant-garde

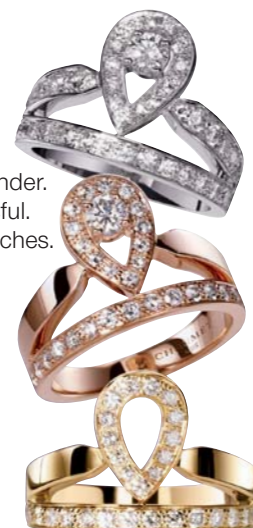


spirit of the company in watchmaking. The *El Primero Striking 10th* chronograph, with direct reading to one-tenth of a second, is an innovation that perfectly illustrates this pioneering spirit and was so successful that inventories were quickly depleted.

Zenith recorded remarkable growth in Chinese Asia where the brand is highly appreciated and recognized.

CHAUMET: a heritage and spirit of conquest

Inspired by its history, **Chaumet** developed original and recognizable theme lines, in both jewelry and watches. The *Joséphine* collection, the top innovation of 2010, references the historic crown designs by Chaumet artisans and pays tribute to Empress Joséphine, the first major customer of the brand's founder. The launch of this collection was enormously successful. Chaumet also enhanced its collections of jeweled watches. Chaumet expanded significantly in Asia with new stores opened in different Chinese cities and in Singapore. It also gained market share in its traditional markets of France and Japan, at the same time improving the productivity of its stores and its profitability.

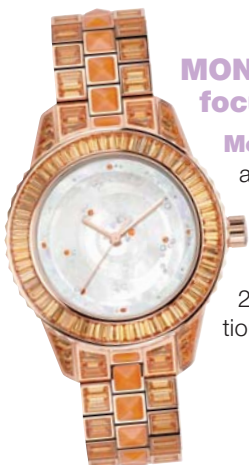


Sophie Marceau, the ambassador of Chaumet, illustrated a new advertising campaign that highlights the sensuality and purity of the jewelry lines.



MONTRES DIOR: focus on high-end

Montres Dior continued to reduce its distribution network and expanded its presence in Dior Couture boutiques. New watch designs supported the upscaling of the strategic *Christal* line. The *Mini D* product line, which has completed and enhanced the *D de Dior* collection since 2009, is a perfect cap to an elegant and prestigious positioning in women's watches.



DE BEERS: eternal diamonds

De Beers generated strong growth, improved the productivity of its stores and strengthened communication of its expertise as a diamond jeweler.



New classic collections were added to round out the Brand's product offer. Sales of engagement rings rose significantly in all markets, and the De Beers stores are now recognized as a legitimate destination for an investment this substantial. Sales of high-end jewelry also rose, with increased demand for exceptional stones.

In addition, after the success of the brand in Hong Kong and Taiwan, the new store at Marina Bay Sands in Singapore confirmed the interest of Asian customers in the brand.

FRED: a brand for life

Fred, a jeweler offering extremely contemporary designs, continued targeted growth in France and Japan with steady work on its iconic *Force 10* and *Success* lines.

A line of *Force 10* rings enhanced the success of the famous bracelet inspired by the world of sailing and re-introduced in 2008.

The advertising campaign focused on ambassador Kate Moss was expanded. Fred's top priority was to improve the productivity of its network of existing stores. In December, the brand launched its online sale site in the French market, www.fred.com.



Outlook

In 2011, the Watch and Jewelry business group's strategy of profitable growth will be continued and expanded with ambitious targets.

Communications investments will be continued, including on the Internet, and will remain highly targeted on brands and priority markets. Chinese Asia will receive particular attention, although the objective is still to develop balanced activity on the principal continents.

The business group will expand its network of boutiques in China, a country with strong potential, and will develop it selectively in other markets. New stores are planned by Hublot in New York on Madison Avenue, TAG Heuer in Las Vegas at City Center, Zenith in Hong Kong, and De Beers in Beijing and Hong Kong among others. The TAG Heuer, Hublot and Chaumet brands are initiating a major program of new stores in Asia. Fred will open a boutique in Paris in the Marais district.

TAG Heuer and Hublot plan to increase their own production of watch movements to ensure they have the best resources to continue their quest of extreme quality.

Zenith intends to launch a renovation program at its manufacture in Le Locle to increase capacity and productivity.

In January 2011, the watch brands are introducing their new collections in Switzerland and worldwide, even before the traditional Basel trade show in late March. A large number of innovations will be unveiled in each of their iconic product lines, reflecting a continuing effort in creativity and in high quality in all market segments.

SELECTIVE RETAILING INTERNATIONALLY SUCCESSFUL CONCEPTS

PRESENT IN ALL FOUR CORNERS OF THE WORLD, THE TEAMS DEVELOPING THE LVMH 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 OF CUSTOMERS FROM VERY DIVERSE COUNTRIES AND CULTURES.

HIGHLIGHTS

| DFS completed its second site in Macao and the renovation of its Sun Plaza Galleria in Hong Kong where it celebrated its 50th anniversary in November.

| Sephora gained market share in all its regions and passed the mark of 1,000 stores around the world: its network represented 1,070 stores at December 31, 2010.

| Sephora inaugurated its entry into Latin America thanks to the acquisition of the Brazilian leader in online sales of selective perfumes and cosmetics and signed a partnership for operations in Mexico.

| Le Bon Marché opened its “Maison d'Edition,” a space dedicated to the art of living, on the second floor of the store, and opened its new “Balthazar” department for men.

| In France, Sephora received the 2010 Special Jury Corporate Citizen Prize for its “jobstyle” operation, a program that counsels disabled workers looking for a job on their image. In the United States, Sephora is committed to the environment through a program to expand its recycling initiatives.

Because each customer is unique

EVER-EXPANDING KNOWLEDGE OF THEIR DIFFERENT CUSTOMERS AND HIGH-ENERGY CREATIVITY USED TO MEET THEIR SPECIFIC EXPECTATIONS: OUR RETAIL CONCEPTS DRAW THEIR STRENGTH FROM THESE KEY LEVERS AND AGAIN GAINED MARKET SHARE IN 2010.

INNOVATION AND SELECTIVITY IN OUR OFFER, THE EXCELLENCE OF THE CUSTOMER EXPERIENCE IN OUR STORES, ABSOLUTELY FAULTLESS SERVICE: DIFFERENTIATION AND PERSONALIZATION ARE THE PASSWORDS. FOR DFS, WHICH CONTINUED TO EXPAND ITS HIGH-END PRODUCT LINE, DEVELOPED NEW SERVICES AND CONTINUED TO POSITION ITSELF AS A PLACE OF DISCOVERY AND ONE-OF-A KIND SHOPPING FOR TRAVELERS, WHATEVER THEIR DESTINATION. FOR MIAMI CRUISELINE, WHICH DESIGNED AN APPROACH AND A SPECIFIC PRODUCT OFFER FOR EACH CRUISE SHIP AND EACH CATEGORY OF PASSENGER. FOR SEPHORA, WHOSE STATED AMBITION AS AN EXPERT IN BEAUTY IS TO "INDIVIDUALLY SERVE EACH OF ITS CUSTOMERS" ANYWHERE IN THE WORLD. FOR LE BON MARCHÉ, WHOSE PROFILE AND EXTRAORDINARY REPUTATION WITH DEMANDING CUSTOMERS, BOTH PARISIAN AND INTERNATIONAL, WERE AGAIN ENHANCED BY THE MAGNIFICENT ACHIEVEMENTS UNVEILED IN 2010.

BECAUSE EACH OF OUR CUSTOMERS IS UNIQUE, BECAUSE A CUSTOMER MUST FEEL UNIQUE WHEN HE OR SHE ENTERS OUR STORES, WE CONSTANTLY STRIVE TO LISTEN AND MEET THEIR EXPECTATIONS.

Revenue EUR million



Profit from recurring operations EUR million



Investments EUR million

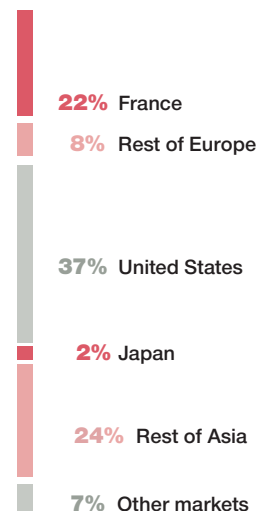


Number of stores



* Change of method for counting DFS stores in 2009.

Revenue by geographic region of delivery in %



The Christian Dior boutique in the DFS Galleria in Hong Kong Sun Plaza.



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 markets; 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: the success of an upscale strategy

DFS, which celebrated its fiftieth anniversary in 2010, recorded a year of strong growth. Its business was driven by the continued growth in Asian tourism and by the appreciation of the yen against the US dollar, which resulted in increased numbers of Japanese customers. The stores in Hong Kong, Macao and Singapore, highly popular destinations for Asian travelers, recorded remarkable growth: DFS clearly reaped the rewards of a strategy that has long anticipated the expansion in this high-potential customer base and of the work completed to better target the product offer and services dedicated to this base. Hawaii, Guam and North America were also dynamic markets. The recent concessions in Abu Dhabi in the Middle East and Mumbai in India recorded steady growth.

The investments made in strategic stores continued in 2010. The *Galleria* at Sun Plaza in Hong Kong, which completed its renovation and expansion, was the stage for the celebration of the fiftieth anniversary of DFS when it re-opened in November. The second site in Macao, City of Dreams, was completed in the summer. In Hawaii, in the first stage of the eventual complete renovation of the *Galleria*, the Beauty space was expanded to offer a unique range of brands and services for this destination.

DFS continued to base its strategy on the growing appeal and the qualitative improvement of its stores in all destinations. The policy is based primarily on an offer that continues to move toward luxury brands and products and on the expansion of services offered to customers. The many initiatives last year included the “Platinum” program designed for our most important customers, which includes specific communications, exclusive events and personalized assistance in making their choices and purchases under optimum conditions. This concept, which DFS inaugurated at Hong Kong Sun Plaza, is now being extended to other destinations.

MIAMI CRUISELINE: an offer always better targeted

Miami Cruiseline benefited from a gradual recovery in cruise activity, the impact of which was particularly strong in the second half. The revenue growth recorded in 2010 was driven primarily by the commissioning of the *Oasis of the Seas* from Royal Caribbean, an enormous ship where Miami Cruiseline has a space that is an ideal showcase for its expertise.

While it continued to work to improve profitability, the company also intensified its strategy aimed at differentiating its sales approach and its product offer as a function of the customer base specific to each cruise line.



DFS: 50 years— The journey continues



NOVEMBER 1960:
the first office opens
in Hong Kong, the start
of a glorious adventure.

On November 7, 1960, the two founders of DFS opened their first office in Hong Kong. A few weeks later, they applied to operate the commercial concessions in the airports of Honolulu and Kai Tak in Hong Kong. They won both those concessions, recording their first success. On the eve of the fantastic growth in air travel, did these two pioneers have any idea how huge their business would become? DFS, which joined LVMH in 1997, is today a reference player in travel retail, operating in twenty international airports and present in its 15 *Galleries*, special showcases for luxury brands located in the heart of the most important air destinations in Asia-Pacific, as well as in the United States and Japan. Its unique expertise and an exceptional ability to react to a constantly changing market are the key assets of DFS which celebrated its 50th anniversary at Hong Kong Sun Plaza on November 6, 2010. The theme of the event: The journey continues.



SEPHORA increases its global lead

Sephora recorded remarkable performances all over the world. This momentum, which generated new gains in market share in all its regions, was particularly noteworthy because it followed very solid growth in 2009.

A unique global player in the selective retailing of perfumes and cosmetics, the brand continued to trust the vectors of its global success: a strong and differentiated concept that combines freedom, pleasure and assistance; a very complete and particularly innovative offer that brings together a unique range of major selective brands, a series of exclusive brands, and the *Sephora* product lines; the contribution of increasingly sophisticated and successful customer loyalty programs that assist in refining and personalizing the relationship with customers. Sephora relies, finally and particularly, on the continued development of the skills of its sales assistants and managers thanks to a very advanced training policy designed in Paris by Sephora University and adapted around the world. Skincare was a very special focus in 2010.

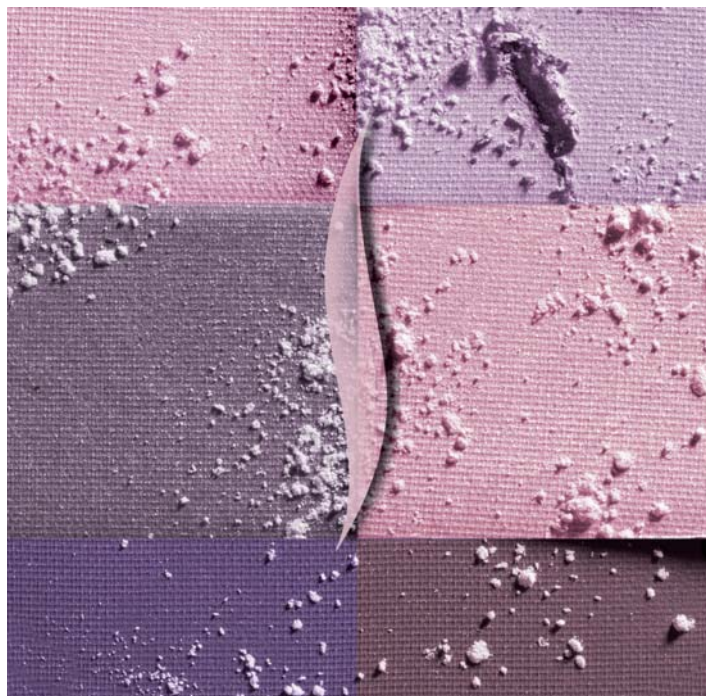
In Europe, Sephora continued to affirm its leadership status and recorded the most rapid growth in the market. The brand confirmed and extended its place as the leader in France, and intensified its gains in other key countries. Its expertise, appeal and innovations are increasingly recognized by the perfumes and cosmetics industry, as highlighted by the press, the awards earned and consumer surveys. As of December 31, 2010, the European network represented a total of 673 stores. While existing stores continued to be actively modernized, 34 net new



stores were opened during the year. Extremely beautiful stores were opened in exceptional locations, including Milan, Italy and Madrid, Spain. The flagship store on the Champs-Élysées in Paris was reorganized to improve fluidity and visibility.

The first steps in Latin America

The exceptional vitality of the brand in the United States, where revenue growth continued from one quarter to the next, was coupled with resounding success in Canada, a market that is growing and confirming its strong potential. Both on that side of the Atlantic and in Europe, 2010 was a year full of new developments: exclusive products, new products, the deployment of the "Beauty Studios", highly innovative initiatives in new media (a cellphone application, space on the social networks, and more). Sephora also launched a major program to renovate its stores and enhance its merchandising, which when implemented should enrich the customer experience even



more. The Sephora network in North America represented 276 stores as of December 31, 2010.

The year 2010 was highlighted by the acquisition of Sack's, the leader in online sales of selective perfumes and cosmetics in Brazil, a transaction that marks Sephora's first entrance in Latin America. In November, the company signed a joint venture agreement to establish a presence in Mexico, the second largest beauty market in Latin America after Brazil.

In China, which it entered in 2005, Sephora continued its growth and continued to refine its offer in this vast country which now has nearly 100 stores. It earned significant market share in Shanghai and Beijing (approximately twenty stores in each city). In south Asia, the flagship Singapore Ion Orchard store was enormously successful. Sephora expanded its presence in this territory with the opening of an extraordinary store in Marina Bay Sands. The brand recorded an



excellent year in the Middle East, a market it entered more recently, where it had 20 stores as at December 31, 2010.

Finally, the online sales sites operating in the United States, France and China continued to innovate, expanded their services, and recorded strong growth driven by the global expansion of this sales channel.

LE BON MARCHÉ the art of living and cultural encounters

After solidly navigating the year 2009, **Le Bon Marché** recorded a sharp recovery in revenue in 2010, led more than ever by the luxury and fashion segments.

The activity of the department store on the Left Bank was driven by the investments made over several years to strengthen its identity and unique character in the Parisian commercial landscape. The year 2010 marked a decisive stage in the process of transforming the company. In the spring, the inauguration of the “Maison d’Edition” highlighted the strong elements of the architectural heritage of the building, particularly its magnificent original glass ceiling. An inspired space, a faithful reflection of the creative and selective spirit of Le Bon Marché, the “Maison d’Edition” showcases a world dedicated to the art of living over the entire second floor. The fall signaled the opening of the new news-making “Balthazar,” the unveiling of an enormous 3,800 m² space dedicated to men. A very high-end shoe department, offering a unique selection in Paris, was one of the outstanding elements of this new “dressing room for men.”

Exhibits, literary meetings and other image-making events were organized throughout the year. All this was in line with the strategy of giving Le Bon Marché the aspects of a special place of discoveries and cultural experiences above and beyond its very selective commercial goals.



BALTHAZAR Le nouveau dressing-room pour l'homme



Vincent Peters, photographe - www.lebonmarche.com



Outlook

DFS has a solid outlook for growth in the coming months, driven by the continued positive trends in 2010.

The program to expand and renovate the Gallerias will actively continue in Macao Four Seasons, Hawaii, Singapore and Okinawa. In addition to these investments, DFS will continue to enhance the services offered to its customers and will maintain its strategy of moving toward high-end products with the addition of categories of high-potential products (watches, beauty products, and more) and the arrival of new luxury brands. DFS has also just announced a plan, in partnership with Hysan Development, to open a third Galleria in Hong Kong in 2012 in the Causeway Bay district, a commercial area very popular with local customers and tourists. This initiative reflects the desire of DFS to seize all opportunities that might strengthen its outlook for future growth.

Miami Cruiseline will benefit in 2011 from the contribution of several new cruise ships and from the trend toward larger and larger vessels. The growth in new categories of passengers and the development of new itineraries is also a positive factor. In order to take advantage of these trends, Miami Cruiseline continues to adapt its product offer to the specific characteristics of each cruise line.

To continue its solid momentum, Sephora has ambitious objectives for growth and gains in market share in 2011. The brand is stepping up the rate of store openings in the key countries where it intends to consolidate its leadership position and in high-potential markets like China where it wants to rapidly establish strong positions. Substantial investments will also be made to modernize the existing stores in Europe and the United States and to develop the business generated by the websites. The focus will be increasingly on the innovative aspect of the product offer and services and on expanding loyalty programs. All these measures will be backed by sustained marketing investments.

Building on the latest developments to reinforce its unique positioning with demanding Parisian and international customers, Le Bon Marché is targeting strong growth in its business in 2011. The department store on the Left Bank will continue to focus on the exceptional values that define its unique character as a “Concept Store.” In 2011, this will mean the partial reorganization of the sales spaces on the ground floor to give more room to the luxury brands. But it will also mean continued efforts to improve the quality of service and to implement new services, all designed to enhance customer loyalty to the store.

OUR COMMITMENTS

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.

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.

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 HIGH QUALITY BRANDS.



Ali Hewson and Bono, founders of the ethical brand Edun, are the new ambassadors for the campaign expressing the core values of Louis Vuitton. Ali and Bono work to support the development of fair trade with Africa.

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.

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.

“ 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

THERE IS A NATURAL TIE BETWEEN LUXURY AND SUSTAINABLE DEVELOPMENT. THE BRANDS THAT BELONG TO OUR GROUP DRAW THEIR ENERGY OVER THE LONG TERM. AND THEY OWE THEIR SUCCESS TO THE ONGOING ATTENTION GIVEN TO EVERY ELEMENT WHICH GUARANTEES THEIR PERPETUITY: EXPERTISE, EXCELLENCE, PASSION, AND CREATIVITY. THESE ASPECTS MUST BE EXPRESSED BOTH IN THE PRODUCTS AND IN THE EMPLOYEES AND THE ENVIRONMENT IN WHICH THEY LIVE AND WORK. WE OWE THIS TO OUR CUSTOMERS, AND WE OWE THIS TO OUR SHAREHOLDERS. ABOVE AND BEYOND THIS NATURAL TIE, LVMH IS ONE OF THE VERY FEW GROUPS TO CREATE MANUAL JOBS IN EUROPE AND EXPRESS AND PERPETUATE THE NOBILITY OF THIS WORK. WE ARE AT THE VERY HEART OF THE EFFORT TO PRESERVE ARTISANSHIP AND EUROPEAN CULTURE, THE CRADLE OF LUXURY AND AN ART OF LIVING TO WHICH OUR CONTEMPORARIES AROUND THE WORLD ASPIRE. OUR GROUP'S OTHER CALLING IS TO BE A SPONSOR: A SPONSOR OF OUR HERITAGE, ART AND CULTURE, THE LEADING CONTRIBUTORS TO THE EXPANDING INFLUENCE OF OUR CIVILIZATIONS.

EXCHANGING, SHARING, MOVING FORWARD

IN 2009, THE LVMH BOARD OF DIRECTORS ADOPTED THE CODE OF CONDUCT WHICH CONSOLIDATED THE GROUP'S **CONTINUOUS DEVELOPMENT APPROACH** TO SUSTAINABLE DEVELOPMENT. 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 HAS BEEN SUPPLEMENTED AND ADAPTED, PARTICULARLY THROUGH THE ENVIRONMENTAL CHARTER AND THE SUPPLIER CODE OF CONDUCT.

ONE OF THE STRENGTHS OF LVMH, PRESENT IN SEVERAL BUSINESSES, WITH A BROAD RANGE OF DIFFERENT MARKETS AND CUSTOMERS, LIES IN ITS ENTREPRENEURIAL CULTURE AND THE PRESERVATION OF THE **AUTONOMY OF THE BRANDS**. RESPECT FOR THEIR HISTORY, THE PERMANENCE OF THEIR TRADES AND THEIR **HERITAGE** MUST GO HAND IN HAND WITH THE **INNOVATION** WHICH TRANSFORMS THEIR VALUES INTO THE **MODERN WORLD** AND THE PERPETUAL FLOW OF NEW SENSIBILITIES, BRINGING THEIR HERITAGE MORE TO LIFE THAN EVER BEFORE. EACH ONE HAS A **RESPONSIBILITY** TO IDENTIFY AND MEET ITS OWN CHALLENGES.

CONTINUING OUR PROGRESS

BRINGING TOGETHER BRAND AND BUSINESS EXPERTS FROM DIFFERENT COUNTRIES, THERE HAVE BEEN MANY EXCHANGES OF BEST PRACTICES FOCUSING ON THE GROUP'S KEY CHALLENGES BOTH IN TERMS OF ENVIRONMENTAL AND SOCIAL RESPONSIBILITY AND CONCERNING RELATIONS WITH SUPPLIERS. THESE EXCHANGES ENRICH EVERYONE AND THE SHARING OF EXPERIENCES IS TRANSLATED INTO ACTION PLANS DESIGNED TO CONTINUE THE IMPROVEMENTS MADE IN EVERY AREA.

SEVERAL ADVANCES WERE MADE IN 2010, PARTICULARLY IN PROTECTING THE NATURAL RESOURCES WHICH ARE VITAL FOR OUR PRODUCTS (BIODIVERSITY) AND IN REDUCING ENERGY CONSUMPTION. AS PART OF THE RENEWAL OF OUR CARBON FOOTPRINTS INITIATED IN 2002, INNOVATIVE SOLUTIONS HAVE BEEN FOUND FOR LIGHTING OUR STORES AND MAKING INCREASING USE OF RENEWABLE ENERGY. THESE EFFORTS WILL BE CONTINUED IN 2011 AND NEW PERFORMANCE INDICATORS WILL BE DEVELOPED.

WE ALSO MADE REAL PROGRESS IN RAISING AWARENESS AND IN OUR DESIRE TO ENSURE AND PROMOTE EQUAL OPPORTUNITY AND FIGHT DISCRIMINATION. AS PART OF THIS, THE GROUP DEVELOPED A "RECRUITMENT CODE OF CONDUCT" AND A PROCESS FOR MONITORING THE HANDLING OF ITS JOB OFFERS ON AN ONGOING BASIS THROUGH AN INDEPENDENT ORGANIZATION. IT ALSO ESTABLISHED AN ANNUAL SURVEY WITH ITS INTERNATIONAL SUBSIDIARIES. THIS INITIATIVE IS DESIGNED TO STRUCTURE AND DIRECT OUR CONTRIBUTION TO CORPORATE SOCIAL RESPONSIBILITY MORE EFFECTIVELY, TO BETTER IDENTIFY AND MEASURE THE SOURCES OF PROGRESS, AND TO RESPOND TO THE SPECIFIC NEEDS OF THE BUSINESS GROUPS AND BRANDS. FINALLY, IN 2011, IN LINE WITH ITS POLICY OF IMPROVING WELL-BEING AT WORK AND REDUCING THE RISKS OF INJURY, THE GROUP IS SETTING NEW OBJECTIVES TO IMPROVE WORKING CONDITIONS AND REDUCE STRESS IN ITS PRODUCTION WORKSHOPS.

A PROCESS TO CREATE THE POLICY OF SUPPLIER AUDITS AND TO DEFINE A COMMON RATING GRID WAS IMPLEMENTED DURING THE YEAR. THIS WILL FACILITATE DIALOGUE AMONG THE DIFFERENT COMPANIES OF THE GROUP AND IMPROVE FOLLOW-UP FOR THESE AUDITS, THEIR RESULTS AND THE ACTION PLANS INITIATED. TASK FORCES HAVE BEEN SET UP TO STUDY OPTIMIZATION OF TRANSPORT FOR THE GROUP AND TO SHARE MORE FULLY THE EXPERIENCES FROM THE SUPPLIER AUDITS.

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.

HUMAN RESOURCES

The LVMH Group offers a unique working framework, where every individual enjoys both the magic of creation and the unique expertise of a wide variety of businesses on an international scale. Totally dedicated to values of the highest quality, its working environment stimulates and

LVMH—A MAGIC ALCHEMY BETWEEN THE FUTURE AND TRADITION

motivates entrepreneurial, creative and passionate people to fully participate in the adventure presented by its sixty prestigious brands. In this respect, it is a true “ecosystem” that brings together more than 83,500 people and offers a broad range of experience and opportunities. The aim of the Group’s Human Resources policy is to create the conditions for this ecosystem to succeed over the long term.

THE LVMH “ECOSYSTEM”: MULTIPLE CAREER OPPORTUNITIES

The LVMH “ecosystem” is an infinitely diverse environment, within which talent blossoms, offering multiple opportunities for career development. It is a value system founded on the delegation of responsibility and an entrepreneurial spirit. It is a community where passion coexists with discipline, where high standards go hand in hand with commitment. It is a network of skills focused on the search for excellence. It is an alchemy between past and future, tradition and modernity, the exceptional and the eternal.

This “ecosystem” respects the history, roots, culture, and genetics of each of our brands, even as it assists them so that they remain just as contemporary and the products just as desirable. This balance is the Future of the Tradition..

SHOWCASING THE TALENTS OF TODAY AND DEVELOPING THOSE OF TOMORROW

The annual review of the organizations and talent is an essential step for the Group and its brands: it is driven by the strategic challenges identified by all the brands and is designed to provide concrete responses for Human Resources.

This review involves the Group companies and proactively considers the positions most critical for the success of our businesses and the talents needed to hold these high-impact positions.

The result is a comprehensive vision of our assets and our priority actions in areas such as succession plans, identification of in-house talent and an assessment of their potential, or the retention of key contributors.

The conclusions from this comprehensive Group-wide review form the backbone of our action plans in Human Resources and help all our brands.

Significant results have thus been achieved in recent years:

- 2/3 of our key positions are held by talented people who come from in-house transfers;
- over 30% of the positions on the Company Management Committees are held by women;
- 50% of our pool of high-potential employees are non-French, with a growing proportion of Asian and North American talent.

And finally, **internal mobility is still the main route for entering responsible positions** and, throughout the year, an intricate network is set up to make internal mobility a reality for every level of the hierarchy, every position and in all our operating regions.

INVESTING IN HUMAN RESOURCES TO STRENGTHEN GROUP PERFORMANCE

In a difficult general economic environment, the Group has still continued its efforts to train and develop the skills of its teams, with a significant number of projects currently in operation in order to further improve the performance of brand employees, particularly those invested in the retail businesses and, more generally, those who have direct contact with customers.

This program has been combined with the expansion and increase in the number of activities of the LVMH House designed for the most senior managers. Seventeen forums were organized in 2009, and 400 participants from 29 countries and 30 brands attended those sessions: with this 35% increase in the number of people involved, the Group is widely disseminating to its managers the best practices identified by its executive managers.

ENHANCING AND EXPANDING LEADERSHIP SKILLS The LVMH House also implemented new management training modules in the different geographic regions where the Group is present, including the launch of the "Client Insight Forum" in the USA and Asia. In addition to these basic forums, a number of brands have developed, with the LVMH House, training programs that are specially adapted to their businesses, including Fendi, Moët & Chandon, Loewe and DFS.

As the development of leadership remains a priority for the Group's training efforts, members of the Executive Committee have devoted their efforts to the leadership forums for high-level managers.

The year 2010 was the year of the first leadership development program that will now be implemented in Asia, the USA and Europe, which will allow the Group brands to expand this training to all levels of management.

DEVELOPING POTENTIAL Offering high-potential managers all the assistance necessary for their development within the Group is one of the leading challenges which led the Group to develop two new programs.

CORPORATE TRAINING IN THE REGIONS

The Corporate Human Resource department in France, as well as in the United States and Japan, proposed new programs which have a shared spirit but which also meet the needs of their individual markets. Over one hundred managers participated in these training sessions in one of the 4 regional centers with growing activity in each region. In Asia, for example, the participation rate went up 65%.



- "LVMH Experience," a real journey through the boutiques, brands, strategy and philosophy of LVMH brands, presented and illustrated by experienced managers alongside creative leaders, becomes, for high-potential managers who have recently joined the Group, both an integration tool and a springboard for moving into leadership positions.
- "LVMH Perspectives" offers these managers an opportunity, both during their career development and in order to speed up that development, to learn about themselves in two ways: self-knowledge so that they are able to build their future within the brands of the Group in the medium term, and exposure to strategic challenges faced by the five businesses of LVMH by meeting the top managers of those brands.

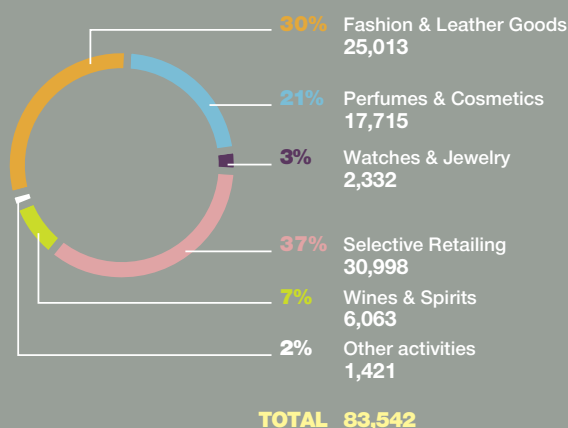
ATTRACTING TALENT AND DEVELOPING JOBS

LVMH continued its investment in the talents of men and women.

The total number of employees as of December 31, 2010 was up a significant 8% over the previous year

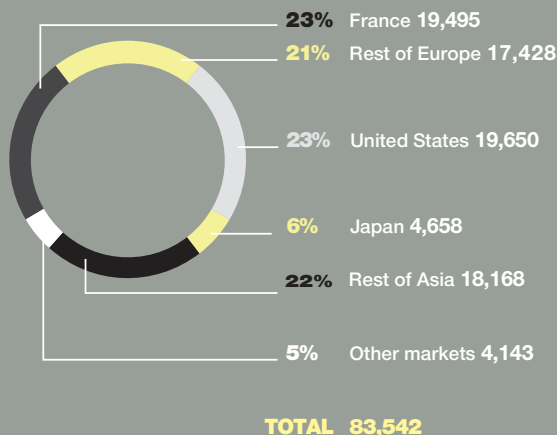
Today, LVMH employs 83,542 men and women around the world in the Group's various businesses: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing.

WORKFORCE* BY BUSINESS GROUP



Through its policy of selling products with the "made in France" label, LVMH ensures the growth of industrial jobs in France. The distribution of the workforce by geographic region is stable and balanced..

WORKFORCE* BY GEOGRAPHIC REGION



* Total workforce (regular and temporary personnel) as at December, 31, 2010

In addition to these investments focused on the main Group managers, LVMH has designed and built a new "Strategic HR" Forum, and has already held two sessions, and intends to offer these benefits to the 120 leading Human Resources managers within the next three years. This Forum, which combines both economic and operational management approaches and specific Human Resource issues, discusses organization management, change management and intercultural relations.



Stéphane Baschiera awards the 2010 Veuve Clicquot Businesswoman Prize to Sophie Grégoire, from Agnelle gloves, watched by Christophe Navarre, Chairman of Moët Hennessy, Chantal Gaemperle, Director of Human Resources and Synergies for LVMH, and Delphine Arnault, Group Director and Executive Vice President of Christian Dior.

WOMEN IDENTIFIED WITH SUCCESS As creativity and diversity are founding values of LVMH, women have a natural place there: 74% of the work force is made up of women. This strong feminine presence is one of the Group's key characteristics. It is related to the fact that most of our customers are women, but it is also due to the very nature of our businesses. 61% of Group managers are women, and 30% of the members of the Brand Management Committees are women.

This trend is expected to intensify since over 2/3 of our new hires are women.

The search for gender equality, which guarantees diversity and complementary sensibilities and professional behavior, is inherent to all



May 5, 2010, over 200 executives and managers attended the conference on gender equality organized by Brigitte Grésy, Inspector General of Social Affairs, reporter for the mission on the image of women in the media and author of the report on professional equality submitted in 2009 to the French Ministry of Labor.

major actions in Human Resources management. Whether it is tracking compensation, managing international mobility, ensuring access to management training, demanding diversity in successions to key positions or in the recruitment of managers, the LVMH Department of Human Resources is developing a variety of programs aimed at facilitating women's access to high-level positions.

Hennessy, Moët Hennessy Diageo and Le Bon Marché in 2010, signed companies agreements on gender equality with provisions governing working conditions, compensation, careers and better work/life balance.

Finally, the Group has developed strong relationships with networks and associations like HEC for Women (Paris business school) or Business Professional Women International (BPWI).

THE SEARCH FOR PROFILES OF EXCELLENCE

Since 2009, LVMH has decided to make the career opportunities within what the Group calls its "ecosystem" better known. This has a unique appeal in the luxury world, and motivates the best talents to join one of the Group companies.

SELECTING CREATIVE AND PASSIONATE PERSONALITIES

Professional skills are the foundation of any recruitment process. The Group has a wealth of different businesses and looks for the best specialists available for each of its segments. Their skills evolve as they gain experience, supplemented by training programs throughout their careers and encouraged by transfers within the Group.

In addition, the Group pays close attention to the personalities of the women and men it hires. Commitment to the principal human values of the Group is clearly essential: an entrepreneurial spirit, an aspiration to surpass oneself and a demand for excellence. Above all, LVMH is looking for creative talent in all areas who are motivated by passion for their brand and for their products.

Pragmatism, being able to adapt to change, and having a keen sensibility for high-quality products are also desired.

The ability to work within inter-disciplinary and multi-cultural teams is also an asset in a global brand environment.

Finally, we assess individual potential so that we can continue to develop a pool of talent, which is so vital to personal development and to the growth of the Group.

DRAWING FROM THE BEST SOURCES

In a globalized world, the movement of people and ideas, the globalization of education and the development of emerging markets mean we have to search for the best resources wherever they can be found, sometimes in locations far away from the traditional recruitment sources.

For many years, LVMH has been cultivating preferred partnerships with the most famous business and other schools on different continents. As a result, the Group maintains a close relationship with Essec (the LVMH Chair in Luxury Marketing), HEC (integration seminar for international students), and Insead (participation in work on China).

In addition, membership of the CEMS network (an alliance of international groups and the world's leading business and management schools) establishes contacts with students of all nationalities from the best schools in over twenty countries of the world.

Finally, in the fashion segment specifically, close relations continued with the French Institute of Fashion in Paris, Central Saint Martins College of Art and Design in London, the Parsons School for Design in New York, and the Hong Kong Polytechnic University School of Design.

In order to meet the increasingly stringent demands of students, the Group developed the “LVMH Rendez-Vous” meetings which, beyond offering an institutional introduction to the Group, introduce students to the universe of its artisanal brands.

A total of about one hundred events in various formats are organized every year with schools and universities around the world, all designed to give students a glimpse of LVMH and its brands.

PROMOTING INNOVATIVE AND SUCCESSFUL RECRUITMENT METHODS

LVMH in 2010 remained the preferred company of students from French business schools (Trendence rankings and, for the fifth consecutive year, on the Universum rankings).

At the methodology level, the “Recruitment Days” were extended to the United States and Asia. This method, which takes place over a full day and is based on the principle of replicating actual conditions, has proved its worth for the assessment of high-potential candidates.

Finally, in order to complete the LVMH site where most of the job offers are published, communication on the social networks was initiated in 2010 (web banners on LinkedIn, Financial Times, MBA Exchange and more).

Since 2010, a Recruitment Code of Conduct ensures the implementation of best practices in compliance with the Group values.

RESPONSIBLE DEVELOPMENT

In order to ensure that professional practices reflect the highest standards of integrity, responsibility, and respect for each individual, LVMH animates a network of over 200 managers around the world. They implement the Social Responsibility reporting which covers all companies of the Group. It is designed to:

- Identify practices for the management of men and women and respect for the international commitments made by LVMH (particularly under the Global Compact);
- Identify the best of those practices for respecting diversity, equal opportunity and non-discrimination;
- Ensure consideration for social issues facing the various Group entities according to specific geographic or cultural factors and based on their business and activity sector.

Through its Extranet LVMHMind, the Group has also given itself an instrument to share the principles, tools and practices of Social Responsibility. This site, which is accessible to all Group employees, makes this policy concrete on a day-to-day basis and is both an internal showcase, a motivational tool for its teams and a database allowing each entity to follow the best examples and implement them at the operational level.

ORGANIZATION OF AN LVMH RENDEZ-VOUS WITH MBA STUDENTS IN SINGAPORE

After Harvard, the London Business School or the IMD in Lausanne last October, the students from three business school partners in Asia-INSEAD, NUS and Nanyang - were invited to attend an “LVMH Rendez-Vous” in Singapore.

Selected by the Human Resources teams, these students were able to work on the development and management of luxury brands based on the content of the forums developed at LVMH House. As one of the participants noted, “this format, which is very different from the corporate presentations of other companies, gives us an understanding of the strategy, but even more, to really grasp the unique culture of the brands of the Group, between innovation and tradition.”



SOCIAL RESPONSIBILITY—A VECTOR FOR PERFORMANCE

The LVMH Social Responsibility policy, above and beyond its aspiration to achieve exemplary ethical behavior, also nourishes other goals:

- Encourage innovation
For example, and in addition to its European commitments, the development of the digital accessibility of its Internet tools strengthens the Group's ability to communicate about its products. By developing the digital accessibility of their sites, companies like TAG Heuer prevent any discrimination against the sight-impaired and improve the quality of their product communications.
- Create links
The implementation of job and skills projective management at Guerlain encourages anticipation about technological changes and the prevention of employment impacts, but it is also a demonstration of solidarity which enhances a strong culture of belonging and solidarity among the teams.
- Continue to enhance professionalism
The development of adapted workshops for employees suffering from disabilities or who develop muscular-skeletal problems, which meets the Group's objective to fight professional exclusion, is a vector for excellence in the ergonomics of industrial processes. Parfums Christian Dior, Guerlain, and Moët & Chandon have accordingly set up organizations to maintain in their jobs employees with impairments of various kinds and adapt their work stations so that they can perform extremely high quality tasks using the most up to date tools.



On November 29, 2010 Sephora received the National Corporate Citizen award which is sponsored by the President of the Senate.

AN EXEMPLARY COMMITMENT

In 2010, LVMH again won the Special Prize from the Jury on Diversity for its actions to recruit disabled workers in terms of their aptitudes. Sephora earned the National Corporate Citizen Award for 2010 for its “JobStyle” workshops to assist young workers looking for employment. These awards are the natural culmination of a policy developed in all Group Brands.

PREVENTING DISCRIMINATION Since 2008, the Group has conducted continuous “voluntary testing” on its Internet recruitment site: an independent organization, using a particularly rigorous ethical methodology, tests responses to candidates that may be subject to discrimination. Using a random process in line with statistical principles, 18% of the offers were tested this way. During the 2009-2010 campaign, out of the 848 offers issued, no bias was found in the treatment of applicants.

Prior to the recruitment process, LVMH wants to use its expertise and resources to serve the weakest job applicants (young people without qualifications, from an ethnic minority, candidates in professional reconversion programs, disabled applicants): the “JobStyle” operations conducted using the expertise provided to the Group by Sephora and Make Up For Ever gave 300 job seekers assistance and prepared them for the hiring interview through individual and group workshops on image coaching (skincare, make-up, hair, style).

PROMOTING EQUAL OPPORTUNITY LVMH implements resources and partnerships to give the most disadvantaged workers access to businesses of excellence and a chance to display their talents.

Over 550 employees were welcomed under work-study contracts in 2010 in France. 80% of those working under a professionalization contract are permanently employed at the end of that contract. In addition, as part of the partnership with the “Nos Quartiers ont des Talents” association, about one hundred experienced managers sponsored 180 young graduates from low-income neighborhoods. The time required for them to find a job was cut in half. Acting in partnership with Sciences Po under the Priority Education agreements, LVMH managers have participated for the past two years on admission juries for young people who come from institutions located in “sensitive” areas. The Group’s managers periodically work with high

schools and junior high schools in the suburbs as part of the partnership with the National Network of Companies for Equal Opportunity in Education. In the same spirit, Hennessy finances academic scholarships for African-American students in the United States.

Finally, the Group is working to make recruiting objective and to open “sourcing” channels. A recruitment methodology based on aptitudes, without a resumé, has been developed by LVMH and made available to the companies which use it for assistant and sales positions: “assessment centers” evaluate candidates through professional situation scenarios independently of their training and experience.

SOCIAL DEVELOPMENT ON LOCAL SCALE As major economic players in several job areas, the companies of LVMH are attentive to specific regional social aspects and have developed partnerships with associations or NGOs aimed at assisting the social and business inclusion of the most disadvantaged.

In India, Moët Hennessy employees are encouraged to donate their time to assist street children to facilitate their schooling. In China, Moët Hennessy Diageo has been sponsoring a group of middle school students from Sichuan since the 2008 earthquake through academic support provided by the employees and by financing educational materials. In France, LVMH has signed a partnership agreement with the City of Montfermeil, one of the poorest communities but also one of the most socially active in the Paris suburbs, to facilitate the social promotion of youth from low-income neighborhoods by welcoming trainees and assisting in the job search. In addition, the Parfums Christian Dior production site hired and trained a group of socially disadvantaged employees in partnership with the local PARE association.



“Jobstyle”: Make Up For Ever and Sephora use their know how to help those looking for work.

HIRING DISABLED WORKERS In France, after three years of the LVMH Handicap Mission, the year 2010 saw a doubling in the employment rate for disabled workers in all French companies (3.2%):

- over 80 employees with a disability were maintained in their jobs through refitted workshops (Champagne, Perfumes);
- 140 indirect jobs thanks to partnerships with institutions for disabled workers (ESAT); revenue subcontracted has now risen to 5.5 million euros;
- 48 disabled candidates were hired through "Handi-talents" group sessions under the agreement signed with Agefiph.

In Japan, the recruitment of disabled workers in the Louis Vuitton and Marc Jacobs stores led to the development of numerous training programs.

In Spain, Loewe initiated a partnership with an NGO designed to provide jobs for mentally disabled individuals thanks to the commitment of volunteer employees and innovative educational methods, including through dog training.

A POLICY FAVORING SENIORS In the context of an active policy, 80% of the companies made quantitative commitments for end of career planning and 68% made commitments to improve seniors working conditions.

In France, 30 action plans and 12 companies agreements were implemented to promote the recruitment, employment and career development of employees over the age of 50.

Human Resources managers from all the Houses have been trained in directing the mid-career interview under a program established by the LVMH Department of Human Resources.

PREVENTING PSYCHO-SOCIAL RISKS The Group is working to prevent and deal with phenomena like harassment or stress in the workplace. In 2010, LVMH organized a plan to prevent psycho-social risks which covers the following points: diagnostics/barometer (Hennessy), steering committee, training and awareness programs for the players, a listening unit (Parfums Christian Dior, Veuve Clicquot, Guerlain and others), review of the work, organization, restructuring of professional/private life and the prevention of harassment.

Moët & Chandon, Le Bon Marché and Sephora have signed agreements to prevent psycho-social risks which provide for some of them the creation of a dedicated Observatory, in which the Occupational Medicine unit and the Committee on Health, Safety and Working Conditions are both involved.

Louis Vuitton has developed a prevention program for all its entities. Other innovative initiatives have been taken in collaboration with the occupational health departments: for example, well-being massages are available for the production personnel at the Guerlain sites.

RESPONSIBLE PARTNERSHIPS 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.

The working groups composed of experts from the Group's brands presented, as they do each year, their progress and achievements at an annual meeting to exchange best practices, set up common tools and standards and define new vectors for improvement.

In 2010, this work led to the creation of a common supplier database for the Perfumes and Cosmetics business group and the implemen-

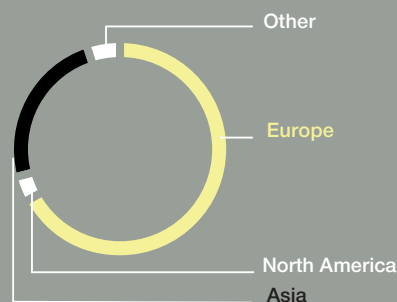
tation of common evaluation criteria for suppliers. These criteria will facilitate exchanges among the Group companies and follow-up for social and environmental audits, their results, and any action plans established.

In 2010, 262 social audits were conducted, nearly 95% by specialized third-party experts, at 217 of our suppliers. Nearly a quarter of these audits yielded results in line with our requirements, and 46% showed minor non-compliances. The audits which showed a need for significant improvement by the supplier, or a major non-compliance represented 26% and 2% respectively of the audits performed. A total of 109 corrective action plans were set up at our suppliers where the audits identified areas of improvement. The Group Companies sometimes have to take more extreme measures. For example, the Perfumes and Cosmetics business group refused to continue to work with a site of one of its suppliers which did not meet the requirements of the code of conduct for employee safety and the payment of overtime; and the Donna Karan brand ended its collaboration with two of its suppliers.

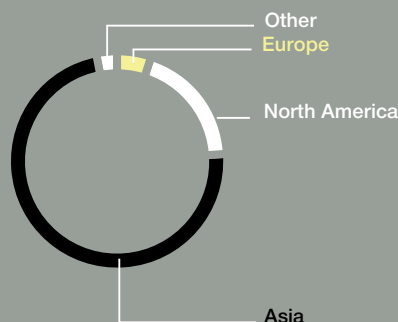
In 2011, all the brands will continue to implement their supplier audits programs and follow-up on their action plans. In addition to the Group meetings for sharing best practices, three work-groups "Europe", the "Americas" and "Asia" were created to facilitate and increase the frequency of exchanges in each region.

In 2011, a new initiative on optimising transportation will be launched at a Group level.

BREAKDOWN OF SUPPLIERS BY REGION



BREAKDOWN OF AUDITS BY REGION



Scope = Wines & Spirits, Perfumes & Cosmetics, Sephora, Berluti, Louis Vuitton leather goods, Marc Jacobs, Donna Karan, Kenzo.

Employment Data

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

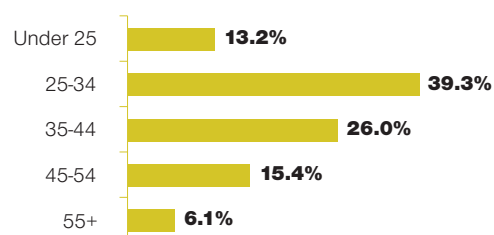
83,542 employees

The total workforce under regular and temporary employment contracts at **December 31, 2010** was **83,542** employees, including 15,748 part-time employees, i.e., 19% of the total. This represented **72,951** full-time equivalent employees.

13,915 managers

The total workforce at December 31, 2010 included 73,981 regular employees and 9,561 temporary employees.

Median age of **33**



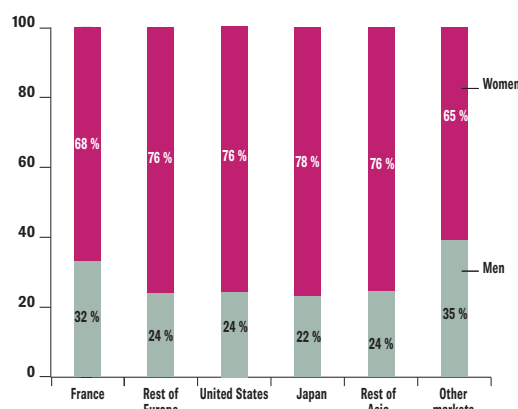
WORKFORCE AS AT DECEMBER 31 BY PROFESSIONAL CATEGORY
(includes both regular and temporary personnel)

	2008	2009	2010	
Managers	12,809	13,022	13,915	16%
Technicians and supervisors	8,036	8,075	8,141	10%
Administrative and sales employees	44,616	45,075	50,055	60%
Production workers	11,626	11,130	11,431	14%
Total	77,087	77,302	83,542	100%

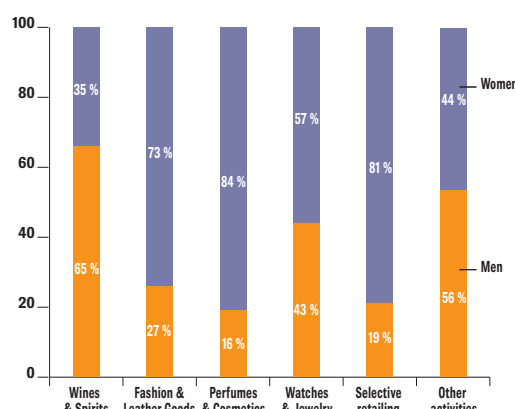
74% women

Managers	61%
Technicians and supervisors	67%
Administrative and sales employees	81%
Production workers	64%

BREAKDOWN OF WOMEN/MEN by geographic region
(regular employees)



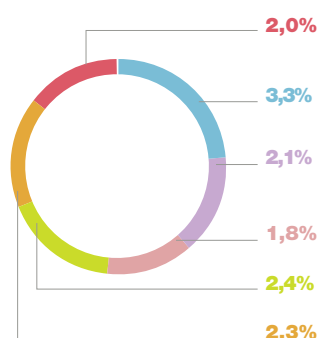
BREAKDOWN OF WOMEN/MEN by business group
(regular employees)



€61.7 million
invested in training

- Training investment totaled 61.7 million euros, representing an average of 728 euros per employee or 2.4% of payroll costs excluding incentives and profit-sharing worldwide. It increased by 15% compared with last fiscal year.
- 65% of our employees (some 51,700) received at least a training session in 2010.
- Training per employee averaged 2.5 days.
- In 2010, LVMH offered a total of 213,749 days of training, the equivalent of 970 persons in full-time training over the year.

2.4% of payroll costs



	Training investment (million euros)	% of payroll
France	24.3	3.3
Rest of Europe	10.8	2.1
United States	10.8	1.8
Japan	4.9	2.4
Rest of Asia	9.3	2.5
Other markets	1.6	1.8
Total	61.7	2.4

CORPORATE SPONSORSHIP

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 35 national and international exhibitions has given millions of visitors throughout the world the chance to discover major artists both from the history of art and from the contemporary art scene, artists whose talent continuously build our vision and nourish our sensitivity.

At the beginning of 2010, LVMH took part in the production of the retrospective dedicated by the Cité de l'Architecture et du Patrimoine to the French architect Claude Parent, before renewing its support of Monumenta, an event organized by the Ministry of Culture and Communication, of which the Group was the sponsor for the first two editions. After Anselm Kiefer in 2007 and Richard Serra in 2008, in 2010, LVMH helped Christian Boltanski, one of the most internationally-renowned French artists, to express in his turn the full extent of his talent in the nave of the Grand Palais, through his monumental installation entitled "Personnes", especially created by the artist for the occasion. In Spring 2011, for the 4th edition of Monumenta, LVMH will support the creation of the British artist Anish Kapoor.

The start of 2011 will also be marked by LVMH's commitment to the artist Jean-Michel Othoniel, whose very first retrospective exhibition will be hosted by the Pompidou Center, organized thanks to the sponsorship of the Group.

In addition, the construction of the Louis Vuitton Foundation for Creation in the middle of the Jardin d'Acclimatation, in the Bois de Boulogne, will continue and amplify throughout 2011. At the beginning of 2010, the foundations were completed and the first parts of the building designed by the architect Frank Gehry appeared during the fall of the same year. 2011 will see the construction of the actual structure of the edifice.

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 edu-



Bernard Arnault, Frank Gehry and Jean-Paul Claverie in discussion in front of the future building of the Louis Vuitton Foundation for Creation in the Jardin d'Acclimatation in Paris last fall.

cational 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 visual arts. LVMH's "Discovery and Learning" classes organized during exhibits supported by the Group have reached over 20,000 children to date. This special educational program will be continued in 2011 at the Pompidou Center, as part of LVMH's sponsorship of the "My Way" exhibition, dedicated to the artist Jean-Michel Othoniel.

Among other initiatives, the Stradivarius instruments loaned from the LVMH collection every year have given young virtuosos (including Maxim Vengerov, Laurent Korcia, Kirill Trousov, Tatjana Vassilieva and Raphael Pidoux) the opportunity to display the full measure of their talents on the international music scene.

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, the Parkinson's Disease Foundation in New York, and, in 2010-2011, the Fondation pour la Recherche en Psychiatrie et en Santé Mentale (Psychiatry and Mental Health Research Foundation).

ENVIRONMENT

Concern for the environment is a longstanding commitment by the brands of the LVMH Group and is inseparable from their growth strategy. "Green" consumers who are aware of the environmental and social responsibility of businesses have gradually become a very real force. Changes in society

PROTECTING THE ENVIRONMENT

prompt new concerns and ways of doing things in our businesses, and these are opening up very stimulating new prospects for innovation in our products and in terms of strengthening our relations with our stakeholders.

Château d'Yquem

THE CHALLENGES AND SPECIFIC CHARACTERISTICS OF THE LVMH GROUP

Like every human activity, the businesses of the LVMH Group have impacts on the environment which vary depending on the sector, and each has clearly identified impacts and points of improvement:

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).

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).

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).

SELECTIVE RETAILING

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

A STRUCTURED APPROACH AND MOTIVATED EMPLOYEES

The shared vision has been instilled for the past seventeen years in all the brands by the Group Environmental Department. Its missions are to assist the brands in their various programs, to ensure that the Environmental Charter is applied and to act as a basic interface with the various environmental officers in the brands. The primary objective of this organization is to train all Group employees and to mobilize the tools best suited to the various situations encountered.

SHARP INCREASE IN AWARENESS PROGRAMS

In order to share the best practices of the brands and to improve the exchange of information, the Environmental Department directs a network of nearly 50 agents with whom it meets once a quarter within an Environmental Committee. Based on the importance and the specific aspects of the challenges to be met within the brand, some subsidiaries have set up dedicated units to guide their action plan.

- Guerlain, for example, has a sustainable development steering committee representing all the departments, which was expanded last year to fourteen agents in the various geographic regions. In order to increase employee awareness, Guerlain organized several events based on themed workshops, including bees, biodiversity and even training for its sales representatives.
- Louis Vuitton uses the major international and national events dedicated to the environment or sustainable development to increase employee awareness through games and images. In the United States, the celebration of Earth Day was an opportunity to launch the "Earth Day Corporate Contest" designed to identify the best idea to reduce the environmental impact, along with other in-house events.
- Hennessy continued its promotional efforts focused on water resources by organizing an in-house contest on the theme of water in the world and by implementing several programs with suppliers.

A NEW EDITION OF THE "MATIÈRES À PENSER", THE ECOMATERIAL HANDBOOK

The "Materials to Think About" guide identifies about forty materials offering an environmental performance that has value for the Group's products and explains the different applications possible in each business. In the sixth edition, materials are classified by application: packaging, textiles and leathers, communications and store design.



THE AMBITIONS AND DYNAMICS OF THE LVMH GROUP

The LVMH Environmental Department, formed in 1992, defines our strategy and assists the brands in implementing their projects. The Environmental Charter signed by Bernard Arnault in 2001 is a concrete expression of the vision of the LVMH Group in terms of how to integrate protection of the environment in its businesses.

Aiming 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.

Fostering 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 brand to set precise environmental objectives and implement a management system dedicated to this process.

Controlling 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.

Designing 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.

Making 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.

TANGIBLE RESULTS AT ALL OUR SITES

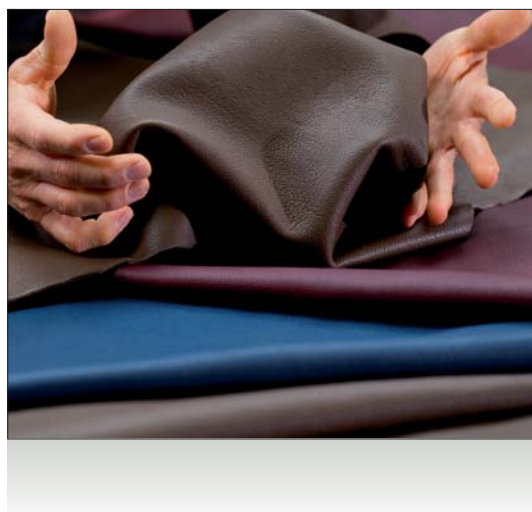
The LVMH Group has defined different actions and policies which take into consideration the key environmental challenges of its businesses in the areas of climate change and energy, building management, biodiversity, water and waste. For this purpose, the environmental management and risk management processes form the comprehensive methodological framework that structures the brand policies and ensures tangible results.

ENVIRONMENTAL MANAGEMENT AND CERTIFICATION

In order to share the best practices of the brands and to improve the exchange of information, the Environmental Department directs a network of nearly 50 agents with whom it meets once a quarter within an Environmental Committee. Based on the importance and the specific aspects of the challenges to be met within the brand, some subsidiaries have set up dedicated units to guide their action plan.

One of the major components of the Environmental Charter promulgated in 2001 requires each Company to set up an environmental management system as part of a policy implemented at management level. At the end of 2010, a large number of brands were ISO 14001 certified.

- For example, this is the case with the Cognac-Champagne-Vodka group, in which each company has had a follow-up or renewal audit without any non-compliance or observation.
- From Australia to California, the LVMH Estates & Wines brands were particularly outstanding



this year. Cape Mentelle was the first wine company in western Australia to win "Entwine Australia" certification for the implementation of outstanding environmental practices.

- In the United States, Domaine Chandon California was expected to obtain the "Napa Green Winery" certification at the end of 2010, the most exhaustive certification for best practices in wine-making.
- After the French logistics sites, the Pont Neuf headquarters in Paris and the Barbera workshop in Spain, Louis Vuitton continued its programs to earn ISO 14001 certification, both at its French and Italian workshops.
- Finally, after its international center in Saint Jean de Braye, Parfums Christian Dior in 2010 earned certification for its distribution platform in Singapore.

MANAGEMENT OF ENVIRONMENTAL RISKS

LVMH is particularly proactive in managing environmental risks: systematic identification of risks, prevention, protection of people and property, and a crisis management procedure are the four components of its risk management policy.

- At the end of 2010, nearly one half of the brands (excluding stores) were ISO 14001 certified and more than 40% of the sites (excluding stores) had been audited, taking into particular consideration their management of environmental risks.
- In the area of food safety management, the entire Champagne-Cognac-Vodka group is ISO 22000 certified.

CLIMATE CHANGE AND ENERGY SAVINGS

Since 2002, LVMH has completed the Carbon Footprint for its brands: Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Make Up For Ever, DFS, Sephora and Le Bon Marché. The action plans derived from the objectives of these processes and the information obtained ensure there is ongoing improvement in the fight against climate change.

As recognition for its commitment, LVMH earned a 75 out of 100 in the Carbon Disclosure Project 2010 which evaluates businesses in terms of the extent to which they have integrated climate change in their strategy and in relation to their performance in reducing greenhouse gas emissions. In addition to the fact that its score rose three points from 2009, LVMH was selected as one of the top twenty French groups in the Carbon Disclosure Leadership Index (CDLI) France 2010.

Even though establishing a precise accounting of the costs and gains or costs saved as a result of the environmental policy is still a complicated process, a case by case review of certain projects and local situations illustrates new sources of savings in water and electricity consumption, packaging or transport.

THE VIRTUOUS CARBON FOOTPRINT PROCESS

In 2009, Guerlain again updated its Carbon Footprint and set three objectives for 2010: environmental management at its sites, eco-design and biodiversity. In two years, the company has already cut its CO₂ emissions by 15%. To continue the Carbon Footprint process conducted globally by Sephora, the American subsidiary of the Company completed its own Carbon Footprint in 2010, the first step in its climate action plan based on reduction targets for its store lighting.

THE DEVELOPMENT OF "GREEN" BUILDINGS

Any new construction in the LVMH Group now incorporates environmental criteria, whether it is an industrial site, a warehouse or administrative offices.

- During each store renovation, DFS includes an ambitious program that takes the environment into consideration. The DFS store in Chinachem cut its energy consumption by 15%, which is the equivalent of 541 tons of CO₂, and its water consumption by 26%.
- At the end of September 2010, Glenmorangie commissioned its brand new bottling unit designed according to the BREEAM standard (Building Research Establishment Environmental Assessment Method).
- It should also be noted that, like the Sephora US stores which have already made good progress in this area, Louis Vuitton has just opened its first LEED platinum certified store (Leadership in Energy and Environmental Design) in California.
- Finally, the Louis Vuitton Foundation, with offices in the Jardin d'Acclimatation at the center of the Bois de Boulogne, is engaged in a pilot operation in accordance with the "HQE and tertiary buildings approach" to adapt these standards to cultural buildings.

A variety of programs are being implemented to manage and reduce energy consumption:

- As store lighting is one of the principal causes of the Group's greenhouse gas emissions, different research and innovation programs are intended to reduce energy consumption while preserving the extraordinary quality of the light sources. For example, Le Bon Marché, for the Balthazar renovation, installed an extremely innovative lighting system that mixes metal iodide lights and LEDs which, without diminishing the quality of the overall lighting, has already achieved a consumption level of 30 W/m². Another example is the renovation of the Parfums Christian Dior counter located in Galeries Lafayette Haussmann, which integrated LED lighting, thus reducing the energy expense for the direct lighting to 50 W/m².
- Finally, in order to promote renewable energy sources, Louis Vuitton, for example, installed 2,000 m² of photovoltaic membranes and 64 photovoltaic panels at its Cergy 1 warehouse early in October 2010; the expected output is estimated at 90 MWh per year. At the same time, TAG Heuer announced the installation of 750 m² of European-made photovoltaic panels, one of the largest installations in French-speaking Switzerland, on the roof of its four buildings at La Chaux-de-Fonds. Production is expected to total 100,000 kWh per year.

PROTECTION OF BIODIVERSITY

For most of the Group brands, the living world is the essential resource that must be preserved and used in product preparation. This is why LVMH is committed to a number of programs for biodiversity, including sustainable grape-growing and ethnobotany, actions

which were particularly significant in 2010, declared by the UN as the Year of Biodiversity.

- The French government has established the "Eco-phyto Plan", the objective of which is to reduce the use of phytosanitary products in agriculture by 50% if possible by 2018. The test phase of this plan has been launched and Hennessy has submitted its application.

- The Perfumes and Cosmetics Research & Development Department has been working diligently in ethnobotany for many years. It identifies plant species around the world that offer specific cosmetic interest and participates in the preservation of these species and in local economic development. Parfums

Christian Dior, for example, is continuing the development of the "Jardins de Dior", intended to ensure that ingredients with a particularly interesting cosmetic potential are developed in compliance with a four-point charter: high performance active ingredients and principles; real traceability of these ingredients, from cultivation to use; respect for strong ethics and, of course, protection of the environment.

WASTE RECOVERY

In 2010, the Group brands continued their programs to reduce waste at the source and sort it.

2010 was the start-up year for the CEDRE platform dedicated to waste recycling and recovery for the Perfumes & Cosmetics brands and Sephora. This recycling platform accepts several types of articles: obsolete packaging, surplus advertising materials, store testers, and empty packaging returned to the store by customers. In this first year, the platform processed 800 tons of waste and was able to resell various materials: glass, cardboard, wood, metal, plastic, alcohol and cellophane to a network of specialized recyclers.

PROTECTION OF OUR WATER RESOURCE

Water is a vital and strategic element for the operations of the LVMH Group, particularly for the Wines and Spirits business group.

- For example, Bodegas Chandon developed an extremely effective treatment for the waste water generated by winemaking, which recycles the water so that it can irrigate green spaces; in 2010 this represented 5 hectares of eucalyptus and 1.3 hectares of Cabernet Sauvignon.
- Water is also an important raw material for leather working. In 2010, Louis Vuitton continued its actions in a variety of areas: increasing awareness at all its sites, the use of environmentally friendly maintenance products, closed-circuit equipment, rain water recovery systems for recycling at the footwear workshop in Fiesso.



BRANDS' INCREASING PARTICIPATION IN BIODIVERSITY INITIATIVES

- Via the Orchidarium, its research platform devoted to the orchid, Guerlain strengthened its partnership with Tianzi, the Center for Research and Development of Biodiversity founded nearly ten years ago by Dr. Joseph Margraf. Based in the center of Yunnan, China, this center works on reforestation and the protection of an ecosystem which has thousands of species and which houses Guerlain's exploratory orchid reserve.
- At the same time, the "Green Team" from Domaine Chandon California is heavily invested in the preservation of Californian natural habitats, particularly at its Carneros domain. After an audit of the soil composition, current practices in the vineyard, and its plan to fight erosion, Carneros South Ranch earned Fish Friendly Farming certification for the entire vineyard.



Dior is cultivating the black rose, which possesses unusual anti-oxidizing characteristics, in its Bretagne Garden.

DESIGNING PRODUCTS THAT INTEGRATE CREATIVITY AND ENVIRONMENTAL PERFORMANCE

LVMH shares with its partners, suppliers, and customers its desire to act to protect the environment and to integrate the environment in the design, manufacture and shipment of its products. Consumer protection and health are also a key concern in the studies conducted in the Wines and Spirits and Perfumes and Cosmetics business groups.

REQUIREMENTS FOR SUPPLIERS

LVMH requires its partners to subscribe to the Supplier Code of Conduct under which it reserves the right to conduct compliance audits at any time without advance notice.

The supplier audits are developed in the brands. For example, Hennessy last year conducted an enormous awareness operation with all Moët-Hennessy buyers. It developed a supplier assessment system and pooled the environmental audit planning. It also conducted audits of the distilleries with which it works exclusively and offered technical advice on environmental awareness with its different wine or grape suppliers. In another example, Belvedere is engaged in a "Green Program" with Polish farmers and its pure alcohol suppliers. The objective is threefold: to improve the quality of the grains and maintain the Polish Dankowsky varietal; to guarantee safe farming that respects the environment and, finally, to ensure that the distillation process used is of high quality.

MULTIPLE INITIATIVES IN ECO-DESIGN

- For FlowerbyKenzo, Parfums Kenzo created two completely innovative systems for refilling its empty bottle –the supply of refills with minimum packaging and perfume fountains at the various points of sale. This idea earned the 2010 Eco-Packaging prize in the "business" category".
- Guerlain saved 155 tons of CO₂ by relocating the fabrication of its Terracotta compact in France.
- Louis Vuitton completed the Carbon Footprint for its Neverfull bag and shipping packaging. The resulting measures reduced volumes shipped by 60%, representing over 950 tons of CO₂ equivalent prevented every year.
- The Champagne brands produced non-vintage crude cuvées with lighter bottles, thus reducing the glass tonnage by 1,755 tons, a savings of 792 tons of CO₂ equivalent.
- Bodegas Chandon in Argentina also reduced the weight of its bottles, representing a savings of 1,576 tons of glass or 693 tons of CO₂ equivalent.

INTENSE COMMITMENT TO RESPONSIBLE JEWELRY

The Watches and Jewelry business group of LVMH is a member of the Responsible Jewellery Council (RJC) composed of over 160 international professionals committed to the promotion of ethics, human and social rights, and environmental practices throughout the industry, from the mine to the point of sale. The RJC has developed a system of certification designed for members who work in gold and diamonds which requires them to be subject to audits by independent accredited auditors. The scope of certification in the Watches and Jewelry business group includes TAG Heuer, Hublot, Zenith, Chaumet and Fred, as well as the retail subsidiaries in the United Kingdom, Japan and the United States. Self-assessments were implemented in 2010 for each of the brands on the basis of the RJC methodology. These self-assessments were transmitted to Ernst & Young, which is accredited by the RJC to analyze the degree of compliance; the objective was to obtain certification in December 2010.

OFFERING PRODUCTS RESULTING FROM ECO-DESIGN

The brands have different adapted tools and training to ensure that there is optimum consideration of the environment in product design. Eco-design includes the reduction of packaging weight and volume, the choice of components and raw materials, the use of more energy-efficient production processes, and also initiatives to comply with the Reach regulations.

- Informing the public is a growing challenge, which has led the French government to launch a program as of July 1, 2011 that is designed to increase consumer awareness of the environmental impacts of products. The LVMH Group actively participates in this work, particularly for the Perfumes and Cosmetics and Fashion and Leather Goods business groups.
- Eco-design of packaging is a major priority for the companies of the Group. The IPE Index, created by the Perfumes and Cosmetics brands to evaluate, compare and improve the environmental performance of their packaging, takes into consideration from the product development stage on, the separability of materials, the volume, weight and use of reloads, and the use of more environmentally friendly materials.



GUARANTEEING 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 brands are not content to simply apply the international regulations in force. They anticipate and implement future regulations. For example, the Group's brands 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 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.

ENCOURAGING RESPONSIBLE ALCOHOL CONSUMPTION

Responsible consumption of alcohol is a priority that is always considered by the Wines and Spirits business group. For example, in 2003 Moët Hennessy adopted and updated in 2008 its Marketing and Communication Code of Conduct, which clearly sets out the principles applied to consumption, in compliance with the Moët Hennessy Charter on responsible alcohol consumption which each employee knows and applies. Visitor education continued in the companies of Moët - Hennessy where the

promotion of a responsible consumption message is now even more visible at the tour sites and through various brochures encouraging consumers who discover the Group Companies to follow the recommendations of the health authorities.



PROGRAMS EXTENDED TO CIVIL SOCIETY

Aware of the advances achieved by looking at issues and working together as a team, particularly in environmental areas, LVMH is involved in different partnerships with national and international organizations, local authorities and training institutions. These partnerships are the practical and meaningful result of the international commitments made by the Group through the Global Pact, particularly in the environmental area.

PARTNERSHIPS AT A GROUP LEVEL

Among the various activities of the Group, it should be noted that LVMH is a member of the Orée association (*Businesses, territories and environment*), a member of the Board of Directors of PRORECYCLAGE, and Vice Chairman of the Strategic Direction Committee of the Foundation for Research in Biodiversity.

- Within the Orée association, LVMH is heavily involved in the working group on "Biodiversity & Economy" which, after publishing a reference work and developing an Indicator of Business Interdependence with Biodiversity (IIEB), is now working to construct a Biodiversity Assessment for Organizations, focused primarily on the development of accounting for biodiversity flows and eco-system services.

The work performed by LVMH to measure the dependence of its activities on biodiversity was presented at the meeting organized by the United Nations on the Convention on Biological Diversity in Nagoya in November 2010.

- In addition to participating in the *Responsible Jewelry Council*, the Group continues its commitment in *Business for Social Responsibility* (BSR) where it is focusing within a working group on promoting sharing and dialogue among professionals about best practices in the luxury sector, with particular attention to exotic leathers in 2010.

THE GROWING COMMITMENT OF OUR BRANDS

The Group brands are also heavily involved with local communities and various associations.

- Parfums Christian Dior worked with the public transportation network in the Orleans metropolitan area, the location of its production site, to adapt the bus schedules and routes and offer its employees the opportunity to use public transportation.
- Louis Vuitton implemented its partnership with the Réserve des Arts, an association that recovers unused materials and sends them to specialists in the cultural sector. Louis Vuitton also continued to promote environmental responsibility and sustainable development through its work with the "Climate Project," the association launched by Al Gore to increase public awareness of the effects of climate change, which is already present in a large number of countries. The fees for the celebrities invited to the core values campaign, plus an additional amount, were

REACH: BRANDS TAKE PROACTIVE STANCE IN MEETING THEIR OBLIGATIONS

LVMH continues to deploy its initiatives under the Reach regulations and works to anticipate future changes. The working group established by the Environmental Department of the European Commission is a venue for exchange and feedback from everyone. All the brands have prepared and/or modified their contracts and sales documentation and questioned their suppliers. They have established a Reach Committee whose role is to increase the awareness of the employees responsible for responding in detail to any question asked.

Kenzo
Perfumes
received an
Eco-Packaging
prize in 2010
for innovation
related to the
refilling
of FlowerbyKenzo
perfume bottles.



all paid to the association. Other associations are also supported, including "Green Cross International," the Foundation of former Russian President Mikhail Gorbachev established to promote global change to a sustainable and safe world.

- And in 2009 TAG Heuer launched a partnership with Leonardo DiCaprio, whose commitment to the protection of the environment and climate is well known. This partnership has already led to the launch of a limited edition of the "Aquaracer 500M" watch, which the actor himself redesigned in order to raise funds to benefit the "Natural Resources Defense Council" and "Green Cross International." Finally TAG Heuer was the official partner of the world tour of the Tesla, the first electric sports car.

A HIGHLY SUCCESSFUL 3RD FORUM ON AFRICA AND BEAUTY

Organized at the initiative of LVMH Research, the International Africa and Beauty Forum was held in Ouagadougou in Burkina Faso from June 1-6, 2010. An occasion for meetings and discussions among researchers, manufacturers, herbalists, health practitioners and NGOs, this event was designed to encourage the sharing of experience in the use of African plants and tradition in cosmetics and health. This third edition of the Forum was under the sponsorship of Professor Z. Charrouf, a specialist in the "argan oil" segment.

MORE DETAILED INFORMATION AND DATA ARE PROVIDED IN THE "LVMH 2010 ENVIRONMENTAL REPORT" WHICH IS AVAILABLE ON THE GROUP'S WEBSITE AND IN THE "2010 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 WHO WOULD LIKE TO ASK THE GROUP QUESTIONS MAY DO SO BY WRITING TO: environnement@lvmh.fr

SEVERAL BRANDS FOCUSED ON PROTECTING BEES

"If the bees were to disappear, humanity would have only a few years to live." This statement attributed to Albert Einstein is even more meaningful today.

- Guerlain signed a sponsorship contract with the Conservatoire de l'Abeille Noire in Ouessant to re-constitute old strains of the indigenous bees *Apis mellifera mellifera*.
- Historically linked with the bee, Chaumet decided to support the program of the Terre d'Abeilles association, which works to promote the development of beekeeping. This association helped create the first European genetic conservatory network for the black bee in the Parc de la Brenne.



TAG Heuer is installing 750 m2 of photovoltaic panels on the roofs of its buildings in La Chaux-de-Fonds.

LVMH

Consolidated financial statements
2010

THE CONSOLIDATED
FINANCIAL STATEMENTS
PRESENTED IN THE
FOLLOWING PAGES ARE
ABBREVIATED.

LVMH
MOËT HENNESSY • LOUIS VUITTON

LVMH
Passionate about creativity

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2010

ASSETS

<i>(EUR millions)</i>	2010	2009	2008⁽¹⁾
Brands and other intangible assets - net	9,104	8,697	8,523
Goodwill - net	5,027	4,270	4,423
Property, plant and equipment - net	6,733	6,140	6,081
Investments in associates	223	213	216
Non-current available for sale financial assets	3,891	540	375
Other non-current assets	319	750	841
Deferred tax	668	521	670
NON-CURRENT ASSETS	25,965	21,131	21,129
Inventories and work in progress	5,991	5,644	5,764
Trade accounts receivable	1,565	1,455	1,650
Income taxes	96	217	229
Other current assets	1,255	1,213	1,698
Cash and cash equivalents	2,292	2,446	1,013
CURRENT ASSETS	11,199	10,975	10,354
TOTAL ASSETS	37,164	32,106	31,483

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

LIABILITIES AND EQUITY

(EUR millions)	2010	2009	2008 ⁽¹⁾
Share capital	147	147	147
Share premium account	1,782	1,763	1,737
Treasury shares and LVMH-share settled derivatives	(607)	(929)	(983)
Revaluation reserves	1,244	871	818
Other reserves	11,370	10,684	9,430
Cumulative translation adjustment	230	(495)	(371)
Net profit, Group share	3,032	1,755	2,026
Equity, Group share	17,198	13,796	12,804
Minority interests	1,006	989	989
TOTAL EQUITY	18,204	14,785	13,793
Long term borrowings	3,432	4,077	3,738
Provisions	1,167	990	971
Deferred tax	3,354	3,117	3,113
Other non-current liabilities	3,947	3,089	3,253
NON-CURRENT LIABILITIES	11,900	11,273	11,075
Short term borrowings	1,834	1,708	1,847
Trade accounts payable	2,298	1,911	2,292
Income taxes	446	221	304
Provisions	339	334	306
Other current liabilities	2,143	1,874	1,866
CURRENT LIABILITIES	7,060	6,048	6,615
TOTAL LIABILITIES AND EQUITY	37,164	32,106	31,483

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

LVMH's consolidated balance sheet totaled 37.2 billion euros as of December 31, 2010, representing a 15.8% increase over its level as of December 31, 2009.

Non-current assets amounted to 26.0 billion euros, compared to 21.1 billion euros at year-end 2009, a significant increase mainly attributable to the additional investment in Hermès International. Non-current assets thus represent 70% of total assets, up from 66% a year earlier.

Tangible and intangible fixed assets increased to 20.9 billion euros from 19.1 billion euros at year-end 2009. Brands and other intangible assets amounted to 9.1 billion euros, up from 8.7 billion euros as of December 31, 2009. This increase chiefly reflects 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, and in Swiss francs, in particular the TAG Heuer and Hublot brands.

Goodwill increased significantly, to 5.0 billion euros from 4.3 billion euros at year-end 2009, primarily reflecting share purchase commitments.

The increase in property, plant and equipment, to 6.7 billion euros at year-end 2010, is due in part to the translation adjustment but also reflects the impact of the Group's operating investments, net of the depreciation charge for the year. These investments mainly relate to the retail networks of Louis Vuitton, Sephora and DFS, as well as to certain real estate assets, located at the heart of cities where the Group's brands enjoy significant recognition.

Taken together, investments in associates, non-current available for sale financial assets, other non-current assets and deferred tax increased by 3.1 billion euros to 5.1 billion euros, mainly as a result of the additional investment in Hermès International, which brought the Group's stake in this company to 20.2%. As of December 31, 2010, non-current available for sale financial assets included the investment in Hermès International in the amount of 3.3 billion euros.

Inventories came to 6.0 billion euros, up from 5.6 billion euros at year-end 2009, due to the impact of exchange rate fluctuations, the development of retail networks, mainly that of Sephora, and the moderate replenishment of distilled alcohol inventories for cognac.

Trade accounts receivable amounted to 1.6 billion euros, thus returning to their level at year-end 2008.

In spite of the cash outflow resulting from the acquisition of shares in Hermès International, cash and cash equivalents, excluding current available for sale financial assets, remained high at 2.3 billion euros,

close to the amount of 2.4 billion euros recorded as of December 31, 2009.

The Group share of equity before appropriation of profit increased to 17.2 billion euros from 13.8 billion euros at year-end 2009. This strong improvement in 2010 is attributable to the significant amount of the Group's share of net profit for the year and to the positive change in the cumulative translation adjustment resulting from the rise in most currencies against the euro, an impact exceeding by far the payment of dividends in the amount of 1.0 billion euros.

Minority interests remained stable at 1.0 billion euros. This stability results from the share of minority interests in the net profit for the year after the distribution of dividends, the positive impact of the appreciation of the US dollar on minority interests in DFS, and the negative impact of the acquisition of an additional 40.1% stake in the Samaritaine.

Total equity thus amounted to 18.2 billion euros and represented 49% of the balance sheet total, compared to 46% a year earlier.

As of December 31, 2010, non-current liabilities amounted to 11.9 billion euros, including 3.4 billion euros in long term borrowings. This compares to 11.3 billion euros at year-end 2009, including 4.1 billion euros in long term borrowings. The decrease in long term borrowings is more than offset by increases in share purchase commitments, provisions for contingencies and losses, and deferred tax. The proportion of non-current liabilities in the balance sheet total came to 32%, down from 35% a year earlier.

Equity and non-current liabilities thus amounted to 30.1 billion euros, and exceeded total non-current assets by 4.1 billion euros.

Current liabilities increased to 7.1 billion euros, from 6.0 billion euros at year-end 2009. Their relative weight in the balance sheet total remained stable at 19%.

Long term and short term borrowings, including the market value of interest rate derivatives used as hedging instruments, and net of cash, cash equivalents and current available for sale financial assets, amounted to 2.7 billion euros as of December 31, 2010, compared to 3.0 billion euros a year earlier. This represents a gearing of 15%, compared to 20% at year-end 2009.

Cash and cash equivalents again exceeded short term borrowings.

As of December 31, 2010, the Group's undrawn confirmed credit lines amounted to 3.3 billion euros, largely exceeding the outstanding portion of its commercial paper program, which came to 0.3 billion euros.

CONSOLIDATED INCOME STATEMENT

(EUR millions, except for net profit per share)	2010	2009	2008
REVENUE	20,320	17,053	17,193
Cost of sales	(7,184)	(6,164)	(6,012)
GROSS MARGIN	13,136	10,889	11,181
Marketing and selling expenses	(7,098)	(6,051)	(6,104)
General and administrative expenses	(1,717)	(1,486)	(1,449)
PROFIT FROM RECURRING OPERATIONS	4,321	3,352	3,628
Other operating income and expenses	(152)	(191)	(143)
OPERATING PROFIT	4,169	3,161	3,485
Cost of net financial debt	(151)	(187)	(257)
Other financial income and expenses	763	(155)	(24)
NET FINANCIAL INCOME (EXPENSE)	612	(342)	(281)
Income taxes	(1,469)	(849)	(893)
Income (loss) from investments in associates	7	3	7
NET PROFIT BEFORE MINORITY INTERESTS	3,319	1,973	2,318
Minority interests	(287)	(218)	(292)
NET PROFIT, GROUP SHARE	3,032	1,755	2,026
BASIC GROUP SHARE OF NET PROFIT PER SHARE (in euros)	6.36	3.71	4.28
Number of shares on which the calculation is based	476,870,920	473,597,075	473,554,813
DILUTED GROUP SHARE OF NET PROFIT PER SHARE (in euros)	6.32	3.70	4.26
Number of shares on which the calculation is based	479,739,697	474,838,025	475,610,672

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	2010	2009	2008
NET PROFIT BEFORE MINORITY INTERESTS	3,319	1,973	2,318
Translation adjustments	701	(128)	257
Tax impact	89	(20)	25
	790	(148)	282
Change in value of available for sale financial assets	294	114	(186)
Amounts transferred to income statement	38	(11)	(66)
Tax impact	(35)	(26)	21
	297	77	(231)
Change in value of hedges of future foreign currency cash flows	(20)	133	138
Amounts transferred to income statement	(30)	(125)	(206)
Tax impact	14	(2)	43
	(36)	6	(25)
Change in value of vineyard land	206	(53)	172
Tax impact	(71)	18	(59)
	135	(35)	113
GAINS AND LOSSES RECOGNIZED IN EQUITY	1,186	(100)	139
COMPREHENSIVE GAINS AND LOSSES	4,505	1,873	2,457
Minority interests	(375)	(189)	(352)
COMPREHENSIVE GAINS AND LOSSES, GROUP SHARE	4,130	1,684	2,105

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Consolidated revenue for the year ended December 31, 2010 was 20,320 million euros, up 19% from the previous year. It was favorably impacted by the appreciation of the main invoicing currencies against the euro, in particular the US dollar, which appreciated by 5%.

Since January 1, 2009, the following changes were made in the Group's scope of consolidation: in Perfumes and Cosmetics, La Brosse et Dupont was deconsolidated in the fourth quarter of 2010; in Wines and Spirits, Château Cheval Blanc was consolidated for the first time on a proportionate basis in August 2009. These changes in the scope of consolidation made a negative contribution of 0.4 points to revenue growth for the year.

On a constant consolidation scope and currency basis, revenue increased by 13%.

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro fell by 2 points to 28%, yen-denominated revenue fell by 1 point to 9%, the contribution of the US dollar remained stable at 27%, while the contribution of all other currencies rose by 3 points to 36%.

By geographic region of delivery, the period saw a drop in the relative contributions of France and Japan, the former from 14% to 13% and the latter from 10% to 9%. Europe (excluding France), the United States, and other markets remained stable at 21%, 23%, and 9%, respectively, while Asia (excluding Japan) advanced by 2 points to 25%.

By business group, the breakdown of Group revenue remained nearly unchanged. The contributions of Wines and Spirits, Fashion and Leather Goods, and Selective Retailing remained stable at 16%, 37% and 27%, respectively, while the contribution of Perfumes and Cosmetics dropped by 1 point to 15%. The contribution of Watches and Jewelry rose by 1 point to 5%.

Wines and Spirits saw an increase in revenue of 19% based on published figures. On a constant consolidation scope and currency basis, revenue increased by 13%, with the favorable impact of exchange rate fluctuations raising revenue by nearly 6 points. With distributors no longer destocking, the Group's brands capacity to take advantage of the recovery in consumer spending has delivered stronger sales, particularly in the Asian countries, where demand is very robust. More than ever, China has confirmed its status as the second largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic revenue growth of 13%, and 20% based on published figures. This business group's performance continues to be driven by the exceptional momentum achieved by Louis Vuitton, which again recorded double-digit revenue growth. Donna Karan, Marc Jacobs, Fendi and Givenchy also confirmed their potential, with double-digit growth in revenue in 2010.

Revenue for the Perfumes and Cosmetics business group increased by 9% on a constant consolidation scope and currency basis, and by 12% based on published figures. All of this business group's brands turned in good results. This rebound illustrates the extent to which the value-based strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the current economic crisis has

been efficient. The Perfumes and Cosmetics business group saw considerable growth in revenue in Asia, especially in China, but also in Russia. In addition, this business group benefited from the strong recovery in the travel retail segment.

Revenue for the Watches and Jewelry business group increased by 21% on a constant consolidation scope and currency basis, and by 29% based on published figures. Increases in inventory by retailers certainly helped to drive substantially stronger sales of both watches and jewelry during the period, but the extent of this growth was especially attributable to the solid upturn in consumer demand. For all of this business group's brands, Asia is the most dynamic region.

Based on published figures, revenue for the Selective Retailing business group increased by 19%, and by 14% on a constant consolidation scope and currency basis. The main drivers of this performance were Sephora, which saw considerable growth in sales across all the world's regions, and DFS, which made excellent advances, spurred especially by the continuing development of Chinese tourism boosting business at its stores in Hong Kong and Macao.

The Group posted a gross margin of 13,136 million euros, up 21% compared to the previous year. The gross margin as a percentage of revenue was 65%, an increase of 1 point over the previous year, particularly thanks to tighter control over the costs of products sold.

Marketing and selling expenses totaled 7,098 million euros, up 17% based on published figures, amounting to a 12% increase at constant exchange rates. This increase is mainly due to greater communications expenditures by the Group's main brands, but also to the development of retail networks. Nevertheless, the level of marketing and selling expenses remained stable as a percentage of revenue, amounting to 35%. Among these expenses, advertising and promotion represented 11% of revenue, an increase of 21% at constant exchange rates.

General and administrative expenses totaled 1,717 million euros, up 16% based on published figures, and up 12% on a constant currency basis. They represented 8% of revenue, thus decreasing by 1 point compared to 2009.

The Group's profit from recurring operations was 4,321 million euros, up 29% compared to 2009. The operating margin as a percentage of revenue increased by 2 points to nearly 21%.

Exchange rate fluctuations had a positive net impact on the Group's profit from recurring operations of 371 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 increased by 18%.

Profit from recurring operations for Wines and Spirits was 930 million euros, up 22% compared to 2009. This performance is primarily the

result of sales volume growth. Tighter control of costs, together with the positive impact of exchange rate fluctuations, offset the rise in advertising and promotional expenditure focused on strategic markets. The operating margin as a percentage of revenue for this business group increased by 1 point to 29%.

Fashion and Leather Goods posted profit from recurring operations of 2,555 million euros, up 29% compared to 2009. Exchange rate fluctuations had a positive impact on this business group's profit in the amount of 246 million euros. Profit from recurring operations for Louis Vuitton increased sharply, while Fendi and Donna Karan confirmed their profitable growth momentum. The operating margin as a percentage of revenue for this business group also increased by 2 points to 34%.

Profit from recurring operations for Perfumes and Cosmetics was 332 million euros, up 14% compared to 2009. This growth was driven by Parfums Christian Dior, Guerlain, and Parfums Givenchy, which all posted significantly improved performance, thanks to the success of their market-leading product lines and strong innovative momentum. The operating margin as a percentage of revenue for this business group remained stable at 11%.

Profit from recurring operations for Watches and Jewelry increased twofold to 128 million euros. This business group significantly improved its profitability and posted an operating margin as a percentage of revenue of 13%, representing an increase of more than 5 points.

Profit from recurring operations for Selective Retailing was 536 million euros, up 38% compared to 2009. The operating margin as a percentage of revenue for this business group as a whole increased by 1 point to 10%.

The net result from recurring operations of Other activities and eliminations was a loss of 160 million euros, representing a decline compared to 2009. 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 152 million euros, compared to a net expense of 191 million euros in 2009. In 2010, this total included costs for the restructuring of industrial or commercial processes, in the amount of 32 million euros, together with costs related to disposals of the period, in the amount of 36 million euros. The balance of other operating income and expenses consisted

mainly of accelerated depreciation and asset impairment, in the amount of 92 million euros.

The Group's operating profit was 4,169 million euros, representing a 32% increase over 2009.

The net financial income was 612 million euros, compared to a net financial expense of 342 million euros in the prior year.

The cost of net financial debt was 151 million euros as of December 31, 2010, down from 187 million euros the previous year. This decrease reflects the combined impact of a favourable 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 income of 763 million euros, compared to a net expense of 155 million euros in 2009. The financial cost of foreign exchange operations was 96 million euros in 2010 while it was 46 million euros in 2009. The management of current and non-current available for sale financial assets and other financial instruments generated a net gain of 865 million euros. This included, in the amount of 1,004 million euros, the gain, net of expenses, resulting from the Hermès transactions on the settlement of equity linked swaps, corresponding to the difference between the market value of the securities acquired at the settlement date and their value based on market prices as of December 31, 2009. As was the case in 2009, the remaining amount was due both to changes in market performance and the recognition of impairment losses on current and non-current available for sale financial assets. Other financial expenses amounted to 20 million euros, compared to 26 million euros in 2009.

The Group's effective tax rate was 31% in 2010, compared to 30% in 2009.

Income from investments in associates was 7 million euros in 2010, up from 3 million euros in 2009.

Profit attributable to minority interests was 287 million euros as of December 31, 2010, compared to 218 million euros the previous year. This total mainly includes profit attributable to minority interests in Moët Hennessy and DFS and reflects higher earnings by these entities.

The Group's share of net profit was 3,032 million euros; excluding the impact of the Hermès transactions, the Group's share of net profit was 2,287 million euros, representing a 30% increase over 2009; it represented 11% of revenue in 2010, compared to 10% in 2009.

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2010	2009	2008
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS			
Operating profit	4,169	3,161	3,485
Net increase in depreciation, amortization and provisions, excluding tax and financial items	788	826	695
Other computed expenses, excluding financial items	(126)	(37)	(42)
Dividends received	20	21	17
Other adjustments	(3)	(43)	(59)
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	4,848	3,928	4,096
Cost of net financial debt: interest paid	(149)	(185)	(222)
Income taxes paid	(897)	(900)	(866)
NET CASH FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL	3,802	2,843	3,008
Change in inventories and work in progress	(126)	69	(826)
Change in trade accounts receivable	(13)	206	(29)
Change in trade accounts payable	295	(362)	135
Change in other receivables and payables	91	178	(10)
TOTAL CHANGE IN WORKING CAPITAL	247	91	(730)
NET CASH FROM OPERATING ACTIVITIES	4,049	2,934	2,278
Purchase of tangible and intangible fixed assets	(1,002)	(748)	(1,039)
Proceeds from sale of tangible and intangible fixed assets	33	26	100
Guarantee deposits paid and other operating investments	(7)	(7)	(8)
OPERATING INVESTMENTS	(976)	(729)	(947)
NET CASH FROM (USED IN) OPERATING ACTIVITIES AND OPERATING INVESTMENTS (FREE CASH FLOW)	3,073	2,205	1,331
II. FINANCIAL INVESTMENTS			
Purchase of non-current available for sale financial assets	(1,724)	(93)	(155)
Proceeds from sale of non-current available for sale financial assets	70	49	184
Impact of purchase and sale of consolidated investments	(61)	(278)	(642)
NET CASH FROM (USED IN) FINANCIAL INVESTMENTS	(1,715)	(322)	(613)
III. TRANSACTIONS RELATING TO EQUITY			
Capital increases of LVMH	120	30	5
Capital increases of subsidiaries subscribed by minority interests	1	11	4
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	155	34	(143)
Interim and final dividends paid by LVMH	(953)	(758)	(758)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(158)	(175)	(188)
Purchase and proceeds from sale of minority interests	(185)	-	-
NET CASH FROM (USED IN) TRANSACTIONS RELATING TO EQUITY	(1,020)	(858)	(1,080)
IV. FINANCING ACTIVITIES			
Proceeds from borrowings	564	2,442	2,254
Repayment of borrowings	(1,290)	(2,112)	(2,301)
Purchase and proceeds from sale of current available for sale financial assets	(32)	321	(47)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	(758)	651	(94)
V. EFFECT OF EXCHANGE RATE CHANGES	188	(120)	87
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	(232)	1,556	(369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,274	718	1,087
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,042	2,274	718
Transactions included in the table above, generating no change in cash: - acquisition of assets by means of finance leases	6	12	11

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement on the opposite page, details the main cash flows for fiscal year 2010.

Cash from operations before changes in working capital increased by 23%, to 4,848 million euros as of December 31, 2010, from 3,928 million euros a year earlier.

Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 3,802 million euros, an increase of 34% compared to the 2,843 million euros recorded in 2009.

Interest paid in 2010 amounted to 149 million euros, down from 185 million euros the previous year, reflecting the decline in the Group's average financial debt over the year combined with a favorable interest rate environment.

Income tax paid in 2010 amounted to 897 million euros, thus nearly stable compared to the 900 million euros paid in 2009.

Working capital requirements decreased by 247 million euros. Although changes in inventories increased cash requirements by 126 million euros, due in particular to growth in the Selective Retailing businesses and the modest recovery in purchases of distilled alcohol inventories for cognac, the increase in trade accounts payable balances generated 295 million euros in cash, especially at DFS and the French perfumes and cosmetics houses. Changes in working capital requirements compared to 2009 are primarily attributable to business growth in 2010 and, for the French brands, to the impact on the 2009 financial statements of the entry into effect of the French Law on the Modernization of the Economy.

Operating investments for the period, net of disposals, resulted in net cash outflows of 976 million euros. These investments, mainly focused on the retail networks of flagship brands and trade names such as Louis Vuitton, Sephora and DFS, reflect the Group's growth momentum.

Net cash from operating activities and operating investments thus amounted to 3,073 million euros, compared to 2,205 million euros the previous year.

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 1,715 million euros in 2010, compared to 322 million euros a year earlier. As of December 31, 2010, acquisitions of non-current available for sale financial assets included the additional investment in Hermès Inter-

national, in the amount of 1,655 million euros. The net impact of the purchase and sale of consolidated investments primarily corresponds to the acquisition by Sephora of a 70% stake in Sack's, a Brazilian retailer of perfumes and cosmetics.

Transactions relating to equity generated an outflow of 1,020 million euros over the period.

Share subscription options exercised in 2010 raised a total of 120 million euros. The Company proceeded 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 155 million euros.

In the year ended December 31, 2010, LVMH SA paid 953 million euros in dividends, excluding the amount attributable to treasury shares, of which 618 million euros were distributed in May in respect of the final dividend on 2009 profit and 335 million euros in December in respect of the interim dividend for fiscal year 2010. Furthermore, the minority shareholders of consolidated subsidiaries received 158 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.

Lastly, the Group acquired an additional 40.1% stake in the Samaritaine for a consideration of 185 million euros, thus raising its total ownership interest to 98.5%. After all operating, investment and equity-related activities, including the impact of the additional investment in Hermès International and the dividend payment, the total cash surplus amounted to 338 million euros as of December 31, 2010.

Given the extent of this cash surplus, very little funds were raised in 2010. Bond issues and new borrowings provided a cash inflow of 564 million euros. LVMH SA did not issue any public bonds during the period, nor did it conclude any private placements through its Euro Medium Term Notes program. However, the Group did make use of its French commercial paper program, the outstanding portion of which amounted to 272 million euros as of December 31, 2010.

In 2010, the resources and cash described above were used to pay down borrowings in the amount of 1,290 million euros, 715 million euros of which corresponded to the redemption of a euro-denominated bond issued in 2003.

As of December 31, 2010, cash and cash equivalents net of bank overdrafts amounted to 2,042 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	Cumulative translation adjustment	Revaluation reserves			Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land		Group share	Minority interests	Total
AS OF DECEMBER 31, 2009	490,405,654	147	1,763	(929)	(495)	213	63	595	12,439	13,796	989	14,785
Gains and losses recognized in equity					725	297	(32)	108		1,098	88	1,186
Net profit									3,032	3,032	287	3,319
COMPREHENSIVE GAINS AND LOSSES		-	-	-	725	297	(32)	108	3,032	4,130	375	4,505
Stock option plan and similar expenses									41	41	3	44
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				221					(43)	178	-	178
Exercise of share subscription options	2,012,478		120							120	-	120
Retirement of LVMH shares	(1,775,900)		(101)	101						-	-	-
Capital increase in subsidiaries										-	1	1
Interim and final dividends paid									(953)	(953)	(158)	(1,111)
Effects of changes in control of consolidated entities										-	(3)	(3)
Effects of acquisition and disposal of minority interests' shares									(83)	(83)	(104)	(187)
Effects of purchase commitments for minority interests									(31)	(31)	(97)	(128)
AS OF DECEMBER 31, 2010	490,642,232	147	1,782	(607)	230	510	31	703	14,402	17,198	1,006	18,204

L V M H

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