FINANCIERE AGACHE

Translation of the French "Rapport financier annuel"
Fiscal year ended December 31, 2019

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

Executive and Supervisory Bodies, and Statutory Auditors as of December 31, 2019

BOARD OF DIRECTORS

Florian OLLIVIER
Chairman and Chief Executive Officer

Nicolas BAZIRE
Group Managing Director
Representative of Groupe Arnault SEDCS (a)

Pierre DE ANDREA
Representative of Invry SAS

Pierre DEHEN
Representative of GA Placements SA (a)

Lord POWELL of BAYSWATER

STATUTORY AUDITORS

ERNST & YOUNG et Autres
represented by Gilles Cohen

MAZARS
represented by Loïc Wallaert and Guillaume Machin

(a) Renewal proposed at the Shareholders' Meeting of June 4, 2020.

Management Report of the Board of Directors – Financière Agache group

1. THE FINANCIÈRE AGACHE BUSINESS MODEL

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The Financière Agache group helps its Maisons grow over the long term, based on respect for their specific strengths and individuality, underpinned by common values and a shared business model.

1. Business overview

Financière Agache is the only group that operates simultaneously, through its Maisons, in all the following luxury sectors:

Wines and Spirits: Based in Champagne, Bordeaux and other renowned wine-growing regions, the Group's Maisons – some of which are hundreds of years old – all have their own unique character, backed by a shared culture of excellence. The activities of the Group in Wines and Spirits are divided between the Champagne and Wines segment and the Cognac and Spirits segment. This business group focuses on growth in high-end market segments through a powerful, agile international distribution network. The Financière Agache group is the world leader in cognac, with Hennessy, and in champagne, with an outstanding portfolio of brands and complementary product ranges. It also produces high-end still and sparkling wines from around the world.

Fashion and Leather Goods: The Group includes established Maisons with their own unique heritage and more recent brands with strong potential. Whether they are part of haute couture or luxury fashion, the Financière Agache group's Maisons have based their success on the quality, authenticity and originality of their designs, created by talented, renowned designers. All the Group's Maisons are focused on the creativity of their collections, building on their iconic, timeless lines, achieving excellence in their retail networks and strengthening their online presence, while maintaining their identity.

Perfumes and Cosmetics: The Financière Agache group is a key player in the perfume, makeup and skincare sector, with a portfolio of world-famous established names as well as younger brands with a promising future. Its Perfumes and Cosmetics business group boasts exceptional momentum, driven by growing and securing the long-term future of its flagship lines as well as boldly developing new products. The Maisons cultivate their individuality, a differentiating factor for their followers in a highly competitive global market. At the same time, they are all driven by the same values: the pursuit of excellence, creativity, innovation and complete control of their brand image.

Watches and Jewelry: The Maisons in Watches and Jewelry – the Financière Agache group's youngest business group – operate in the high-quality watchmaking, jewelry and high jewelry sectors. It features some of the most dynamic brands on the market, positioned to complement each other's strengths. These Maisons rely on their outstanding expertise, creativity and innovation to surprise their customers all over the world and respond to their aspirations.

Selective Retailing: The Group's Selective Retailing brands all pursue a single objective: transforming shopping into a unique experience. From elegant interior design to a specialist selection of high-end products and services, combined with personalized relationships, customers are the focus of their attention on a daily basis. Operating all over the world, the Maisons are active in two spheres: selective retail and travel retail (selling luxury goods to international travelers).

Other activities: The Maisons in this business group are all ambassadors for culture and a certain art de vivre that is emblematic of the Financière Agache group. This approach is taken by Maisons including the Les Echos group, which – in addition to *Les Echos*, the leading daily financial newspaper in France – owns several business and arts titles; the Royal Van Lent shipyard, which builds and markets custom-designed yachts under the prestigious Feadship name; Belmond, which has a large portfolio of hotels, trains, cruise lines and safari lodges that combine heritage, expertise, authenticity and impeccable service; and the exceptional Cheval Blanc hotels, which operate worldwide.

2. Group values

In its quest for excellence, there are three fundamental values that drive the Financière Agache group's performance and ensure its long-term future. These are shared by everyone involved at the Group, and inspire and guide their actions. They are one of its Maisons' keys to success, anchoring them in the modern world and the society in which they operate.

Being creative and innovative: Creativity and innovation are part of the Group's DNA; throughout the years, they have been the keys to the Maisons' success and the basis of their solid reputations. These fundamental values of creativity and innovation are pursued in tandem by the Group's Maisons as they focus on achieving the ideal balance between continually renewing their offer while resolutely looking to the future, always respecting their unique heritage.

Delivering excellence: Within the Group, quality can never be compromised. Because the Maisons embody everything that is most noble and accomplished in the world of fine craftsmanship, they pay extremely close attention to detail and strive for perfection: from products to services, it is in this quest for excellence that the Group differentiates itself.

Cultivating an entrepreneurial spirit: The Group's agile, decentralized structure fosters efficiency and responsiveness. It encourages individuals to take initiative by giving everyone a significant level of responsibility. The entrepreneurial spirit promoted by the Group makes risk-taking easier and encourages perseverance. It requires a pragmatic approach and the ability to mobilize staff towards achieving ambitious goals.

The Financière Agache group and its Maisons put heart and soul into everything they do. Each of the Group's initiatives is meaningful and reflects its commitment to the environment, the community and diversity.

3. Operating model

The Financière Agache group's operating model is based on the following six pillars:

Decentralized organization: The structure and operating principles adopted ensure that Maisons are both autonomous and responsive. As a result, they are able to build close relationships with their customers, make fast, effective and appropriate decisions, and motivate Group employees for the long term by encouraging them to take an entrepreneurial approach.

Internal growth: The Group prioritizes internal growth and is committed to developing its Maisons, and encouraging and protecting their creativity. Staff play a critical role in a model of this kind, so supporting them in their career and encouraging them to exceed their own expectations is essential.

Vertical integration: Designed to cultivate excellence both up- and downstream, vertical integration ensures control of every stage of the value chain, from sourcing to production facilities and selective retailing. It also guarantees strict control of Maisons' brand image.

Creating synergies: Resources are pooled at Group level to create intelligent synergies while respecting each Maison's independence and autonomy. Financière Agache's shared strength as a Group is used to benefit each Maison individually.

Securing expertise for the long term: The Maisons that make up the Financière Agache group cultivate a long-term vision. To protect their identity and excellence, the Group and its Maisons have implemented numerous tools to pass on expertise and promote artisanal and creative skills in the next generation.

A complementary mix of activities and geographic locations: The Group has equipped itself to grow steadily by balancing its activities and their geographical spread, helping to secure its position in the face of economic fluctuations.

This unique operating model is key to the Group's long-term success built on profitable growth, sustainability and a commitment to excellence.

FINANCIERE AGACHE

Management Report of the Board of Directors – Financière Agache group

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1. Wines and Spirits

In 2019, revenue for the Wines and Spirits business group amounted to 5,576 million euros and represented 10% of the Financière Agache group's total revenue. Champagne and wines made up 45% of this revenue, while cognacs and spirits accounted for 55%.

1.1 CHAMPAGNE AND WINES

1.1.1 Champagne and Wine brands

The Group produces and sells a very broad range of high-quality champagnes. Beyond the Champagne region, the Group develops and distributes a range of high-end still and sparkling wines produced in nine countries spanning five continents: France, Spain, the United States (California), Argentina, Brazil, Australia, New Zealand, India and China.

Founded in 1743, **Moët & Chandon** is the Champagne region's leading wine grower, producer and exporter, renowned for its exceptional heritage and pioneering spirit. Steeped in tradition with its iconic *Moët Impérial* blend, its rosé versions and the *Grand Vintage* collection, the Maison is also squarely positioned as an innovator, illustrated in particular by *Moët Ice Impérial*, the very first champagne exclusively designed to be served over ice in large glasses to reveal all its subtle nuances.

Dom Pérignon carries on the legacy of Dom Pierre Pérignon, the 17th-century Benedictine monk whose ambition was to make "the best wine in the world". Dom Pérignon only releases vintage champagnes. The Maison's Cellar Master has full control over the wine aging process, expressing a unique vision and a meticulously structured approach in the finished product. The wine evolves in successive phases, each one a window of expression, called Plénitudes. The first vintage of Dom Pérignon was produced by Moët & Chandon in 1936.

Veuve Clicquot, highly acclaimed for its work with Pinot Noir and its expertise in reserve wines, is currently ranked number-two in the profession. Veuve Clicquot embodies a bold, chic art de vivre cultivated by the Maison since it was founded in 1772. The Maison's iconic cuvées are *Brut Carte Jaune*, *Veuve Clicquot Rosé* (the first blended rosé champagne, created 200 years ago) and the prestige cuvée *La Grande Dame*, a blend based on the Maison's eight classic grands crus.

Ruinart, founded in 1729, is the oldest of the champagne houses. Each of its cuvées expresses the distinctive personality of Chardonnay, the Maison's dominant grape variety. **Krug**, established in 1843 and acquired by the Group in January 1999, is the first and only champagne house to create an exclusively prestige cuvée every year: *Krug Grande Cuvée*. **Mercier**, which was founded by Eugène Mercier in 1858, has always had the aim of creating a champagne for all occasions, which is sold mainly in the French market.

The Group's portfolio of wines aside from champagne includes a number of prestigious appellations in France, Spain, America, Asia and Oceania.

The Group's wineries outside France are **Cloudy Bay** in New Zealand; **Cape Mentelle** in Australia; **Newton Vineyard** and the iconic **Colgin Cellars** (founded by Ann Colgin 25 years ago and acquired by the Group in 2017) in California; **Terrazas de los Andes** and **Cheval des Andes** in Argentina; **Ao Yun** in China; and **Numanthia Termes** in Spain. The **Chandon** brand (created in 1959 in Argentina) includes the Moët Hennessy sparkling wines developed in California, Argentina, Brazil, Australia, India and China by Chandon Estates.

In France, since 1999 the Group has owned **Château d'Yquem**, the most celebrated Sauternes and the only Premier Cru Supérieur in the 1855 classification. In 1998, the Group purchased a 50% stake in the prestigious winery **Château Cheval Blanc**, Premier Grand Cru Classé A Saint-Émilion. In 2014, the Group acquired **Domaine du Clos des Lambrays**, one of the oldest and most prestigious Burgundy vineyards, and Grand Cru of the Côte de Nuits. Lastly, **Château du Galoupet** (which has held the acclaimed Cru Classé des Côtes-de-Provence designation since 1955) and **Château d'Esclans** (the US market leader in Provence rosé wines, headed by Sacha Lichine) also joined the portfolio of wines in 2019.

1.1.2 Competitive position

In 2019, shipments of the Group's champagne brands were up 1% in volume, while shipments from the Champagne region as a whole were down 2% (source: CIVC). The Group's market share was 22.1% of the total shipments from the region, compared to 21.6% in 2018.

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

(in millions of bottles and percentage)	2019			2018			2017		
	Sales volume		Market share	Sales volume		Market share	Sales volume		Market share
	Region	Group	*(%)*	Region	Group	*(%)*	Region	Group	*(%)*
France	141.5	8.7	6.1	147.5	8.7	5.9	153.5	9.9	6.4
Export	156.0	57.2	36.7	154.8	56.7	36.6	153.9	57.3	37.3
TOTAL	**297.5**	**65.9**	**22.1**	**302.3**	**65.4**	**21.6**	**307.4**	**67.2**	**21.9**

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

The geographic breakdown of the Group's champagne sales in 2019 is as follows (as a percentage of total sales expressed in number of bottles):

(as %)	2019	2018	2017
Germany	5	5	5
United Kingdom	8	7	8
United States	20	19	19
Italy	4	4	4
Japan	11	10	10
Australia	4	5	5
Other	35	36	34
Total export	**87**	**87**	**85**
France	13	13	15
TOTAL	**100**	**100**	**100**

1.1.3 The champagne production method

The Champagne appellation covers a defined geographic area classified A.O.C. (Appellation d'Origine Contrôlée), which covers the 34,000 hectares that can be legally used for production. There are essentially three main types of grape varietals used in the production of champagne: Chardonnay, Pinot Noir and Pinot Meunier.

In addition to its effervescence, the primary characteristic of champagne is that it is the result of blending wines from different years and/or different varieties and land plots. The best brands are distinguished by their masterful blend and consistent quality, achieved thanks to the talent of their wine experts.

Weather conditions significantly influence the grape harvest from one year to the next. The production of champagne also requires aging in cellars for two years or more for premium, vintage and/or prestige cuvées. To protect themselves against crop variations and manage fluctuations in demand, but also to ensure consistent quality year after year, the Group's champagne houses regularly adjust the quantities available for sale and keep reserve wines in stock, mainly in storage tanks. As maturation times vary, the Group constantly maintains significant champagne inventories in its cellars. An average of 219 million bottles are stored in the Group's cellars in Champagne, equivalent to about three years of sales; in addition to this bottled inventory, the Group has wines still in storage tanks waiting to be drawn (equivalent to 94 million bottles), including the quality reserve withheld from sale in accordance with applicable industry rules (equivalent to 10 million bottles).

The making of champagne involves extremely rigorous processes in order to ensure absolute consistency in quality from year to year. Moët et Chandon continued development of its Mont Aigu site, with its fermentation room, bottling line, cellars, disgorging area and packaging workshop now supplementing the production capacity of Moët & Chandon's historic facilities in Épernay. The historic production sites of Veuve Clicquot, Ruinart and Krug are in Reims. Veuve Clicquot began construction on its new "Comète" production site located in Saint-Léonard, near Reims.

In order to drive innovation and develop expertise in its production processes, the business group has invested in a research and development facility in Oiry, which is open to all its Maisons.

1.1.4 Grape supply sources and subcontracting

The Financière Agache group owns nearly 1,700 hectares under production, which provide almost 20% of its annual needs. In addition, the Group's Maisons purchase grapes and wines from wine growers and cooperatives on the basis of multi-year agreements; the largest supplier of grapes and wines represents less than 10% of total supplies for the Group's Maisons.

The Group's champagne houses, along with their partner grape suppliers, are steadily building up their use of sustainable winegrowing practices.

Since 1996, industry agreements have established a qualitative reserve in order to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. Each year, the INAO, which is the French governing body for appellations of origin, sets the maximum harvest that can be made into wine and sold under the Champagne appellation, as well as the ceiling known as the PLC (Plafond Limite de Classement), the quantity by which the appellation's marketable yield can be exceeded. For the 2019 harvest, the marketable yield for the Champagne appellation was set at 10,200 kg/ha and the PLC at 3,100 kg/ha. The maximum level of the stockpiled reserve is set at 8,000 kg/ha.

The price paid for each kilogram of grapes in the 2019 harvest ranged between 5.85 euros and 6.70 euros depending on the vineyard, an average increase of 1.9% compared to the 2018 harvest. Premiums may be paid on top of the basic price in line with the special conditions agreed under each partnership (including for sustainable winegrowing).

Dry materials (bottles, corks, etc.) and all other items representing containers or packaging are purchased from non-Group suppliers. In 2019, the champagne houses used subcontractors for nearly 27 million euros of services, notably pressing, handling and storing bottles.

1.2 COGNAC AND SPIRITS

1.2.1 Cognac and Spirits brands

The Group holds the most powerful brand in the cognac sector with **Hennessy**. The company was founded by Richard Hennessy in 1765. Historically, the brand was most prominent in the Irish and British markets, but Hennessy rapidly expanded its presence in Asia, which represented nearly 30% of its shipments as early as 1925. The brand became the world cognac leader in 1890. Hennessy created *X.O (Extra Old)* in 1870, and since then it has developed a range of high-end cognac for which it is highly renowned.

In 2005, the Group acquired The Glenmorangie Company, which owns the single malt whisky brands **Glenmorangie**, distilled in northeastern Scotland in Europe's tallest stills, and **Ardbeg**, distilled on the Isle of Islay in the southern Hebrides.

Since 2007, the Group has owned the luxury vodka **Belvedere**, founded in 1993 in order to bring a luxury vodka for connoisseurs to the American market. It is made at the Polmos Zyrardów distillery in Poland, which was founded in 1910.

Since 2017, **Volcán De Mi Tierra** tequila, which was created in collaboration with the Mexican entrepreneur Juan Gallardo Thurlow, has been available at a limited number of points of sale in the United States and Mexico.

In 2017, the Group acquired **Woodinville Whiskey Company**, which was established in 2010 by Orlin Sorensen and Brett Carlile and is the largest craft whiskey distillery in Washington State.

1.2.2 Competitive position

In 2019, the volumes shipped from the Cognac region were up 6% from 2018 (source: Bureau National Interprofessionnel du Cognac – BNIC), while volumes of Hennessy shipped increased by 17%. Hennessy's market share was 51.7%, compared to 47% in 2018. The company is the world leader in cognac, with particularly strong positions in the United States and Asia.

The leading geographic markets for cognac, both for the industry and for the Group, on the basis of shipments in number of bottles, excluding bulk, are as follows:

	2019			2018			2017		
	Sales volume		Market share	Sales volume		Market share	Sales volume		Market share
(in millions of bottles and percentage)	Region	Group	*(%)*	Region	Group	*(%)*	Region	Group	*(%)*
France	3.9	1.1	27.2	4.0	0.8	19.1	3.5	0.7	20.1
Europe (excluding France)	31.9	8.0	25.0	33.3	8.1	24.3	35.3	8.4	23.9
United States	101.9	68.7	67.4	86.9	53.6	61.6	82.4	53.4	64.8
Asia	61.1	23.5	38.5	61.9	22.9	36.9	58.1	23.0	39.7
Other markets	14.1	8.8	62.4	14.5	8.9	61.7	14.1	8.4	59.8
TOTAL	**212.9**	**110.0**	**51.7**	**200.6**	**94.2**	**47.0**	**193.3**	**94.0**	**48.6**

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

(as %)	2019	2018	2017
United States	58	56	55
Japan	1	1	1
Asia (excluding Japan)	23	23	24
Europe (excluding France)	8	9	9
Other	11	11	11
Total export	**100**	**100**	**100**
France	-	-	-
TOTAL	**100**	**100**	**100**

1.2.3 The cognac production method

The Cognac region is located around the Charente basin. The vineyard, which currently extends over about 78,000 hectares, consists almost exclusively of the Ugni Blanc varietal which yields a wine that produces the best eaux-de-vie. This region is divided into six vineyards, each of which has its own qualities: Grande Champagne, Petite Champagne, Borderies, Fins Bois, Bons Bois and Bois Ordinaires. Hennessy selects its eaux-de-vie essentially from the first four vineyards, where the quality of the wines is more suitable for the preparation of its cognacs.

Charentaise distillation is unique because it takes place in two stages: a first distillation (première chauffe) and a second distillation (seconde chauffe). The eaux-de-vie obtained are aged in oak barrels. Cognac results from the gradual blending of eaux-de-vie selected on the basis of vintage, origin and age.

Hennessy – which carries out all of its production in Cognac – inaugurated a state-of-the-art bottling and packaging plant named Pont Neuf in 2017. The new plant will ultimately boost the Maison's production capacity to 10 million cases per year. The design of this 26,000-square-meter facility reduces its environmental footprint and optimizes working conditions to an extent never achieved previously.

1.2.4 Supply sources for wines and cognac eaux-de-vie and subcontracting

Most of the cognac eaux-de-vie that Hennessy needs for its production are purchased from a network of approximately 1,600 independent producers, a collaboration which enables the company to ensure that exceptional quality is preserved as part of an ambitious sustainable winegrowing policy. Hennessy directly operates about 180 hectares, providing for less than 1% of its eaux-de-vie needs.

Purchase prices for eaux-de-vie are agreed on between the company and each producer based on supply and demand and the quality of the eaux-de-vie. In 2019, the price of eaux-de-vie from the harvest remained stable following the substantial price increase agreed upon in 2018.

With an optimized inventory of eaux-de-vie, Hennessy can manage the impact of price changes by adjusting its purchases from year to year under the contracts with its partners. Hennessy continues to control its purchase commitments and diversify its partnerships to prepare for its future growth across the various quality grades.

Like the Champagne and Wine businesses, Hennessy obtains its dry materials (bottles, corks and other packaging) from non-Group suppliers. The barrels and casks used to age the cognac are also obtained from non-Group suppliers. Hennessy makes only very limited use of subcontractors for its core business: aging, blending and bottling eaux-de-vie.

1.2.5 The vodka production method, supply sources and subcontracting

Belvedere vodka is made using only two ingredients – Polish rye and pure water – and is produced at one of Poland's oldest distilleries, which has been making vodka since 1910. Belvedere contains no additives, and is produced according to Polish laws governing vodka production, which stipulate that nothing may be added. Belvedere, an expert in rye distilling, draws upon more than 600 years of Polish tradition to produce extraordinary vodka with a distinct flavor and character. Overall, Belvedere's top raw eaux-de-vie supplier represents less than 35% of the company's supplies.

1.2.6 The Scotch whisky production method

As required by law to receive the Scotch whisky designation, the Glenmorangie and Ardbeg single malt whiskies are produced in Scotland from water and malted barley, fermented using yeast, and distilled and matured in Scotland for at least three years, in oak casks whose capacity may not exceed 700 liters. As single malt whiskies, they are the product of only one distillery. Glenmorangie's stills are the tallest in Scotland at 5.14 meters and allow only the lightest vapors to ascend and condense. The spirit still at Ardbeg has a unique spirit purifier. Glenmorangie and Ardbeg are normally matured for a minimum of 10 years in very high-quality casks.

1.3 WINES AND SPIRITS DISTRIBUTION

Moët Hennessy has a powerful and agile global distribution network, thanks to which the Wines and Spirits business group continues to expand the presence of its portfolio of brands in a balanced manner across all geographies. Part of this network consists of joint ventures with the Diageo [(1)] spirits group, governed by agreements that have been in place since 1987, which help strengthen the positions of the two groups, improve distribution control, enhance customer service and increase profitability by sharing distribution costs. This mainly involves Japan, China and France. In 2019, 27% of champagne and cognac sales were made through this channel.

1.4 HIGHLIGHTS OF 2019 AND OUTLOOK FOR 2020

1.4.1 Highlights

The Wines and Spirits business group performed well, in keeping with its value-enhancing strategy, and reaffirmed its leadership position by pursuing balanced geographic expansion. It achieved particularly remarkable momentum in China and the United States. The Maisons maintained a strong innovation policy and stepped up their environmental and social commitments.

The champagne houses enhanced their value propositions in a particularly competitive market. With volumes remaining virtually stable with respect to the previous year, organic revenue growth was 4%. The increased value was driven by more rapid growth in prestige cuvées and a firm price increase policy.

Moët & Chandon consolidated its global leadership position. It celebrated the 150th anniversary of its iconic *Moët Impérial* with a limited-edition bottle and a highly memorable event at the Maison's Château de Saran, which reopened its doors after several years of restoration. The success of its *Ice Impérial Blanc* and *Rosé* cuvées, offering new tasting experiences, illustrated the Maison's ability to move upmarket.

Continuing to reaffirm its unique model, **Dom Pérignon** achieved an exceptional performance in all its markets. Since January 2019, Vincent Chaperon has taken up the mantle of Richard Geoffroy – Dom Pérignon's Cellar Master since 1990 – after having worked alongside him for 15 years. The year saw the launch of the new *Plénitude 2 1998* vintage and an artistic collaboration with Lenny Kravitz for its *Vintage 2008* and *Rosé 2006*.

As the most-visited champagne house, **Mercier** built on its tradition of inclusiveness by employing guides specially trained in sign language.

Veuve Clicquot enjoyed a strong performance among its pillars, *Carte Jaune* and *Rosé*, driven in particular by the United States and Japan. Hailed by critics, *La Grande Dame 2008* continued its ascent with a global marketing campaign launched at the end of the year. Building on its commitment to empower women entrepreneurs, the Maison launched the "Bold by Veuve Clicquot" program.

Ruinart continued its growth with another record year, driven by the excellence of its cuvées, in particular its iconic *Blanc de Blancs*. The carte blanche given to Brazilian artist Vik Muniz in 2019 to explore the world of wine, as well as the launch of the Retour aux Sources art installation in Reims, which is connected to the living world and celebrates the beginning of the countdown to Ruinart's 300th anniversary in 2029, once again illustrated the Maison's commitment to art and the environment.

Krug confirmed its move upmarket with the introduction of its *Krug Grande Cuvée 167e Édition* and *Krug Rosé 23e Édition*, followed by the launch of *Les Créations de 2006*. After serving as Winemaking Director for 13 years, Julie Cavil became the Maison's Cellar Master in January 2020. The Maison created the "Fonds K pour la Musique" to support philanthropic projects.

Estates & Wines implemented a development strategy for a portfolio of powerful brands serving its key markets, the United States and China. With its unwavering focus on quality, the Maison won a number of awards in 2019. The acquisitions in 2019 of **Château du Galoupet** and **Château d'Esclans** marked Moët Hennessy's debut in the promising market of very high-end rosé.

Chandon delivered an impressive performance, in particular in the United States and Latin America. Despite an uncertain economic environment, the Maison achieved a strong rebound in Argentina with the launch of its groundbreaking *Chandon Apéritif*, a highly innovative product in its category. Continuing in their quest for excellence in crafting sparkling wines, Chandon's six vineyards around the world took home a flurry of awards from major international competitions.

Hennessy confirmed its solid momentum in its key markets: the United States, China and travel retail. Organic revenue growth was 7%, with sales volumes up 6%. The Maison crossed the threshold of 8 million cases and continued to extend its lead in emerging markets (Africa and the Caribbean) thanks to the increase in its flagship *V.S*, *V.S.O.P* and *X.O* qualities. This solid performance added to its successful track record in recent years, in particular 2018, when Hennessy became the world's leading premium spirits brand by value, in addition to its longstanding title as the world leader in cognac. The "Hennessy X.O – The Seven Worlds" marketing campaign directed by Ridley Scott was one of the luxury industry's most-watched digital campaigns, with more than 120 million views. This exposure had a halo effect on Hennessy's entire portfolio. The brand's constantly growing appeal was reflected in its higher position in Interbrand's ranking

(1) Diageo has a 34% stake in Moët Hennessy, which is the holding company of the Group's Wines and Spirits businesses.

of the 100 best global brands. Hennessy continued to invest to prepare for the future and ensure a constant level of excellence in its cognacs, with the opening of seven wine cellars in 2019 and the construction of a new packaging line at its Pont Neuf site inaugurated in 2017, an exemplary model of sustainable design.

Glenmorangie Company reinforced its position in the single malt category, driven by growing global demand for exceptional whiskies, and continued investing in the extension of its two distilleries. Glenmorangie and Ardbeg continued to win a number of awards from professionals in the sector. Taking a proactive environmental approach, the Glenmorangie distillery worked with its partners to help restore mussel and oyster beds in the Dornoch Firth.

Belvedere vodka continued to innovate with the worldwide launch of *Single Estate Rye Series* of high-end Polish rye vodkas. Through this initiative, for which it won a number of awards for excellence from prestigious international competitions, the Maison showcased the importance of terroir in developing the aromas and flavors of a vodka.

Volcán De Mi Tierra tequila achieved solid growth in North America and prepared for its expansion into new markets.

Woodinville Whiskey Company continued its development in a number of US states. The distillery prepared to increase its production to meet growing demand and successfully launched its *Port Finished Bourbon*.

The **Clos 19** e-commerce platform continued to grow in the United Kingdom, Germany and the United States. It enriched its range of exclusive experiences, collaborations and limited-edition products while continuing to pursue its expansion strategy to reach new markets.

1.4.2 Outlook

Excellence, innovation and careful attention to customers' specific expectations in each country will continue to support growth and value creation in the Wines and Spirits business group in the coming months. In an uncertain commercial context where global demand is nevertheless increasingly oriented toward quality, the Maisons have major strengths. They will rely on their highly dedicated staff, their innovative momentum and the strong appeal of their brands to continue securing and sustainably building their long-term future. The diverse range of tasting and hosting experience the Maisons have built up, thanks to the strength of their creative, high-quality product portfolios, will help them adapt to new lifestyles and win over the next generation of consumers. Moët Hennessy's powerful and agile global distribution network is a major asset, enabling it to react to changes in the economic environment and seize every opportunity to increase market share. Increasing production capacity remains a top priority, along with a very active sourcing policy. As part of their long-term vision, all Maisons aim to step up their sustainability commitment to protect the environment and preserve their expertise.

2. Fashion and Leather Goods

In 2019, the Fashion and Leather Goods business group posted revenue of 22,237 million euros, or 41% of the Financière Agache group's total revenue.

2.1 THE BRANDS OF THE FASHION AND LEATHER GOODS BUSINESS GROUP

In the luxury Fashion and Leather Goods sector, the Group holds a portfolio of brands that are primarily French, but also include Italian, Spanish, British, German and American companies.

Ever since 1854, **Louis Vuitton**'s success has been based on the faultless craftsmanship of its trunk-making, on complete control of its distribution and on its exceptional creative freedom, a source of perpetual renewal and inventiveness. By ensuring the right balance between new designs and iconic leather goods lines, between constantly perfected unique artisanal expertise and the dynamics of fashion designed in perfect symbiosis with the brand universe, the Maison is committed to surprising its customers, and making its stores inspiring. For over 150 years, its product line has continuously expanded with new models – from luggage to handbags and more – and new materials, shapes and colors. Famous for its originality and the high quality of its creations, today Louis Vuitton is the world leader in luxury goods and offers a full range of products: fine and high-end leather goods, ready-to-wear for men and women, shoes and accessories, watches, jewelry, eyewear and, since 2017, a collection of women's and men's fragrances.

Christian Dior Couture was founded in 1946. Ever since its first "New Look" show, the Maison has continued to assert its vision through elegant, structured and infinitely feminine collections, becoming synonymous around the world with French luxury. Christian Dior's unique vision is conveyed today with bold inventiveness throughout the Maison's entire range, from haute couture, leather goods and ready-to-wear to footwear and accessories for both men and women as well as Watches and Jewelry. Parfums Christian Dior is included in the Perfumes and Cosmetics business group.

Founded in Rome by Adele and Edoardo Fendi in 1925, **Fendi** initially seduced its clientele of elegant Italian women, before conquering the rest of the world. Fendi has been part of the Group since 2000. Particularly well-known for its skill and creativity in furs, the brand is also present in accessories – including the iconic *Baguette* bag and the timeless *Peekaboo* – as well as ready-to-wear and footwear.

Loewe, the Spanish Maison founded in 1846 and acquired by the Group in 1996, originally specialized in very high-quality leather work. Today it operates in leather goods and ready-to-wear. Perfumes Loewe is included in the Perfumes and Cosmetics business group.

Marc Jacobs, created in New York in 1984, is named after its founder and has been part of the Group since 1997. Through its collections of men's and women's ready-to-wear, leather goods and shoes, it aims to be the symbol of an irreverent urban fashion movement that is culturally driven but also socially engaged.

Celine, founded in 1945 by Céline Vipiana and owned by the Group since 1987, offers ready-to-wear items, leather goods, shoes and accessories.

Kenzo, formed in 1970, joined the Group in 1993. Renowned for its lavish prints and vibrant colors, the Maison operates in the areas of ready-to-wear for men and women, fashion accessories and leather goods. Its perfume business is part of the Perfumes and Cosmetics business group.

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

Pink Shirtmaker, a brand formed in 1984 that joined the Group in 1999, is a recognized specialist in high-end shirts in the United Kingdom.

Emilio Pucci, an Italian brand founded in 1947, is a symbol of casual fashion in luxury ready-to-wear, a synonym of escape and refined leisure. Emilio Pucci joined the Group in 2000.

Berluti, an artisan bootmaker established in 1895 and held by the Group since 1993, designs and markets very high-quality men's shoes, as well as a line of leather goods and ready-to-wear items for men.

Loro Piana, an Italian company founded in 1924 and held by the Group since 2013, creates exceptional products and fabrics, particularly from cashmere, of which it is the world's foremost processor. The brand is famous for its dedication to quality and the noblest raw materials, its unrivalled standards in design and its expert craftsmanship.

Rimowa, founded in Cologne in 1898, is the first German brand to be owned by the Group. Renowned for its prestigious luggage, its products feature an iconic design and reflect its constant quest for excellence.

Nicholas Kirkwood, the British luxury footwear company established in 2004 and named after its founder, in which the Group acquired a 52% stake in 2013, is famous throughout the world for its unique, innovative approach to footwear design.

2.2 COMPETITIVE POSITION

In the Fashion and Leather Goods sector, the luxury market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands. Financière Agache group brands are present all around the world, and it has established itself as one of the most international groups. All these groups compete in various product categories and geographic areas.

2.3 DESIGN

Working with the best designers, while respecting the spirit of each brand, is a strategic priority: the creative directors promote the Maisons' identities, and are the artisans of their creative excellence and their ability to reinvent themselves. As a means to continually renew this precious resource, the Group has always been committed to supporting young designers and nurturing tomorrow's talent, in particular through the LVMH Prize for Young Fashion Designers, which each year honors the work of an up-and-coming designer displaying exceptional talent and outstanding creativity.

The Financière Agache group believes that one of its essential assets is its ability to attract a large number of internationally recognized designers to its Maisons. In 2019, after the loss of Karl Lagerfeld, Silvia Fendi continued to drive the success of the Rome-based fashion house, and Felipe Oliveira Baptista took over as Creative Director of Kenzo, previously held by Humberto Leon and Carol Lim since 2011. 2018 saw four new arrivals to the Group: Virgil Abloh as Creative Director of Menswear at Louis Vuitton, with Kim Jones named to the same position at Christian Dior Couture; Hedi Slimane as Artistic, Creative and

Image Director at Celine; and Kris Van Assche as Creative Director at Berluti. In 2017, Clare Waight Keller was made Artistic Director of Givenchy with responsibility for haute couture, ready-to-wear and women's and men's accessories. Since 2016, Maria Grazia Chiuri has been the first female Creative Director of Dior's womenswear collections. At Louis Vuitton, Nicolas Ghesquière has been creating designs for women's collections in perfect symbiosis with the values and spirit of the brand since 2013. Jonathan Anderson has been Loewe's Creative Director since 2013. Marc Jacobs continues to lead the design team at the brand he founded in 1984.

2.4 DISTRIBUTION

Controlling the distribution of its products is a core strategic priority for the Financière Agache group, particularly in luxury Fashion and Leather Goods. This control allows the Group to benefit from distribution margins, and guarantees strict control of the brand image, sales reception and environment that the brands require. It also gives the Group closer contacts with its customers so that it can better anticipate their expectations, thereby offering them unique shopping experiences.

In order to meet these objectives, the Group has the premier international network of exclusive boutiques under the banner of its Fashion and Leather Goods brands. This network included more than 2,000 stores as of December 31, 2019.

2.5 SUPPLY SOURCES AND SUBCONTRACTING

In 2019, Louis Vuitton continued to increase its production capacity: in France, with the opening of a new workshop in the Maine-et-Loire department and a massive ongoing recruitment campaign for leather goods artisans; and in the United States, with the opening of its first workshop in Texas. Louis Vuitton's twenty-three leather goods workshops – sixteen in France, three in Spain, three in the United States and one in Italy – manufacture most of its leather goods products. Louis Vuitton's workshops in Italy handle all development and manufacturing processes for all types of footwear (in Fiesso d'Artico), as well as development for certain accessories (textiles, jewelry and eyewear). In Spain, Louis Vuitton's workshops also handle all leather goods accessories (belts and bracelets). Louis Vuitton uses external manufacturers only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Louis Vuitton purchases its materials from suppliers located around the world, with whom the Maison has established partnership relationships. The supplier strategy implemented over the last few years has enabled volume, quality and innovation requirements to be met thanks to a policy of concentration and supporting the best suppliers while limiting Louis Vuitton's dependence on them. For this reason, the leading leather supplier accounts for only around 18% of Louis Vuitton's total leather supplies.

Christian Dior Couture's production capacity and use of outsourcing vary very widely depending on the product. In leather goods, it works with companies outside the Group to increase its production capacity and provide greater flexibility in its manufacturing processes. In ready-to-wear and high jewelry, it purchases supplies solely from non-Group businesses.

Fendi and Loewe have leather workshops in their countries of origin, and in Italy for Celine and Berluti, which cover only a portion of their production needs. Rimowa manufactures a large proportion of its products in Germany. Generally, the subcontracting used by the business group is diversified in terms of the number of subcontractors and is located primarily in the brand's country of origin, France, Italy and Spain.

Loro Piana manages all stages of production, from the sourcing of natural fibers to the delivery of finished products to stores. Loro Piana procures its unique materials (Baby Cashmere from northern China and Mongolia, vicuña from the Andes, and extra-fine Merino wool from Australia and New Zealand) through exclusive partnerships with suppliers all over the world. Its exquisite textiles and products are then manufactured in Italy.

Moreover, in order to safeguard and develop the Fashion and Leather Goods companies' access to the high-quality raw materials and expertise they need, the LVMH Métiers d'Arts business segment created in 2015 invests in, and provides long-term support to, its best suppliers. In leather, for example, LVMH teamed up with the Koh brothers in 2011 to develop the business of the Heng Long tannery in Singapore. Founded in 1950, it is now a leading crocodile leather tannery. In 2012, the Group acquired Tanneries Roux, founded in 1803 and one of the last French tanneries specializing in calfskin. In 2017, the Group formed Thélios, a joint venture with Marcolin, combining the latter's eyewear expertise with the know-how of LVMH.

Lastly, fabric suppliers for the different Maisons are often Italian, but on a non-exclusive basis.

The designers and style departments of each Maison ensure that manufacturing does not generally depend on patents or exclusive expertise owned by third parties.

2.6 HIGHLIGHTS OF 2019 AND OUTLOOK FOR 2020

2.6.1 Highlights

Louis Vuitton delivered an exceptional performance, driven by excellent momentum across all its product lines. The year featured a wealth of developments and creative collaborations, with revenue growth well balanced between iconic lines and new creations. While the *Capucines* model inspired new artists, giving birth to the *Artycapucines* collection, the immersive Louis Vuitton X exhibition in Los Angeles carefully retraced the long tradition of collaboration with artists and designers of all backgrounds that has shaped the Maison's history. In a show of its signature visionary innovation, Louis Vuitton invented a futuristic canvas that can display moving images on bags, and capped off the year with a groundbreaking partnership with an e-sport that has generated an unprecedented level of interest, designing the trophy case for the League of Legends World Championship, along with a ready-to-wear capsule collection by Nicolas Ghesquière. Associated as always with an iconic location, the Creative Director of Womenswear presented his Cruise collection at JFK Airport's legendary TWA Flight Center in New York, while the Spring/Summer runway show was held at the Cour Carrée of the Louvre. Virgil Abloh breathed new life into the world of menswear with the launch of the *Louis Vuitton Staples Edition* line, which revisits men's wardrobe essentials; revisited a number of iconic leather goods models, including the *Steamer*, designed in 1901; and held the poetic runway show for his Spring/Summer 2020 collection on the Place Dauphine in Paris. The quality-focused transformation of its retail network continued with the inauguration of Louis Vuitton Maison Seoul, for which Frank Gehry designed a fantastic glass vessel echoing the Fondation Louis Vuitton, and the reopening of the Maison's New Bond Street store in London, metamorphosized by architect Peter Marino. The Maison continued to reinforce its manufacturing capacity with the opening of a leather goods workshop with BREEAM "Very Good" environmental certification in the Maine-et-Loire department of western France and the launch of operations at a new workshop near Dallas in Texas. Strengthening Louis Vuitton's partnership with UNICEF, which it has pursued for more than three years to help the world's most vulnerable children, employee volunteers traveled to the sites of initiatives to witness this work firsthand and raise awareness on social media.

Christian Dior Couture turned in solid growth in all its product categories and all its regions. Creativity and timeless elegance coupled with captivating runway shows and events ensured the ongoing success of the Womenswear, Menswear, Jewelry and Watch collections. Reaffirming the Maison's exceptional reach, the exhibition devoted to it at the Victoria and Albert Museum in London was a record-breaking success, drawing nearly 600,000 visitors. In Marrakesh, Maria Grazia Chiuri's Cruise collection – an homage to diversity – mixed African and European cultures and expertise. In Paris and Shanghai, where her ready-to-wear runway show was held, the designer imagined an ode to nature, with the trees used in the decor replanted afterward as part of a long-term project. While the spirit of haute couture infused the new *30 Montaigne* leather goods line and the ready-to-wear collection with the same name, the iconic *Lady Dior* inspired new artists in *Dior Lady Art #4*. For his *Dior Essentials* menswear collection, Creative Director of Menswear Kim Jones designed a wardrobe that reinterprets the essence and eternal modernity of the Dior silhouette. The end of the year also saw the launch of a luggage line created in collaboration with Rimowa and unveiled at Dior's Spring/Summer 2020 Menswear runway show at the Arab World Institute in Paris. The retail network continued to expand, including the opening of an exceptional store on the Champs-Élysées in Paris. Very well received by customers, it will take over from the Maison's historic location at 30 Avenue Montaigne during its transformation.

For **Fendi**, 2019 saw the last runway show in homage to Karl Lagerfeld, after 54 years of collaboration. In a culmination of the tributes paid by the Maison to this great designer, the 54 looks of the haute couture collection *The Dawn of Romanity* were presented in July on Palatine Hill, at the heart of the ruins of the Roman Forum. Illustrating its wealth of creativity, the Maison continued to pursue its partnerships with the world of art and music. It saw strong growth in all its product categories, driven by the ongoing success of its iconic *Peekaboo* and *Baguette* lines, and by a daring capsule collection, *Fendi Prints On*, designed in collaboration with rap artist Nicki Minaj. Fendi opened new stores in Monaco, China and Australia.

Loro Piana delivered solid growth, driven by the success of its iconic *Excellences* raw materials, in particular the vicuña wool collection. Its emblematic *Essenziali* lines were expanded and saw very strong momentum. Footwear turned in an excellent performance, boosted by the development of a bespoke service and the launch event for the opening of a pop-up store in New York's Meatpacking District. "Cashmere – The Origin of a Secret", the first film in a trilogy directed by Luc Jacquet, celebrates the nobility and excellence of Loro Piana's iconic materials.

The first collections designed by Hedi Slimane for **Celine** were launched in stores, with the new store concept being gradually rolled out. The runway shows, which reflected the Maison's new identity, were very well received. Hedi Slimane revived the fashion house's perfume-making tradition with eleven fragrances that distill French high perfumery expertise. A Celine store devoted to high perfumery was opened on Rue Saint-Honoré in Paris. The Maison also strengthened its foothold in Italy with a new leather goods workshop in Tuscany, designed to the highest standards for sustainable development.

Loewe achieved excellent growth and met a key milestone in its development. Under the aegis of its Creative Director, Jonathan Anderson, the Maison accelerated its innovation process, enhanced its brand exposure and made its product range and its various points of customer contact more consistent with its clientele. Key initiatives included the launch of very successful products like the *Lazo* and *Cushion Tote* bags, the new *Paula's Ibiza* and *Eye/Loewe/Nature* capsule collections, and the ready-to-wear and accessories collection inspired by the enchanting art of William de Morgan. Significant improvements were also made to the retail network, with openings and extensions of *Casa Loewe* stores in London, Beijing, Tokyo and Madrid.

For **Givenchy**, the year featured the arrival of a powerful new menswear collection, presented in Florence in June; another initiative, the *Givenchy Atelier* collection, showcased haute couture techniques and expertise through ready-to-wear pieces reinterpreting the Maison's historic motifs.

Kenzo continued its growth, strengthened its positioning in ready-to-wear with designs mixing bold prints and high-impact hallmarks, and stood out in accessories with the launch of the *Tali* bag. In July the Maison announced the arrival of Felipe Oliveira Baptista as Creative Director, following eight years with Humberto Leon and Carol Lim at the helm. A significant expansion of the retail network took place, with stores returning to direct operation in China and the first openings in the United States.

Berluti achieved a good performance, which was especially strong in Japan and China. Kris Van Assche's first two runway shows and the store debut of his collections were very well received. A focus on the Maison's heritage inspired the design of its new logo as well as an emphasis on its *Scritto* motif and its art of patina. Ready-to-wear and new items like the *Gravity*, *Stellar* and *Shadow* sneakers sold very well. The Maison's unique expertise was on display in a collaboration with Laffanour Galerie Downtown to restore pieces of furniture with leather upholstery. Berluti continued the selective expansion of its store network and launched its e-commerce site in Japan.

Rimowa delivered an excellent performance, boosted by major innovation: the *Essential* luggage line added four new colors for its fully monochrome suitcases. An innovative combination of anodization techniques also allowed high-intensity pigments to be integrated into the aluminum core of the *Original* model's exterior, creating two vibrant, modern new colors for this iconic model. The Maison continued its creative collaborations, in particular with artists Daniel Arsham and Alex Israel, the label Supreme for a second time, and with Christian Dior for the *Dior and Rimowa* capsule collection designed with Kim Jones.

Marc Jacobs launched the new *The Marc Jacobs* line, which offers contemporary wardrobe essentials, while new features were introduced to its line of bags.

Fenty Couture, created in collaboration with singer Rihanna, launched its website in May and opened a series of pop-up stores.

Patou, acquired by LVMH, welcomed Guillaume Henry as Creative Director and unveiled its first ready-to-wear collection in September.

2.6.2 Outlook

Driven by its talented designers, masterful craftspeople and deeply committed teams throughout the world, **Louis Vuitton** will continue to enrich its fascinating universe. Future developments will fit within the Maison's steadfast aim of infusing its exceptional heritage with the best of modernity, enthralling its customers and offering them an ever-more-unique and innovative experience in its stores and online. The quality-focused transformation of the retail network will continue. The Maison will continue to reinforce its production capacity, with the opening in France in the first half of the year of a new workshop at the heart of Vendôme, a town in the Loir-et-Cher department with a rich history and leather-working tradition. With staff guided by its core values of excellence and creativity, **Christian Dior Couture** will continue its growth momentum, driven by the ongoing success of its collections, strategic store openings. **Fendi** will continue to innovate across all its product lines and will finalize a number of ongoing projects aimed at enhancing its iconic stores, preserving expertise and protecting the environment. **Loro Piana** will open a flagship store in Tokyo and reinforce its presence in China. Drawing on its new impetus, **Loewe** will aim to bolster its positioning and brand image, continue expanding its retail network and boost its omnichannel performance. More generally, all of the fashion houses will maintain their focus on creativity in their collections, enhancing the appeal of their products and stores, and developing their digital presence.

3. Perfumes and Cosmetics

In 2019, the Perfumes and Cosmetics business group posted revenue of 6,835 million euros, representing 13% of the Financière Agache group's total revenue.

3.1 THE BRANDS OF THE PERFUMES AND COSMETICS BUSINESS GROUP

Parfums Christian Dior – which was born in 1947, the year Christian Dior held his first fashion show – introduced the revolutionary concept of "total beauty" with the launch of *Miss Dior* perfume, followed by makeup with *Rouge Dior* lipstick in 1953 and Dior's first line of skincare products in 1973. Today, Parfums Christian Dior allocates 1.2% of its revenue to research and is on the cutting edge of innovation. Today, Dior's perfumer François Demachy and Creative Director for Makeup Peter Philips are building on Christian Dior's rich heritage and legacy by combining bold vision and unique expertise, in harmony with the Maison's couture collections.

Guerlain, founded in 1828 by Pierre-François-Pascal Guerlain, has created more than 700 perfumes since its inception, and enjoys an exceptional brand image in the world of perfume. Heir to an olfactory repository of some 1,100 fragrances, the Maison's perfumer Thierry Wasser travels the world today in search of the most exclusive raw materials. His spirit of daring is shared by Olivier Echaudemaison, Creative Director for Makeup, who works to reveal and exalt the beauty of women. The Maison's iconic perfumes include *Mon Guerlain*, *La Petite Robe Noire* and *Shalimar*.

Founded in 1957, **Parfums Givenchy** continues to honor the values of its founder, Hubert de Givenchy, through its perfumes, makeup and skincare products. From *L'Interdit* to *Givenchy Gentleman*, the Maison's fragrances embody Givenchy's unique vision. Inspired by the avant-garde spirit and sensual aura of the fashion house's couture collections, Nicolas Degennes, Givenchy's Creative Director for Makeup, has perpetuated the label's singular inventiveness since 1999.

The first women's fragrance by **Kenzo Parfums** was released in 1988. Kenzo Parfums went on to create a series of fragrances whose unique and offbeat spirit has made its mark on the world of perfume, including *Flower by Kenzo*, *L'eau Kenzo*, and *Kenzo Homme*.

Benefit Cosmetics, founded in San Francisco in 1976 by twins Jean and Jane Ford, joined the Group in late 1999. Benefit has forged its own distinctive identity among cosmetics brands, thanks to the relevance and effectiveness of its products, bursting on the scene with playful, plucky names, creative packaging, and custom services.

Fresh, which started out in 1991 as a humble apothecary shop, joined the Group in September 2000. Remaining true to its roots by using natural ingredients like sugar, the Maison continues to develop its unique approach combining innovative ingredients with time-honored techniques to transform everyday routines into holistic sensorial experiences.

Perfumes Loewe introduced its first perfume in 1972. Perfumes Loewe embodies the quintessentially Spanish spirit: elegant, refined, strong and unpredictable, with floral, woody and lemony essences.

Make Up For Ever, which was created in 1984 and joined the Group in 1999, is a professional makeup brand with an innovative range of exceptional products designed for stage actors and other performers, makeup artists, and makeup lovers around the world.

Founded in Parma in 1916, **Acqua di Parma** was acquired by the Group in 2001. Through its fragrances and beauty products imbued with elegance, Acqua di Parma – synonymous with Italian excellence and fine living – embodies discreet luxury.

Kendo is a cosmetics brand incubator set up in 2010, which now houses five brands: KVD Vegan Beauty, Marc Jacobs Beauty, Ole Henriksen, Bite Beauty and Fenty Beauty by Rihanna, which was launched in 2017. These brands are primarily distributed by Sephora.

Maison Francis Kurkdjian was founded in 2009 by the renowned perfumer to explore new territories for perfume by creating custom fragrances for his private clientele and by collaborating with artists for installation projects involving scents. This acquisition, which was completed in 2017, has established the Group in the fast-growing field of niche perfumes.

Patou, acquired by the Group in 2017, was founded by Jean Patou in 1914. The Maison, which became an iconic fashion label, went on to be run by a succession of designers including Marc Bohan, Karl Lagerfeld, Jean-Paul Gaultier and Christian Lacroix.

3.2 COMPETITIVE POSITION

Worldwide, the Group's brands achieved market-beating growth in 2019, enabling them to increase their market share in the main markets monitored by external panels such as the NPD panel and the Beauty Research sell-out panel.

3.3 RESEARCH

Innovation and the constant quest for performance have always been essential to the DNA of all the Group's Perfumes and Cosmetics brands. The Group's brands have pooled their resources in research and development since 1997, with a joint center in Saint-Jean-de-Braye (France), at the industrial site of Parfums Christian Dior. With the opening several years ago of Hélios, its new R&D facility, LVMH Recherche has been able to expand its activities under optimal conditions and become more involved in ambitious scientific projects. About 270 researchers work at Hélios, located at the heart of Cosmetic Valley, in some 20 key fields requiring cutting-edge expertise, such as molecular and cell biology, dermatology, and ethnobotany. The second-largest cosmetics research center in France, its team consists of researchers, biologists and formulation scientists who work closely with colleagues at the world's most prestigious universities. Two other innovation centers, in Japan and China, focus on research to meet the specific needs of Asian women. Thanks to their knowledge of cell mechanisms, researchers at Hélios have discovered biological targets that promote beautiful, youthful skin: protection of skin stem cells, aquaporins to provide long-lasting hydration, and skin detoxification mechanisms, to name a few. More than 200 patents have been granted in recognition of their scientific innovations.

3.4 MANUFACTURING, SUPPLY SOURCES AND SUBCONTRACTING

The five French production centers of Guerlain, Parfums Christian Dior and LVMH Fragrance Brands meet almost all the manufacturing needs of the four major French brands, including Kenzo Parfums, in fragrances as well as makeup and beauty products. Make Up For Ever also has manufacturing capacities in France. Benefit, Perfumes Loewe and Fresh have some of their products manufactured by the Group's other brands, with the remainder subcontracted externally.

Dry materials, such as bottles, stoppers and any other items that form the containers or packaging, are acquired from suppliers outside the Group, as are the raw materials used to create the finished products. In certain cases, these materials are available only from a limited number of French or foreign suppliers.

Most product formulas are developed at the LVMH Recherche laboratories in Saint-Jean-de-Braye (France), but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

3.5 DISTRIBUTION AND COMMUNICATION

The presence of a broad spectrum of brands within the business group generates synergies and represents a market force. The volume effect means that advertising spaces can be purchased at competitive rates, and better locations can be negotiated in department stores. The use of shared services by subsidiaries increases the effectiveness of support functions for worldwide distribution and facilitates the expansion of the newest brands. These economies of scale permit larger investments in design and advertising, two key factors for success in Perfumes and Cosmetics.

Excellence in retailing is key to the Group's Perfumes and Cosmetics Maisons. It requires expertise and attentiveness from beauty consultants, as well as innovation at points of sale. The Group's Perfumes and Cosmetics brand products are sold mainly through "selective retailing" channels (as opposed to mass-market retailers and drugstores), although certain brands also sell their products in their own stores.

Parfums Christian Dior mainly distributes its products to selective retail chains, such as Sephora, and department stores. Guerlain's products are distributed for the most part through its network of directly operated stores, supplemented by a network of partner retail outlets. In addition, its unique expertise is showcased in the new Guerlain Parfumeur boutiques, which immerse customers in the Maison's entrancing universe. In addition to sales through its 79 exclusive boutiques around the world, Benefit currently retails in some 50 countries worldwide. Make Up For Ever products are sold through exclusive boutiques in Paris, New York, Los Angeles and Dallas, and through a number of Selective Retailing circuits, particularly in France, Europe and the United States (markets developed in partnership with Sephora), as well as in China, South Korea and the Middle East. Now based in Milan, Acqua di Parma relies on an exclusive retailing network, including its directly operated stores. Kendo brands are primarily distributed by Sephora.

To meet the expectations of younger generations, who are looking for originality, as well as demand for a connected in-store and online experience, all brands are accelerating the implementation of their online sales platforms and stepping up their digital content initiatives. Our brands are actively incorporating digital tools to enhance the customer experience and attract new consumers.

3.6 HIGHLIGHTS OF 2019 AND OUTLOOK FOR 2020

3.6.1 Highlights

Perfumes and Cosmetics achieved organic revenue growth of 9%, spurred by the remarkable momentum of its historic brands. The Group's Maisons performed well and were substantially boosted by surging demand in Asia, particularly in China. Profit from recurring operations rose 1% after taking into account an exceptional impairment expense relating to certain young brands' product lines.

Parfums Christian Dior continued to achieve market-beating growth, consolidating its leading position. With an unwavering focus on excellence and creativity in its products, the Maison was buoyed by the vitality of its flagship lines and the success of its innovations. In addition to the gradual rollout of *Joy* – the third-best-selling fragrance worldwide – the performance of women's fragrances was boosted by iconic lines: with its new eau de toilette version, *Miss Dior* consolidated its lead in Asia, and the ever-popular *J'adore* continued to grow. The *Sauvage* men's fragrance maintained its exceptional momentum in all regions and amplified its global leadership attained in 2018 with the launch of its *Intense* version. *Maison Christian Dior* saw strong growth, with an exceptional collection of fragrances available in dedicated stores, confirming its potential. Central to each of its fragrances, the Maison's roots in Grasse – the perfume capital of the world and an exceptional setting, with its fields of flowers used in perfume-making and its master perfumer's fragrance laboratory – enhanced the Maison's appeal. Makeup was boosted by the continued success of the Maison's *Rouge Dior* lipstick and its latest versions, as well as the new *Dior Addict Stellar Shine*. Other highlights included the momentum of its *Forever* foundation and growth in the *Dior Backstage* range, inspired by products used at fashion shows and widely shared on social media. Growth in skincare was driven by Asian markets and by strong demand for premium products. *Prestige*, whose core range continued to expand, achieved strong growth through its new *Micro-Lotion de Rose* and the continuing success of *Micro-Huile de Rose*.

Guerlain accelerated its growth and delivered an excellent performance. The *Orchidée Impériale* and *Abeille Royale* skincare lines, firmly backed by Guerlain's commitment to biodiversity and sustainable design, continued their exceptional growth. *Aqua Allegoria*, a collection of fresh fragrances that magnify the most beautiful raw materials, was a major success. Makeup was buoyed by the *Rouge G* lipstick and the new *L'Essentiel* foundation. Building on 12 years of its "In the Name of Beauty" environmental and social commitment, the Maison took this engagement a step further in 2019, launching a transparency and traceability platform for its creations and signing a partnership with UNESCO to create new beekeeping supply chains, thereby helping repopulate bee colonies around the world. Guerlain's commitment was illustrated by a film and inspired a groundbreaking online and TV media campaign.

Parfums Givenchy saw another year of strong revenue growth, with very impressive performance in China and in travel retail. The main drivers of this growth were its *Le Rouge* lipstick line and *Prisme Libre* powder. The Maison was also boosted by the major success in Europe of its new fragrance, *L'Interdit*, an iconic scent created in 1957 as an homage to Audrey Hepburn, and whose current brand ambassador is actress Rooney Mara.

At **Kenzo Parfums**, the momentum of *Flower by Kenzo* was buoyed by a new version of its *Flower by Kenzo Eau de Vie* fragrance. **Benefit** bolstered its position in the United States and the United Kingdom with growth in its brow collection, in particular its flagship *Gimme Brow* and *Precisely* products, along with the success of its brow bars. **Fresh** achieved solid growth, with very strong momentum in China, where its products – which combine natural ingredients and traditional rituals with cutting-edge scientific advances – generated major demand. The Maison strengthened its position in premium skincare with *Crème Ancienne*, a modern reinterpretation of a centuries-old formula, and in the essence category with the *Black Tea Kombucha* anti-pollution lotion. Online sales in particular were up significantly. **Make Up For Ever** successfully launched its long-lasting concealer within its flagship *Ultra-HD* range and its *Reboot* foundation, which corrects signs of fatigue. Confirming its global success, **Fenty Beauty by Rihanna** began its expansion in Asia. The brand added new categories – including concealers available in 50 different shades, gloss and bronzers – and continued to shine on social media. **Acqua di Parma**'s highlights of 2019 included the reopening of its iconic Milan store with a new concept, the creation of a new range of home fragrances and scented candles, and the launch of its *Signatures of the Sun* fragrance collection. **Perfumes Loewe** renewed its visual identity for a more youthful image and a more international audience. The *Loewe 001* fragrance was an unprecedented success in China. **Maison Francis Kurkdjian** continued its robust growth, buoyed by the success of its *Baccarat Rouge 540* fragrance and by the launch of *Gentle Fluidity*, two different scents crafted using the same ingredients. **Ole Henriksen** pursued its development in the United States. The brand continued to win over young Americans with its *Banana Bright* range and was very popular on social media.

3.6.2 Outlook

In a competitive environment, the Perfumes and Cosmetics business group will maintain its goal of gaining market share, leveraging the complementarity and dynamism of its brand portfolio. The Maisons will continue to focus on their top growth drivers: ensuring excellence in their products, accelerating their innovation policy, marketing and promoting digital activation. **Parfums Christian Dior** will innovate heavily in all its product categories. Skincare will see a major breakthrough with the relaunch of the anti-aging collection around the flagship *Capture*

Totale Super Potent Serum product and more rapid growth in premium skincare with *Prestige* and its leading product, *Micro-Huile de Rose*. Fragrances and makeup will be boosted by powerful initiatives focused on flagship lines. The Maison will also continue expanding its store network and its digital presence. **Guerlain** will continue to grow in China, France and travel retail, its key markets, while developing in Japan. Its flagship lines will benefit from an ambitious innovation and activation plan across all its product categories. The *Abeille Royale* skincare line will celebrate its 10th anniversary. **Parfums Givenchy** will enrich its fragrance range and continue expanding into makeup with major innovation in foundation. **Parfums Kenzo** will celebrate the 20th anniversary of its iconic *Flower by Kenzo*. **Benefit** will innovate with a mascara featuring unique technology. **Fresh** will continue making inroads in Asia and will focus marketing on its innovative moisturizing *Super Lotus* skincare line. At **Make Up For Ever**, the relaunch of *Rouge Artist* will be backed by a new marketing campaign. **Fenty Beauty by Rihanna** will expand its line of eye makeup. **Acqua di Parma** will launch a 100% natural cologne. **Maison Francis Kurkdjian** will continue the highly selective expansion of its retail network.

4. Watches and Jewelry

In 2019, the Watches and Jewelry business group posted revenue of 4,405 million euros, which represented 8% of the Financière Agache group's total revenue.

4.1 THE BRANDS OF THE WATCHES AND JEWELRY BUSINESS GROUP

TAG Heuer, a pioneer of Swiss watchmaking since 1860, which was acquired by the Group in November 1999, combines innovative technology with the ultimate in precision timekeeping and avant-garde designs to create extremely accurate watches. Its most coveted traditional and automatic watches and chronographs are the *Carrera*, *Aquaracer*, *Formula 1*, *Link* and *Monaco* lines. In 2010, TAG Heuer launched the first automatic movement developed and built in-house, followed, in 2015, by the launch of a smartwatch.

Hublot, founded in 1980 and part of the Group since 2008, has always been an innovative brand, creating the first watch in the industry's history fitted with a natural rubber strap. Relying on a team of top-flight watchmakers, the brand is widely renowned for its original concept combining noble materials with state-of-the-art technology and for its iconic *Big Bang* model launched in 2005. Along with the many versions of this model, Hublot has launched the *Classic Fusion* and the more recent *Spirit of Big Bang* lines.

Zenith, founded in 1865 and established in Le Locle near the Swiss Jura region, joined the Group in November 1999. Zenith belongs to the very select group of watch movement manufactures. In the watchmaking sector, the term "manufacture" designates a company that provides the entire design and manufacturing of mechanical movements. The two master movements of Zenith, the chronograph *El Primero* and the extra-flat movement *Elite*, absolute benchmarks for Swiss watchmaking, are provided on the watches sold under this brand.

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

Chaumet, a jeweler established in 1780, has maintained its prestigious expertise, which is reflected in all its designs, from high jewelry and fine jewelry to watch collections. Its major lines are *Joséphine* and *Liens*. The Group acquired Chaumet in 1999.

Fred, founded in 1936 and part of the Group since 1995, is present in high jewelry, jewelry and watchmaking. Since joining the Group, Fred has completely revamped its design, image and distribution. This revival can be seen in the bold, contemporary style exemplified by the brand's iconic *Force 10* line.

4.2 COMPETITIVE POSITION

The jewelry market is highly fragmented, consisting of a handful of major international groups plus an array of smaller independent brands from many different countries. The Group's brands are present all around the world, and it has established itself as one of the international leaders.

4.3 DISTRIBUTION

The business group, which enjoys a strong international presence, has reaped the benefits of its excellent coordination and pooling of administrative, sales and marketing teams. A worldwide network of after-sale multi-brand services has been gradually put in place to improve customer satisfaction. Watches and Jewelry has a regional organization that covers all European markets, the Americas, Northern Asia, Japan, and the Asia-Pacific region.

This business group is focusing on the quality and productivity of its retail networks and is also developing its online sales. It selects multi-brand retailers very carefully and builds partnerships so that retailers become genuine brand ambassadors when interacting with end-customers. In an equally selective approach, the Maisons also continue to refurbish and open their own directly operated stores in buoyant markets in key cities.

The Watches and Jewelry brands' directly operated store network comprised 457 stores as of year-end 2019 at prestigious locations in the world's largest cities. The Watches and Jewelry business group also developed a network of franchises.

4.4 SUPPLY SOURCES AND SUBCONTRACTING

In watchmaking, manufacturing has been coordinated through the use of shared resources, such as prototype design capacities, and by sharing the best methods for preparing investment plans, improving productivity and negotiating purchasing terms with suppliers. In jewelry, centralized checking has been introduced for diamonds, alongside technical cooperation between brands for the development of new products.

At its Swiss workshops and manufacturing centers, located in Le Locle, La Chaux-de-Fonds, Neuchâtel, Cornol, Tramelan, Le Sentier, Chevenez and Nyon, the Group assembles a substantial proportion of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Bvlgari, Montres Dior, Chaumet and Fred brands; it also designs and manufactures mechanical movements such as *El Primero* and *Elite* by Zenith, *Heuer 01* by TAG Heuer, *UNICO* by Hublot and *Solotempo* by Bvlgari; and it manufactures some critical components such as dials, cases and straps. Zenith's manufacturing facility in Le Locle underwent a major renovation in 2012. In 2013, TAG Heuer inaugurated a new movement manufacturing facility in Chevenez, and in 2015 Hublot opened a second one at its Nyon site.

Bvlgari opened a jewelry manufacturing facility in Valenza, Italy, at the end of 2016, and in 2019 inaugurated a new watch casing manufacturing facility in the Jura canton of Switzerland. It also operates a high jewelry workshop in Rome.

Overall, for the Group's watches and jewelry operations, subcontracting accounted for around 20% of the cost of sales in 2019.

Even though the Watches and Jewelry group can sometimes use third parties to design its models, they are most often designed in its own studios.

4.5 HIGHLIGHTS OF 2019 AND OUTLOOK FOR 2020

4.5.1 Highlights

Excellent momentum in jewelry generated market share gains and was a major growth driver for the Watches and Jewelry business group. The progress made by the Maisons was rooted in the vitality of their iconic lines, the strength of their innovations and the solid performance of their directly operated stores.

Bvlgari maintained its impressive momentum and continued to gain market share. Jewelry was boosted by the Maison's creative energy and international reach. Its iconic *Serpenti*, *B.Zero1* and *Diva's Dream* lines were enriched with a number of new pieces, and the *Fiorever* line, launched in late 2018, combining flowers and diamonds, was a significant growth driver. The 20th anniversary of the *B.Zero1* ring – whose design was inspired by the geometry of the Colosseum in Rome – was celebrated by an exhibition in Milan and the creation of new versions of rings and bracelets. The *Cinemagia* high jewelry collection, presented at events held in a number of cities around the world, illustrated Bvlgari's creativity and unique expertise, as well as its ties to the silver screen. In watchmaking, a new watch casing manufacturing facility was inaugurated in the Jura canton of Switzerland. The *Octo Finissimo Chrono GMT* and *Serpenti Misteriosi Roma* models won two new prizes at the Grand Prix d'Horlogerie de Genève awards ceremony. The *Serpenti Seduttori* watch, launched during the summer, was immediately very well received. Leather goods had several highlights, with the launch of the *Serpenti Through The Eyes of Alexander Wang* bag in New York and the *Fujiwara* capsule collection in Tokyo. An exhibition held at Castel Sant'Angelo in Rome presented a remarkable retrospective of the Maison's jewelry creations alongside haute couture dresses. Plans to improve the store network continued, with renovations in Monaco, Macao, Melbourne, Taipei and Toronto, and openings

in Ibiza, Copenhagen and Le Bon Marché in Paris. A number of pop-up stores rounded out and energized the network. Already a certified member of the Responsible Jewellery Council, Bvlgari drew up a due diligence program in 2019 for responsible diamond sourcing. The Maison aims to share these criteria with its diamond suppliers, in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

TAG Heuer continued expanding its flagship *Carrera*, *Aquaracer* and *Formula 1* lines with new models and special series. New pieces included the *Carrera Calibre TAG Heuer 02T Nanograph*, which features a carbon spiral, one of the Maison's cutting-edge innovations. A *Golf* version rounded out its range of smartwatches. TAG Heuer celebrated the 50th anniversary of the iconic *Monaco* with limited editions and the creation of 50 exclusive box sets reserved for the brand's most devoted collectors. The store network saw renovations and openings, in particular in Tokyo, Shanghai, Moscow, Madrid and Toronto. In parallel, the Maison is continuing the work initiated with its retail partners to ensure an increasingly selective presence and enhanced commercial impact. TAG Heuer's team of brand ambassadors and its sports contracts have helped build brand awareness among target customers and develop its very active social media presence. This year, the Maison strengthened its ties with the Formula E championship, of which it is a founding partner, with the new TAG Heuer Porsche Formula E Team. The Maison also set up a partnership with NGO Wasser für Wasser (Water for Water) to help finance projects promoting access to clean water around the world.

Hublot continued to achieve strong growth, driven by its *Classic Fusion* and *Big Bang* lines, with *Spirit of Big Bang* – now the brand's third core collection – also contributing to its success. In each product line, original and highly technical new models illustrated the art of fusion, a core component of the Maison's identity, and its bold creativity. These creations included the *MP-11 14-Day Power Reserve Green SAXEM* model, which combines technical and aesthetic innovation, featuring a case made of SAXEM: a vivid green, extremely brilliant and resistant material never before used in watchmaking. New stores opened in Hong Kong, Monaco and Rome reinforced the network of directly operated stores, the number-one driver of revenue growth. Hublot's brand awareness was boosted by a marketing strategy combining prestigious partnerships, a strong digital presence, and sports and cultural events. In 2019, the Maison gained exposure through the Women's World Cup, for which it served as the official timekeeper.

While continuing to develop its iconic *Chronomaster*, *Pilot* and *Elite* collections, **Zenith** completed the launch of its *Defy* line with the *Inventor* model. The Maison celebrated the 50th anniversary of its legendary *El Primero* movement. It continued to consolidate its organization while leveraging synergies offered by LVMH's other watchmaking Maisons.

Chaumet's growth was driven by its iconic *Liens*, *Joséphine* and *Bee my love* collections. Each one was enriched with new creations: engagement ring versions of *Splendeur Impériale* and *Éclat d'Éternité*, *Bee my love* necklaces and new models of *Liens d'Amour* and *Jeux de Liens*. A brand new watch line, *Boléro*, was also launched during the year. With its *Les Ciels de Chaumet* high jewelry collection, the Maison showcased its creativity and the virtuosity of its artisans, while celebrating its eternal ties to the world of art. At the Grimaldi Forum in Monaco, the Chaumet in Majesty exhibition – which retraces the history of the jewels of sovereigns since 1780 – featured rare pieces on loan from museums, wealthy families and royalty, some of which were shown for the very first time in public. The historic Place Vendôme location underwent renovation work. New stores were opened in Madrid, Monaco and Seoul.

Fred's *Force 10* line and its new *8°0* collection were its main growth drivers. The Maison opened stores in Sydney, Taipei and Shanghai.

On November 25, 2019, LVMH announced that it had entered into an agreement with the iconic American jewelry Maison **Tiffany**, with a view to its acquisition. The transaction is expected to close in mid-2020.

4.5.2 Outlook

Against a backdrop of persistent geopolitical uncertainties, the Watches and Jewelry business group will maintain its ambition of gaining market share and its rigorously targeted investments. Thanks to their talented artisans and their powerful innovation capacity, the Watches and Jewelry Maisons will continue to renew and enrich their iconic lines while launching new collections, with an unwavering focus on creativity combined with excellence in their products and their supply chains. They will continue to raise their brand exposure in key regions throughout the world and online through events and selective partnerships. The same selective approach will be taken in the ongoing development of their retail networks. **Bvlgari** will open its new Parisian flagship store on the Place Vendôme, and will continue expanding its network in China. **Hublot** will bolster its presence in China, Australia and the United States. **TAG Heuer** will celebrate its 160th anniversary in 2020. A new version of its smartwatch will be unveiled and new models will enrich the *Carrera* line. In early 2020, **Chaumet** will inaugurate its fully renovated iconic location on the Place Vendôme and will continue rolling out its new store concept. The beginning of the year will also feature the first exhibition of LVMH's watchmaking Maisons at Bvlgari Resort Dubai, a new platform to raise brand awareness in addition to the Basel watch trade show. Lastly, the highlight of 2020 will be the arrival of the prestigious Maison **Tiffany**, which will substantially bolster the business group's standing in a very dynamic, highly promising market segment.

5. Selective Retailing

In 2019, the Selective Retailing business group posted revenue of 14,791 million euros, or 28% of the Financière Agache group's total revenue.

5.1 TRAVEL RETAIL

DFS

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

Since it was formed in 1960 as a duty-free concession in the Kai Tak airport in Hong Kong, DFS has acquired an in-depth knowledge of the needs of traveling customers, built solid partnerships with Japanese and international tour operators as well as with the world's leading luxury brands, and has significantly expanded its business, particularly in tourist destinations in the Asia-Pacific region.

To accompany the rise of travel retail, DFS has also focused on the development of its city-center *Galleria* stores, which currently account for over 60% of its revenue. The 20 DFS *Gallerias*, each with a floor area of between 6,000 and 12,000 square meters, are centrally located in top tourist destinations for airline passengers in the Asia-Pacific region, the United States and Japan, but also in Europe, with the 2016 opening of *T Fondaco dei Tedeschi* in Venice, Italy. Each space combines in one site, close to the hotels where travelers are lodged, two different but complementary sales spaces: a general luxury product offering (including perfumes and cosmetics, fashion and accessories) and a gallery of prestigious boutiques, some of which belong to the Financière Agache group (including Louis Vuitton, Hermès, Bvlgari, Tiffany, Christian Dior, Chanel, Prada, Fendi, Celine, etc.).

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

Starboard Cruise Services

Starboard Cruise Services, acquired by the Group in 2000, is an American company founded in 1958, the world leader in the sale of duty-free luxury items on board cruise ships. It provides services to around 80 ships representing several cruise lines. It also publishes tourist reviews, catalogs and advertising sheets available on board.

5.2 SELECTIVE RETAIL

Sephora

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

Since it was acquired by the Group in July 1997, Sephora has recorded rapid growth in Europe by opening new stores and acquiring companies that operated perfume retail chains. Sephora is present in 16 European countries. The Sephora concept also crossed the Atlantic in 1998, with a strong presence in the United States, the sephora.com website, and a store network in Canada. Sephora entered the Chinese market in 2005. The retailer also has locations in the Middle East, Latin America, Russia – with directly operated stores and via the perfumes and cosmetics retail chain Ile de Beauté (wholly owned since 2016) – and Southeast Asia, in particular thanks to the 2015 acquisition of the e-commerce site Luxola, which operates in eight countries throughout the region.

Sephora is at the forefront of the retail industry's unstoppable digital transformation. Sephora builds on the complementarity of its in-store and online shopping offerings and its strong social media presence to maximize customer touchpoints and opportunities to build loyalty. With its websites, digitally equipped stores, customer mobile apps and beauty consultants, the Maison creates an omnichannel beauty experience that is increasingly innovative and personalized and offers customers an interactive, seamless, flexible shopping journey.

Le Bon Marché

Le Bon Marché Rive Gauche – the world's first department store – opened its doors in 1852, with entrepreneur Aristide Boucicaut at the helm. Both a forerunner and trendsetter, Le Bon Marché Rive Gauche presents a selection of sophisticated and exclusive labels, in a space with a strong architectural concept. Customers from around the world looking for a true Parisian experience rub shoulders with locals, all drawn to the department store's unique vibe and the quality of its service.

The sole department store located on the left bank in Paris, it was acquired by the Group in 1984.

La Grande Épicerie de Paris

Newly inaugurated in late 2013, **La Grande Épicerie de Paris** is a trailblazing gourmet food emporium. La Grande Épicerie de Paris offers its customers a culinary shopping experience like no other, made possible by the expertise of the artisans, architects and artists selected for this project, and has become an absolute must for food lovers. In 2017, La Grande Épicerie de Paris – historically located on the ground floor of Le Bon Marché – added a location on Rue de Passy in the 16th arrondissement of Paris, in premises formerly occupied by Franck et Fils.

5.3 COMPETITIVE POSITION

Following the recent round of market consolidation, DFS is the fourth-largest travel retail operator (according to a Bain study based on data as of end-2016). In the United States, Sephora has been the market leader since the first quarter of 2016, and has since continued to make headway. In France, where the prestige beauty product market (excluding e-commerce) declined by 1.1% in 2019 compared with 2018 (data source: NPD – Brick-and-mortar sales to end-December 2019), Sephora slightly increased its market share. In addition, Sephora continued to gain market share in Middle East and Canada, where it has led the market since 2015.

5.4 HIGHLIGHTS OF 2019 AND OUTLOOK FOR 2020

5.4.1 Highlights

The 5% organic revenue growth posted by Selective Retailing was driven by Sephora's strong performance, while DFS was highly resilient thanks to steady demand from international travelers, partly offsetting the major slowdown observed in Hong Kong in the second half of the year.

Sephora once again recorded strong revenue growth and continued to gain market share. Asia, most European countries, the Middle East and Latin America were particularly buoyant, and online sales were up substantially worldwide. The Maison continued to cultivate close, personalized relationships with its customers, and to expand its range of new and exclusive items across all product categories. It achieved its best performance in skincare. Sephora continued to expand its store network, with 110 openings in 2019, including magnificent flagship stores featuring its new retail concept at Hudson Yards (New York) and China World (Beijing), and opened its first location in South Korea in October. Other highlights included the renovation and expansion of iconic stores at The Dubai Mall, Times Square in New York and La Défense in Paris. Sephora continued to innovate in digital and capitalize on its omnichannel synergies to continually improve how it serves its customers and offer them an unrivaled beauty experience. New marketing campaigns strengthened the Maison's brand image, in particular the "We Belong to Something Beautiful" campaign in North America. Sephora also continued to nurture and develop its community of loyal customers by offering more and more services and personalization.

After a very dynamic start to the year, featuring strong performances during the key periods of Chinese New Year and Golden Week, from July onwards **DFS** saw a very noticeable slowdown in tourist activity in Hong Kong. The Maison was backed by momentum at its other destinations and the continuous improvement of its product range to match each of its specific markets in the face of this slowdown. The sites operated at long-haul destinations in Australia and New Zealand as well as the *T Fondaco dei Tedeschi* in Venice saw significant increases in foot traffic, and DFS achieved an excellent performance at these locations. Business in Macao also increased, boosted by travelers from mainland China. After appearances in Venice, Chengdu, Beijing and Macao in 2018, the Masters of Time exhibition, featuring a prestigious collection of Watches and Jewelry, opened in Sydney and Hawaii. Two new *T Gallerias* opened in Macao, bringing their number on the island to seven, and a fourth one was inaugurated in Hong Kong. DFS made substantial progress in digital, with the significant expansion of its online product offering.

Starboard Cruise Services expanded its regional cruise line presence in Asia, in particular through a key partnership with DFS for the launch of the first *T Gallerias* on-board prestigious cruise ships. The Maison also consolidated its expertise in its historic markets – the Caribbean and the Mediterranean.

Le Bon Marché continued on its growth trajectory, driven by its unique selection of brands and products, beautiful architecture and top-quality service. For the iconic department store on Paris' Left Bank, these strengths continued to place it a cut above the rest with its French and international clientele, and its loyalty program was highly successful. Highlights of the first half of the year included an exhibition by Portuguese artist Joana Vasconcelos and the Geek mais Chic event, a shopping experience combining digital innovation with immersive discovery and featuring a range of fashion, beauty and decor brands. In June, Le Bon Marché opened its Salons Particuliers (private salons), a styling service highly appreciated by customers. The fall season featured the So Punk Rive Gauche exhibition, a joyous celebration of the spirit of punk, reinterpreted with a very Parisian sophistication. Now enjoying a dual presence on both banks of the Seine, La Grande Épicerie de Paris saw an increase in the number of visitors. The 24 Sèvres digital platform became 24S, in step with its increasingly international clientele.

5.4.2 Outlook

In 2020, **Sephora** will continue to offer its customers an unrivaled in-store and digital beauty experience through its ever-more-experiential stores and online shops. It will focus on the traditional drivers of its success: exclusive brands, innovation, personalization, and a range of unique services offered by highly engaged, expert teams. The Maison aims to accelerate its growth in the high-potential skincare product category, consolidate its lead in digital and continue expanding its store network. **DFS** will enter 2020 with an extremely vigilant approach given the ongoing situation in Hong Kong. The Maison will focus on diversifying its locations. It will also actively prepare to seize other development opportunities in Asia, showcasing its expertise aboard large cruise ships. DFS will continue to pursue its digital initiatives. **Le Bon Marché** will continue to cultivate its uniqueness, its creative and exclusive offerings, and its dual identity as both a trendsetting department store and a venue for art and culture, both in-store and on its 24S digital platform. **La Grande Épicerie de Paris** will accentuate its program of exclusive events that enhance its appeal and build customer loyalty on both sides of the Seine.

6. Other activities

Les Echos group

The Financière Agache group acquired the **Les Echos** group in 2007. The Les Echos group includes *Les Echos*, France's leading financial newspaper, *LesEchos.fr*, the top business and financial website in France, the business magazine *Enjeux-Les Echos*, as well as other specialized business services. Les Echos group also holds several other financial and cultural media titles that were previously directly owned by the Group: *Investir – Le Journal des Finances*, resulting from the 2011 merger of two financial weeklies; *Connaissance des Arts*; and the French radio station *Radio Classique*. Les Echos group also publishes trade journals, with titles produced by SID Presse, and is active in the business-to-business segment, with the organizations *Les Echos Formation* and *Les Echos Conférences*, the trade show *Le Salon des Entrepreneurs*, and *Eurostaf* market studies. Since late 2015, Les Echos has also encompassed the *Le Parisien* daily newspaper and its *Aujourd'hui en France* magazine.

La Samaritaine

La Samaritaine is a real estate complex located at the heart of Paris, beside the Seine River. It comprised a department store in addition to leased office and retail space until 2005 when the department store was closed for safety reasons. La Samaritaine is undergoing a large-scale renovation project which adheres to an innovative environmental approach and views diversity, a concept dear to the department store's founders, as central to its raison d'être. Several activities will be grouped together in its buildings on the two blocks between the Quai du Louvre and the Rue de Rivoli: a department store, a Cheval Blanc luxury hotel, 96 social housing units, a daycare center and offices.

Royal Van Lent

Founded in 1849, **Royal Van Lent** designs and builds luxury yachts according to customers' specifications and markets them under the Feadship brand, one of the most prestigious in the world for yachts over 50 meters.

LVMH Hotel Management

LVMH Hotel Management is the spearhead of the Group's business development in hotels, under the Cheval Blanc brand. The Cheval Blanc approach, based on the founding values of craftsmanship, exclusivity, creativity and hospitality, is applied at all of its hotels, whether proprietary or independently managed. Cheval Blanc has locations in Courchevel (France), Saint-Barthélemy (French Antilles) with the hotel acquired in 2013, the Maldives and Saint-Tropez.

Belmond

Founded in 1976, with the acquisition of Hotel Cipriani in Venice, **Belmond** is a pioneer in luxury tourism. For more than 40 years, the Maison has aimed to offer its customers one-of-a-kind trips and experiences in inspirational locations. Belmond has a large portfolio of hotels, trains, cruises and safaris that bring together heritage, expertise, authenticity and exacting customer service.

Le Jardin d'Acclimatation

Imagined as an emblem of modern Paris by Napoleon III and opened in 1860, the **Jardin d'Acclimatation** is the oldest leisure and amusement park in France. The Group has held the concession to the park since 1984. Following the renewal of this concession in 2016, an ambitious modernization project was launched, culminating in the reopening of the entirely refurbished and redesigned park in June 2018.

Management Report of the Board of Directors – Financière Agache group

3. BUSINESS AND FINANCIAL REVIEW

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1. Business and financial review

1.1 COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1.1 Breakdown of revenue

(EUR millions and as %)	**1st half-year 2019**	**2nd half-year 2019**	**Fiscal year 2019**
Revenue	25,082	28,589	53,671
Growth at actual exchange rates	16%	14%	15%
Organic growth	12%	9%	10%
Changes in the scope of consolidation	-	2%	1%
Exchange rate fluctuations [(a)]	4%	3%	3%

(a) The principles used to determine the impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 33.

Revenue for fiscal year 2019 was 53,671 million euros, up 15% at actual exchange rates over the previous fiscal year. The Group's main invoicing currencies strengthened against the euro – in particular the US dollar, which rose 5% – boosting revenue growth.

The main change to the Group's consolidation scope since January 1, 2018 related to the full consolidation of the Belmond hotel group within "Other activities" as of April 2019. This change in the scope of consolidation made a positive 1 point contribution to revenue growth for the fiscal year.

On a constant consolidation scope and currency basis, revenue increased by 10%.

Revenue by invoicing currency

(as %)	**2019**	**2018**	**2017**
Euro	22	22	23
US dollar	29	29	30
Japanese yen	7	7	7
Hong Kong dollar	5	6	6
Other currencies	37	36	34
TOTAL	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed very little with respect to the previous fiscal year: the contributions of the euro, the US dollar and the Japanese yen remained stable at 22%, 29% and 7%, respectively. The contribution of the Hong Kong dollar fell by 1 point to 5%, while that of "Other currencies" rose by 1 point to 37%.

Revenue by geographic region of delivery

(as %)	2019	2018	2017
France	9	10	10
Europe (excluding France)	19	19	19
United States	24	24	25
Japan	7	7	7
Asia (excluding Japan)	30	29	28
Other markets	11	11	11
TOTAL	**100**	**100**	**100**

By geographic region of delivery, the relative contribution of Asia (excluding Japan) to Group revenue rose by 1 point to 30%, while that of France fell by 1 point to 9%. The relative contributions of the United States, Europe (excluding France), Japan and other markets remained stable at 24%, 19%, 7% and 11%, respectively.

Revenue by business group

(EUR millions)	2019	2018	2017
Wines and Spirits	5,576	5,143	5,084
Fashion and Leather Goods	22,237	18,455	16,519
Perfumes and Cosmetics	6,835	6,092	5,560
Watches and Jewelry	4,405	4,123	3,805
Selective Retailing	14,791	13,646	13,311
Other activities and eliminations	(173)	(628)	(612)
TOTAL	**53,671**	**46,831**	**43,667**

By business group, the breakdown of Group revenue changed more appreciably. The contribution of Fashion and Leather Goods rose 2 points to 41%, while that of Selective Retailing decreased by 1 point to 28%. The contributions of Watches and Jewelry, and Wines and Spirits decreased by 1 point each to 8% and 10%, respectively, while that of Perfumes and Cosmetics remained stable at 13%.

Revenue for Wines and Spirits increased by 8% based on published figures. Boosted by a positive exchange rate impact of 2 points, revenue for this business group increased by 6% on a constant consolidation scope and currency basis. Champagne and wines achieved growth of 6% based on published figures and 4% on a constant consolidation scope and currency basis, while cognac and spirits grew by 11% based on published figures and 7% on a constant consolidation scope and currency basis. This performance was largely driven by higher prices as well as an increase in sales volumes. Demand remained very strong in the United States and in Asia, particularly China, which maintained its status as the second-largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic growth of 17%, equating to 20% based on published figures. This business group's performance was driven by the very solid momentum achieved by Louis Vuitton and Christian Dior Couture, as well as by Loewe, Rimowa, Loro Piana and Fendi, which confirmed their potential for strong growth.

Revenue for Perfumes and Cosmetics increased by 9% on a constant consolidation scope and currency basis, and by 12% based on published figures. This performance confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures. The Perfumes and Cosmetics business group saw significant revenue growth in Asia, particularly in China.

Revenue for Watches and Jewelry increased by 3% on a constant consolidation scope and currency basis, and by 7% based on published figures. The business group was boosted by continued strong momentum at Bvlgari and Hublot. TAG Heuer continued its repositioning. Asia and Europe were the most buoyant regions.

Revenue for Selective Retailing increased by 5% on a constant consolidation scope and currency basis, and by 8% based on published figures. This performance was driven by Sephora, whose revenue increased substantially in every region around the world, and to a lesser extent by DFS, which dealt with the slowdown in Hong Kong by drawing on momentum at other destinations.

1.1.2 Profit from recurring operations

(EUR millions)	2019	2018 [(1)]	2017 [(1)]
Revenue	53,671	46,831	43,667
Cost of sales	(18,126)	(15,630)	(15,106)
Gross margin	35,545	31,201	28,561
Marketing and selling expenses	(20,206)	(17,752)	(16,958)
General and administrative expenses	(3,880)	(3,472)	(3,254)
Income/(loss) from joint ventures and associates	28	23	-
Profit from recurring operations	**11,487**	**10,000**	**8,349**
Current operating margin *(%)*	**21.4**	**21.4**	**19.1**

IFRS 16 Leases was applied as of January 1, 2019. In accordance with the standard, data for fiscal years 2018 and 2017 was not restated.

The Group achieved a gross margin of 35,545 million euros, up 14% compared to 2018. As a percentage of revenue, the gross margin was 66%, 0.4 points lower than in 2018.

Marketing and selling expenses totaled 20,206 million euros, up 14% based on published figures and up 10% on a constant consolidation scope and currency basis. This increase was mainly due to the development of retail networks but also to higher communications investments, especially in Perfumes and Cosmetics.

The level of these expenses expressed as a percentage of revenue remained stable at 38%. Among these marketing and selling expenses, advertising and promotion costs amounted to 12% of revenue, increasing by 11% on a constant consolidation scope and currency basis.

General and administrative expenses totaled 3,880 million euros, up 12%. They amounted to 7% of revenue, remaining stable with respect to 2018.

The geographic breakdown of stores was as follows:

(number of stores)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
France	535	514	508
Europe (excluding France)	1,177	1,153	1,156
United States	829	783	754
Japan	427	422	412
Asia (excluding Japan)	1,453	1,289	1,151
Other markets	494	431	393
TOTAL	**4,915**	**4,592**	**4,374**

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the consolidated financial statements regarding the impact of the application of IFRS 16.

Profit from recurring operations by business group

(EUR millions)	**2019**	**2018** [(1)]	**2017** [(1)]
Wines and Spirits	1,729	1,629	1,558
Fashion and Leather Goods	7,344	5,943	5,022
Perfumes and Cosmetics	683	676	600
Watches and Jewelry	736	703	512
Selective Retailing	1,395	1,382	1,075
Other activities and eliminations	(400)	(333)	(418)
TOTAL	**11,487**	**10,000**	**8,349**

The Group's profit from recurring operations was 11,487 million euros, up 15%. Restated for the positive 155 million euro impact of the initial application of IFRS 16, this increase amounted to 13%. The Group's current operating margin as a percentage of revenue was 21.4%, stable with respect to 2018.

Wines and Spirits

(EUR millions)	**2019**	**2018**	**2017**
Revenue	5,576	5,143	5,084
Profit from recurring operations [(1)]	1,729	1,629	1,558
Current operating margin *(%)*	31.0	31.7	30.6

Profit from recurring operations for Wines and Spirits was 1,729 million euros, up 6% compared with 2018. Champagne and wines contributed 690 million euros, while cognacs and spirits accounted for 1,039 million euros. This performance was the result of both sales volume growth and a robust price increase policy. The current operating margin as a percentage of revenue for this business group decreased by 0.7 points to 31.0%.

Fashion and Leather Goods

(EUR millions)	**2019**	**2018**	**2017**
Revenue	22,237	18,455	16,519
Profit from recurring operations [(1)]	7,344	5,943	5,022
Current operating margin *(%)*	33.0	32.2	30.4

Fashion and Leather Goods posted profit from recurring operations of 7,344 million euros, up 24% compared to 2018, and up 23% restated for the positive impact of the initial application of IFRS 16. Louis Vuitton maintained its exceptional level of profitability while continuing its robust investment policy. Christian Dior Couture achieved a record performance, and Loewe, Loro Piana, Rimowa and Fendi confirmed their growth momentum. The other fashion brands continued to strengthen their positions. The business group's current operating margin as a percentage of revenue grew by 0.8 points to 33.0%.

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the consolidated financial statements regarding the impact of the application of IFRS 16.

Perfumes and Cosmetics

(EUR millions)	2019	2018	2017
Revenue	6,835	6,092	5,560
Profit from recurring operations (1)	683	676	600
Current operating margin *(%)*	10.0	11.1	10.8

Profit from recurring operations for Perfumes and Cosmetics was 683 million euros, up 1% compared to 2018. This growth was driven by Parfums Christian Dior, Guerlain and Parfums Givenchy, which posted improved results thanks to the success of their flagship product lines and strong innovative momentum. The business group's current operating margin as a percentage of revenue fell by 1.1 points to 10.0%.

Watches and Jewelry

(EUR millions)	2019	2018	2017
Revenue	4,405	4,123	3,805
Profit from recurring operations (1)	736	703	512
Current operating margin *(%)*	16.7	17.1	13.5

Profit from recurring operations for Watches and Jewelry was 736 million euros, up 5% relative to 2018, and up 3% restated for the positive impact of the initial application of IFRS 16. This increase was the result of strong performance at Bvlgari and Hublot. Current operating margin as a percentage of revenue decreased by 0.4 points to 16.7%.

Selective Retailing

(EUR millions)	2019	2018	2017
Revenue	14,791	13,646	13,311
Profit from recurring operations (1)	1,395	1,382	1,075
Current operating margin *(%)*	9.4	10.1	8.1

Profit from recurring operations for Selective Retailing was 1,395 million euros, up 1% compared to 2018, and down 6% restated for the positive impact of the initial application of IFRS 16. This performance was driven by Sephora, which achieved strong results while DFS dealt with the situation in Hong Kong. The business group's current operating margin as a percentage of revenue decreased by 0.7 points to 9.4%.

Other activities

The loss from recurring operations of "Other activities and eliminations" increased with respect to 2018, totaling 400 million euros. In addition to headquarters expenses, this heading includes the results of the hotel and media divisions, Royal Van Lent yachts, and the Group's real estate activities.

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the consolidated financial statements regarding the impact of the application of IFRS 16.

1.1.3 Other income statement items

(EUR millions)	2019	2018 (1)	2017 (1)
Profit from recurring operations	11,487	10,000	8,349
Other operating income and expenses	(231)	(126)	(179)
Operating profit	11,255	9,874	8,170
Net financial income/(expense)	(615)	(441)	(140)
Income taxes	(2,966)	(2,528)	(2,266)
Net profit before minority interests	**7,674**	**6,905**	**5,764**
Minority interests	(4,888)	(4,406)	(3,774)
Net profit, Group share	**2,786**	**2,499**	**1,990**

"Other operating income and expenses" amounted to a net expense of 231 million euros, compared with a net expense of 126 million euros in 2018. As of December 31, 2019, "Other operating income and expenses" included 100 million euros in pledged donations for the reconstruction of Notre-Dame de Paris Cathedral, 57 million euros in restructuring costs, 45 million euros in transaction costs relating to the acquisition of consolidated companies, and 26 million euros in depreciation, amortization and impairment charges for brands, goodwill and real estate assets.

The Group's operating profit was 11,255 million euros, up 14% from fiscal year 2018.

The net financial expense was 615 million euros, compared with a net financial expense of 441 million euros as of December 31, 2018. This item comprised the following:

- The aggregate cost of net financial debt, which totaled 180 million euros, representing an improvement of 24 million euros compared to 2018.
- Interest on lease liabilities recognized as part of the initial application of IFRS 16, which amounted to an expense of 290 million euros.
- Income from financial joint ventures and associates, which amounted to 41 million euros, up 17 million euros compared to 2018.
- Other financial income and expenses, which amounted to a net expense of 186 million euros, compared to a net expense of 261 million euros in 2018. The expense related to the cost of foreign exchange derivatives was 235 million euros in 2019, versus an expense of 175 million euros a year earlier. Lastly, other income and expenses related to financial instruments – which mainly arose from the change in the market value of available for sale financial assets – amounted to net income of 70 million euros, compared to a net expense of 99 million euros for 2018.

The Group's effective tax rate was 28.0%, up 1.1 points relative to 2018.

Profit attributable to minority interests was 4,888 million euros, compared with 4,406 million euros in 2018. Minority interests are essentially composed of LVMH SE shareholders excluding Financière Agache's controlling interest, i.e. shareholders owning 57% of LVMH SE; Christian Dior SE shareholders (5%) other than Financière Agache and Semyrhamis, the controlling shareholders; and minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 2,786 million euros, compared with 2,499 million euros in 2018, up 11.5% year-on-year.

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

The impact of exchange rate fluctuations is determined by translating the financial statements for the fiscal year of subsidiaries with a functional currency other than the euro at the prior fiscal year's exchange rates, without any other restatements.

The impact of changes in the scope of consolidation is determined by deducting from revenue for the fiscal year:

- for the fiscal year's acquisitions, revenue generated during the fiscal year by the acquired entities, as of their initial consolidation;
- for the prior fiscal year's acquisitions, revenue for the fiscal year generated over the months during which the acquired entities were not consolidated in the prior fiscal year.

And by adding:

- for the fiscal year's disposals, prior fiscal year revenue generated over the months during which the divested entities were no longer consolidated in the fiscal year;
- for the prior fiscal year's disposals, revenue generated in the prior fiscal year by the divested entities.

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

(1) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the consolidated financial statements regarding the impact of the application of IFRS 16.

1.2 COMMENTS ON THE CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Dec. 31, 2019	Dec. 31, 2018 [1]	Change
Intangible assets	31,026	28,761	+2,265
Property, plant and equipment	17,929	14,475	+3,454
Right-of-use assets	12,409	-	+12,409
Other non-current assets	8,026	6,002	+2,024
Non-current assets	**69,390**	**49,238**	**+20,152**
Inventories	13,910	12,660	+1,250
Other current assets	14,605	18,616	-4,011
Current assets	**28,515**	**31,276**	**-2,761**
ASSETS	**97,905**	**80,514**	**+17,391**

LIABILITIES AND EQUITY *(EUR millions)*	Dec. 31, 2019	Dec. 31, 2018 [1]	Change
Equity	36,670	30,836	+5,834
Long-term borrowings	7,525	9,301	-1,776
Non-current lease liabilities	10,373	-	+10,373
Other non-current liabilities	19,668	17,150	+2,518
Equity and non-current liabilities	**74,236**	**57,287**	**+16,949**
Short-term borrowings	8,555	11,396	-2,841
Current lease liabilities	2,172	-	+2,172
Other current liabilities	12,942	11,813	+1,111
Current liabilities	**23,669**	**23,227**	**+442**
LIABILITIES AND EQUITY	**97,905**	**80,514**	**+17,391**

The Financière Agache group's consolidated balance sheet totaled 97.9 billion euros as of year-end 2019. This is 17.4 billion euros higher than at year-end 2018, including 12.0 billion euros related to the application of IFRS 16 as of January 1, 2019, with right-of-use assets relating to the fixed portion of lease payments recognized as assets in the balance sheet and offset against lease liabilities which were recognized as liabilities in the balance sheet. See Note 1.2 to the consolidated financial statements for details on the impact of the application of IFRS 16. Consequently, non-current assets grew significantly by 20.2 billion euros and amounted to 71% of total assets, compared with 61% as of year-end 2018.

Intangible assets grew by 2.3 billion euros, of which 1.2 billion euros resulted from changes in scope, mainly related to the consolidation of Belmond, plus 1.2 billion euros due to the impact on goodwill of the revaluation of purchase commitments for minority interests, and 0.2 billion euros due to foreign currency fluctuations. Conversely, the application of IFRS 16 resulted in a decrease of 0.4 billion euros in intangible assets, due to the reclassification of leasehold rights as right-of-use assets.

Property, plant and equipment increased by 3.4 billion euros, including the 2.4 billion euro impact of changes in scope, mainly arising from the inclusion of Belmond in the scope of consolidation.

Investments for the year, net of depreciation charges as well as disposals, generated an additional increase of 1.2 billion euros; the comments on the cash flow statement provide further information on investments. Lastly, the application of IFRS 16 resulted in the reclassification of 0.3 billion euros to "Right-of-use assets", corresponding to assets held under finance leases.

Right-of-use assets amounted to 12.4 billion euros as of year-end 2019, including 12.0 billion euros related to the recognition of right-of-use assets for the fixed portion of lease payments, and 0.4 billion euros related to the reclassification of leasehold rights, previously presented within "Intangible assets". Store leases represented the majority of right-of-use assets, for a total of 9.9 billion euros.

(1) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the consolidated financial statements regarding the impact of the application of IFRS 16.

Other non-current assets increased by 2.0 billion euros, amounting to 8.0 billion euros. This increase included the 1.2 billion euro rise in the value of investments in joint ventures and associates, which itself comprised both the inclusion in the balance sheet of Belmond's joint ventures and the stake acquired in Stella McCartney, for 0.4 billion euros, and the fair value revaluation of the available for sale financial assets of joint ventures and associates, for 0.7 billion euros. Other items that also contributed to this increase in non-current assets were the change in the market value of derivatives, for 0.5 billion euros, and the increase in deferred tax assets, for 0.3 billion euros.

Inventories as of December 31, 2019 were up 1.25 billion euros year-on-year, an increase related to the development of the Group's activities (see "Comments on the consolidated cash flow statement").

Other current assets decreased by 4.0 billion euros, mainly due to the 2.8 billion euro decrease in cash and cash equivalents and the 1.5 billion euro decrease in available for sale financial assets following the distribution of the net cash surplus resulting from the sale of the Christian Dior Couture segment. Conversely, operating receivables increased by 0.5 billion euros, related to growth in the Group's activities.

As of December 31, 2019, the application of IFRS 16 resulted in the recognition of lease liabilities for a total of 12.5 billion euros, including 10.4 billion euros in non-current lease liabilities and 2.2 billion euros in current lease liabilities, offset against right-of-use assets.

Other non-current liabilities totaled 19.7 billion euros, up 2.5 billion euros from 17.2 billion euros as of year-end 2018. This growth was due, for 1.5 billion euros, to the increase in liabilities in respect of purchase commitments for minority interests; for 0.5 billion euros, to the increase in deferred tax liabilities; and for 0.4 billion euros, to the increase in the market value of derivatives.

Lastly, other current liabilities increased by 1.1 billion euros, amounting to 12.9 billion euros, mainly due to the 0.5 billion euro increase in trade accounts payable.

Net financial debt and equity

(EUR millions or as %)	2019	2018 (1)	Change
Long-term borrowings	7,525	9,301	-1,776
Short-term borrowings and derivatives	8,587	11,529	-2,942
Gross borrowings after derivatives	**16,112**	**20,830**	**-4,718**
Cash, cash equivalents and other	(8,337)	(12,915)	+4,578
Adjusted net financial debt	**7,775**	**7,915 (a)**	**-140**
Total equity (Group share and minority interests)	**36,670**	**30,836**	**+5,834**
Adjusted net financial debt/Total equity ratio	**21.2%**	**25.7%**	**-4.5 pts**

(a) Net financial debt as of December 31, 2018 was adjusted to take into account Belmond shares, presented within "Non-current available for sale financial assets". See Note 18.1 to the 2018 consolidated financial statements.

As of December 31, 2019, the ratio of net financial debt to equity amounted to 21.2%, a 4.5 point improvement compared to December 31, 2018.

Total equity including minority interests amounted to 36.7 billion euros as of end-2019, up 5.8 billion euros compared to end-2018.

This increase was due to the following:

- Net profit for the fiscal year, after the distribution of dividends, which contributed 5.0 billion euros to this increase.
- Changes in revaluation reserves for 1.3 billion euros, which comprised a 1.0 billion euro increase arising from the remeasurement of available for sale financial assets, and, for 0.3 billion euros, the positive impact of exchange rate fluctuations on the reserves of entities reporting in foreign currencies, which mainly concerned entities reporting in US dollars.
- Conversely, acquisitions of minority interests' shares and share purchase commitments reduced equity by 0.4 billion euros and 0.2 billion euros, respectively.

As of year-end 2019, total equity was equal to 37% of total assets, compared to 38% as of year-end 2018.

Gross borrowings after derivatives totaled 16.1 billion euros as of year-end 2019, down 4.7 billion euros compared with year-end 2018.

Bond debt was down 0.4 billion euros, with amounts repaid slightly higher than amounts issued. Two bond issues were completed by LVMH during the year, totaling 1.0 billion euros. Conversely, the 0.3 billion euro bond issued by LVMH in 2014, the 0.6 billion euro bond issued in 2013 and the 0.15 billion Australian dollar bond issued in 2014 were repaid, as was the 0.5 billion euro bond issued by Christian Dior in 2014.

(1) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the consolidated financial statements regarding the impact of the application of IFRS 16.

Bank borrowings decreased by 5.5 billion euros, with repayments amounting to 5.7 billion euros and new borrowings totaling 0.2 billion euros. In 2017, as part of the simplified public offer for Christian Dior, Semyrhamis, a subsidiary of Financière Agache, subscribed 9.0 billion euros in syndicated loans, with initial maturities (before any extensions requested by the borrower) of between eighteen months and five years. Following the distribution by Christian Dior of an exceptional interim dividend attributable to the net cash surplus resulting from the 2017 sale of the Christian Dior Couture segment, Semyrhamis made 4.8 billion euros in advance payments, in addition to the amounts due during the fiscal year, which came to 0.8 billion euros.

Short-term negotiable debt securities outstanding issued under the euro- and US dollar-denominated commercial paper programs increased by 1.6 billion euros.

Following the application of IFRS 16, finance lease liabilities were reclassified as lease liabilities, which are excluded from net financial debt, resulting in a decrease of 0.3 billion euros in net financial debt.

Cash, cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt totaled 8.3 billion euros as of year-end 2019, down 4.6 billion euros from 12.9 billion euros at year-end 2018, mainly due to the distribution by Christian Dior of the 5.3 billion euro net cash surplus resulting from the 2017 sale of the Christian Dior Couture segment, which enabled Semyrhamis to make the advance payments mentioned above. Cash, cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt of companies other than Christian Dior as of year-end 2019 were up 0.7 billion euros compared with year-end 2018.

As of December 31, 2019, the Group's undrawn confirmed credit lines amounted to 23.8 billion euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany. The amount of undrawn credit lines (net of those set up for the Tiffany acquisition) was 3.0 billion euros higher than the outstanding portion of its euro- and US dollar-denominated commercial paper programs, which came to 5.6 billion euros at the fiscal year-end.

1.3 COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2019	2018 (1)	Change
Cash from operations before changes in working capital	**16,085**	**11,940**	**4,145**
Cost of net financial debt: Interest paid	(198)	(191)	(7)
Lease liabilities: Interest paid	(239)	-	(239)
Tax paid on operating activities	(2,851)	(2,301)	(550)
Change in working capital	(1,173)	(1,105)	(68)
Net cash from operating activities	**11,624**	**8,343**	**3,281**
Operating investments	(3,332)	(3,038)	(294)
Repayment of lease liabilities	(2,187)	-	(2,187)
Operating free cash flow	**6,105**	**5,305**	**800**
Financial investments and purchase and sale of consolidated investments	(2,628)	(537)	(2,090)
Equity-related transactions	(3,173)	(3,106)	(67)
Change in cash before financing activities	**304**	**1,662**	**(1,357)**

Cash from operations before changes in working capital totaled 16,085 million euros, up 4,145 million euros from 11,940 million euros a year earlier.

After tax and interest paid on net financial debt and lease liabilities, and after the change in working capital, net cash from operating activities amounted to 11,624 million euros, up 3,281 million euros from fiscal year 2018, including 2,168 million euros related to the application of IFRS 16, for an increase of 13% excluding the impact of the application of IFRS 16. Correcting for the impact of the application of IFRS 16 consisted of canceling depreciation of right-of-use assets for 2,408 million euros partially offset by the recognition of interest paid on lease liabilities for 239 million euros. Since IFRS 16 was only applied to the 2019 fiscal year, net cash from operating activities for fiscal year 2019 is not comparable to fiscal year 2018.

(1) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the consolidated financial statements regarding the impact of the application of IFRS 16.

Interest paid on net financial debt totaled 198 million euros, up 7 million euros from 191 million euros in 2018, mainly due to the increase in the proportion of US dollar-denominated debt within the Group's average borrowings between 2018 and 2019, as the interest rates for US dollars are higher than those for euros.

Tax paid came to 2,851 million euros, 24% higher than 2,301 million euros paid a year earlier, mainly due to the increase in the Group's earnings in all the geographic regions in which it operates.

The 1,173 million euro working capital requirement was largely in line with the 1,105 million euro requirement observed a year earlier. The cash requirement relating to the increase in inventories amounted to 1,622 million euros, close to the 1,739 million euros recorded in 2018. The increase in inventories mainly concerned the Fashion and Leather Goods and Wines and Spirits business groups. The increase in trade account payables and tax and social security liabilities helped cover the requirement related to the increase in inventories for 561 million euros, versus 805 million euros in 2018.

Operating investments net of disposals resulted in an outflow of 3,332 million euros in 2019, up 10% compared to the outflow of 3,038 million euros in 2018. These mainly included investments by the Group's brands – in particular Louis Vuitton, Sephora, DFS, Christian Dior Couture and Celine – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses, Hennessy, Parfums Christian Dior and Louis Vuitton in their production facilities.

Repayment of lease liabilities totaled 2,187 million euros in 2019.

As of year-end 2019, operating free cash flow amounted to 6,105 million euros, increasing by 15% from 5,305 million euros recorded in 2018. This indicator is defined in the consolidated cash flow statement. In addition to net cash from operating activities, it includes operating investments and repayment of lease liabilities, both of which the Group considers as related to its operating activities.

In 2019, financial investments accounted for an outflow of 2,628 million euros, including 2,478 million euros for purchases of consolidated investments and 157 million euros for the purchase and proceeds from sale of non-current available for sale financial assets. Purchases of consolidated investments primarily comprised the acquisition of Belmond, but also included a 49% stake in Stella McCartney and a 55% stake in Château d'Esclans.

Equity-related transactions generated an outflow of 3,173 million euros. This amount included 166 million euros in interim dividends paid by Financière Agache in respect of fiscal year 2019; 2,507 million euros in dividends paid in 2019 to minority shareholders in consolidated subsidiaries (essentially the shareholders of LVMH SE, excluding Financière Agache's controlling interest, and minority interests in Christian Dior, Moët Hennessy and DFS); and 167 million euros in taxes relating to dividends paid. Acquisitions of minority interests generated an additional outflow of 390 million euros (see Note 2 to the consolidated financial statements). Conversely, capital increases subscribed by minority shareholders of Group subsidiaries generated an inflow of 57 million euros.

All operating, investment and equity-related activities thus generated a cash surplus of 304 million euros for the fiscal year, which, combined with the sale of current available for sale financial assets for 1,969 million euros, enabled the repayment of 8,155 million euros in borrowings, an amount 5,316 million euros higher than the new borrowings for the year.

After the positive 39 million euro impact of the change in the cumulative translation adjustment relating to cash flows, net cash and cash equivalents decreased by 2,762 million euros during the fiscal year and amounted to 6,175 million euros as of December 31, 2019.

2. Financial policy

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

- Improving the Group's financial structure and flexibility, as evidenced by the following key indicators:
  - Level of equity: Total equity including minority interests prior to appropriation of profit was up 19% to 36.7 billion euros as of year-end 2019, compared to 30.8 billion euros a year earlier.
  - The Group's access to liquidity, through its short-term negotiable debt securities programs (euro- and US dollar-denominated commercial paper), which benefit from extremely favorable rates and spreads, and as a result of the option to call on bond markets for significant amounts over medium/long-term maturities, with issue spreads remaining at low levels in 2019. In 2019, the Group was therefore able to take advantage of increasingly favorable market conditions and maintained a good balance of short- and long-term debt. In addition, the assignment of a second rating for LVMH, namely an A1/P1 rating by Moody's, combined with the A+/A1 rating with Standard & Poor's, bolstered LVMH's credit profile.
  - Maintaining the substantial level of cash and cash equivalents with a diversified range of top-tier banking partners and short-term money market funds. Special attention was paid to the return on these investments to avoid any potential negative yields, a corollary of the quantitative easing policy of the European Central Bank.

- The Group's financial flexibility, facilitated by a significant reserve of undrawn confirmed credit lines for 23.8 billion euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany and a 2.5 billion euro syndicated loan with a remaining term to maturity of five years.

• Maintaining a prudent foreign exchange and interest rate risk management policy designed primarily to hedge the risks generated directly and indirectly by the Group's business activity and to hedge its assets and liabilities.

With regard to foreign exchange risks, the Group continued to hedge the risks of its exporting companies by buying options or collars, which protect against the negative impact of currency depreciation while retaining some of the gains in the event of currency appreciation. The US dollar and the Japanese yen strengthened throughout the year. The optional hedging strategies allowed the Group to benefit from the reinforcement of the US dollar and the Japanese yen.

• Greater concentration of Group liquidity owing to the rollout of cash pooling practices worldwide, ensuring the fluidity of cash flows within the Group and optimal management of surplus cash.

• Pursuing a dynamic policy of dividend payouts to shareholders, to enable them to benefit from the Group's very strong performance: Financière Agache shareholders and minority interests of the Group, chief among them LVMH SE and Christian Dior SE, received 2.7 billion euros during the fiscal year.

• Net debt came to 7.8 billion euros as of end-2019, as against 7.9 billion euros a year earlier (adjusted to reflect the value of acquired Belmond shares; see Note 18 to the 2018 consolidated financial statements). The 0.1 billion euro decrease in net debt was mainly due to high levels of net cash from operating activities and operating investments (free cash flow) in 2019, which covered the Group's financial investments in 2019, first and foremost the acquisition of Belmond.

3. Operating investments

3.1 COMMUNICATION AND PROMOTION EXPENSES

The Group's total investments in communication, in absolute values and as a percentage of revenue, were as follows:

Communication and promotion expenses	2019	2018	2017
In millions of euros	6,265	5,518	4,979
As % of revenue	11.6	11.8	11.4

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

3.2 RESEARCH AND DEVELOPMENT COSTS

The Group's research and development investments were as follows:

(EUR millions)	2019	2018	2017
Research and development costs	140	130	130

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

3.3 INVESTMENTS IN PRODUCTION FACILITIES AND RETAIL NETWORKS

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

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

Acquisitions of intangible assets and property, plant and equipment [(a)]	2019	2018	2017
In millions of euros	3,287	2,990	2,538
As % of cash from operations before changes in working capital	20	25	24

(a) See Note 15.3 to the consolidated financial statements.

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

In 2019, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total network of stores increasing from 4,592 to 4,915.

In Wines and Spirits, in addition to necessary replacements of barrels and production equipment, investments in 2019 were related to ongoing investments in the Champagne region (initiated in 2012) as well as the construction of cognac cellars for Hennessy.

4. Main locations and properties

4.1 PRODUCTION

Wines and Spirits

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

(in hectares)	2019 Total	2019 *Of which: Under production*	2018 Total	2018 *Of which: Under production*
France				
Champagne appellation	1,867	*1,693*	1,851	*1,759*
Cognac appellation	189	*161*	187	*160*
Vineyards in Provence	120	*120*	-	-
Vineyards in Bordeaux	194	*156*	194	*156*
Vineyards in Burgundy	11	*11*	12	*12*
International				
California (United States)	450	*294*	461	*305*
Argentina	1,660	*948*	1,661	*945*
Australia, New Zealand	684	*626*	685	*626*
Brazil	197	*110*	198	*110*
Spain	116	*83*	116	*80*
China	68	*60*	68	*60*
India	4	*2*	4	*2*

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

The Group also owns industrial and office buildings, wineries, cellars, warehouses, offices and visitor and customer centers for each of its main Wines and Spirits brands or production operations in France, the United Kingdom, the United States, Argentina, Australia, China, New Zealand, Brazil, India and Spain, as well as distilleries, warehouses and offices in the Cognac region of France, Poland and Mexico. The total surface area is approximately 848,000 square meters in France and 314,000 square meters abroad.

Fashion and Leather Goods

Louis Vuitton owns twenty-seven leather goods and shoe production facilities, in addition to its fragrance laboratory. Most of them are in France, but there are also major workshops located in Spain (near Barcelona), Italy (in Fiesso) and the United States (in San Dimas, California, and near Dallas, Texas). Overall, production facilities and warehouses owned by the Group represent approximately 208,000 square meters.

Fendi owns its manufacturing facility near Florence, Italy, as well as the Palazzo Fendi building in Rome, which houses its historic boutique and a hotel.

Celine also owns manufacturing and logistics facilities near Florence, Italy. In 2019, Celine opened its second workshop in Radda in Chianti, Italy.

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

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

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

Rimowa owns its offices, production facilities and warehouses in Germany, the Czech Republic and Canada. This property represents approximately 70,300 square meters.

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

LVMH Métiers d'Arts owns several farms in Australia and the United States, with a total surface area of about 220 hectares, as well as a tannery covering about 13,500 square meters in France. Thélios owns an eyewear production factory spanning around 9,600 square meters in Italy.

The other facilities used by this business group are leased.

Perfumes and Cosmetics

Buildings located near Orléans and in Chartres, France, housing the Group's research and development operations for Perfumes and Cosmetics as well as the manufacturing and distribution activities of Parfums Christian Dior, are owned by Parfums Christian Dior and total around 157,500 square meters.

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

Parfums Givenchy owns two plants in France – one in Beauvais and the other in Vervins – with a total surface area of 19,000 square meters. The Vervins plant handles the production of Givenchy and Kenzo product lines. The company also owns distribution facilities in Hersham, in the United Kingdom.

Make Up For Ever owns a 2,300-square-meter warehouse in Gennevilliers, France.

Watches and Jewelry

TAG Heuer has two workshops in Switzerland, one in Cornol and the other in Chevenez, together totaling about 4,700 square meters.

Zenith owns the manufacture which houses its movement and watch manufacturing facilities in Le Locle, Switzerland.

Hublot owns its production facilities in Switzerland and its office premises.

Bvlgari owns its production facilities in Italy and Switzerland. In 2019, Bvlgari acquired land totaling around 42,800 square meters to expand its production workshop in Italy.

The facilities used by the business group's other brands (Chaumet and Fred) are leased.

4.2 DISTRIBUTION

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

Fashion and Leather Goods

Louis Vuitton owns certain buildings that house its stores in Tokyo, Hawaii, Guam, Seoul, Cannes, Saint-Tropez and Genoa, for a total surface area of approximately 8,900 square meters.

Christian Dior Couture owns certain buildings that house its stores in France, South Korea, Japan, England, Australia and Spain, for a total surface area of approximately 5,400 square meters.

Celine, Fendi and Berluti also own stores in Paris and Italy.

Selective Retailing

Le Bon Marché owns some of its stores, for a total area of approximately 78,000 square meters.

DFS owns its stores in Guam, the Mariana Islands, and Hawaii.

Other activities

The Group owns the Cheval Blanc hotel in Saint-Barthélemy and the Résidence de la Pinède in Saint-Tropez, France.

Belmond owns twenty-five hotels, seven of which are in Italy.

As of December 31, 2019, this store network broke down as follows:

(number of stores)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
France	535	514	508
Europe (excluding France)	1,177	1,153	1,156
United States	829	783	754
Japan	427	422	412
Asia (excluding Japan)	1,453	1,289	1,151
Other	494	431	393
TOTAL	**4,915**	**4,592**	**4,374**

(number of stores)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Fashion and Leather Goods	2,002	1,852	1,769
Perfumes and Cosmetics	426	354	302
Watches and Jewelry	457	428	405
Selective Retailing	2,011	1,940	1,880
Of which: - Sephora	*1,957*	*1,886*	*1,825*
- Other, including DFS	*54*	*54*	*55*
Other	19	18	18
TOTAL	**4,915**	**4,592**	**4,374**

4.3 ADMINISTRATIVE SITES AND INVESTMENT PROPERTY

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

The Group holds a 40% stake in the company that owns the building housing the LVMH headquarters on Avenue Montaigne in Paris. It also owns three buildings in New York with about 19,200 square meters of office space and three buildings in London with about 3,200 square meters of office space. These buildings are occupied by Group entities.

The Group also owns investment properties with office space in Paris, New York, Osaka and London, which total 17,000, 1,000, 3,000 and 2,000 square meters, respectively. These buildings are leased to third parties.

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

5. Subsequent events

On February 4, 2020, at an Extraordinary Shareholders' Meeting, the shareholders of Tiffany & Co. (NYSE: TIF) voted with a very large majority in favor of the agreement announced on November 25, 2019 on the proposed acquisition of Tiffany by LVMH. Several bonds were issued by LVMH in February and April 2020 for a total amount of 10.8 billion euros, in order to finance this acquisition.

6. Recent developments and prospects

In the first quarter of 2020, LVMH – Financière Agache's main operating subsidiary – generated revenue of 10.6 billion euros, down 15% relative to the same period in 2019, and 17% at constant consolidation scope and exchange rates.

The Group has demonstrated its resilience in an economic environment disrupted by a severe public health crisis that has resulted in stores and production facilities being closed in most countries over the past few weeks and international travel coming to a halt. The Group's priority is to ensure the safety of its employees and customers. In a very turbulent environment, the Group will maintain a strategy focused on the preservation of the value of its brands, supported by the exceptional quality of its products and reactivity of its teams. Under these circumstances, the Group will further tighten its cost management policy and investment selection criteria.

Closures of the Group's production facilities and stores in most countries during the first half of the year will have an impact on full-year revenue and results. That impact cannot be accurately evaluated at this time without knowing the timing of a return to normal conditions in the various regions in which the Group operates. It is hoped that the situation will begin to gradually recover starting in May or June, following a second quarter that is expected to still be heavily affected by the crisis, particularly in Europe and the United States. The Group will rely on the talent and motivation of its teams, the diversity of its business activities and good geographical balance of its revenue to reinforce once again in 2020 its global leadership position in high-quality products.

Management Report of the Board of Directors – Financière Agache group

4. ETHICS AND RESPONSIBILITY

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With respect to ethics, protecting human rights and fundamental freedoms, social responsibility and respecting the environment, the Codes of Conduct of Groupe Arnault (the Group's holding company) and LVMH form a common foundation for the fundamental principles that guide the Group in conducting its business and guide employees in exercising their responsibilities.

Given the Group's structure and organization, the Group's policy with respect to ethics and responsibility is primarily led by LVMH and its Maisons, which cover all of the Group's operating activities.

1. Background

The Group has always sought to:

- ensure that its practices reflect the highest standards of integrity, responsibility and respect for its partners;
- offer a working environment that allows its employees to fully express their talents and implement their skills and expertise;
- ensure that its Maisons define and adapt their production processes, habits and behaviors in order to continuously improve their response to the environmental challenges they face;
- participate in the regional development of the areas in which it operates through its activities;
- mobilize resources and skills to serve philanthropic initiatives and projects of general interest, and promote access to art and culture for as many people as possible.

As a responsible and committed stakeholder, the Group seeks to anticipate and meet the expectations of civil society in relation to corporate social and environmental responsibility, which include the following:

- taking into account changing career expectations and helping employees navigate, in particular, new unique career paths, technological changes and new demographics;
- responding to environmental challenges in light, in particular, of urgent changes called for by climate change;
- greater transparency in supply management to ensure that every stakeholder in the value chain offers satisfactory living and working conditions and uses environmentally friendly production methods;
- a demand for integrity in business at a time of growing global emphasis on the obligation for major groups to detect and prevent financial crime;
- sensitivity to the use of personal data, a key issue in safeguarding the fundamental right to privacy.

In recent years, a number of regulations in these areas applicable to businesses have been passed at the French and European levels. These include the law on parent companies' duty of care with regard to social and environmental issues, the "Sapin II" Act on the prevention of corruption and influence-peddling, the European Directive on disclosure of non-financial information and measures to transpose it into domestic law, and Europe's General Data Protection Regulation.

Information about the Group's Statement of Non-Financial Performance and the Vigilance Plan can be found in the cross-reference tables at the end of this section.

2. Standards

The Group stays true to its uniqueness through a meticulous dedication to excellence. This dedication requires an unwavering commitment to the highest standards in terms of ethics, corporate social responsibility and respect for the environment.

In recent years, the Group has supported or signed up for a number of international standards, implementation of which it promotes within its sphere of influence, as well as putting in place its own internal standards.

2.1 INTERNATIONAL INSTRUMENTS

For many years now, the Group, via LVMH, has demonstrated its desire to act as a responsible corporate citizen and align its operations and strategy to support various internationally recognized benchmarks, including the following:

- the United Nations Global Compact, to which LVMH signed up in 2003, as well as the Caring for Climate initiative;
- the Universal Declaration of Human Rights;
- OECD Guidelines;
- the International Labor Organization's Fundamental Conventions;
- the 17 Sustainable Development Goals drawn up and developed by the United Nations;
- the French Diversity Charter, signed by the Group in 2007;
- the United Nations Women's Empowerment Principles, signed by LVMH in 2013;
- France's national biodiversity protection strategy;
- the Kimberley Process, an international system for certifying rough diamonds;
- the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);
- UNESCO's intergovernmental scientific program, "Man and the Biosphere" (MAB), aimed at protecting global biodiversity;
- the United Nations' standards of conduct for business tackling discrimination against lesbian, gay, bi, trans and intersex (LGBTI) people.

2.2 INTERNAL STANDARDS

Codes of Conduct

The Groupe Arnault and LVMH Codes of Conduct outline the rules to be followed by all employees as they go about their work, and promote consistency and continuous improvement across the entire Group.

They are based on the following six core principles:

- acting responsibly and compassionately;
- offering a fulfilling work environment and valuing talent;
- committing to protect the environment;
- winning the trust of customers;
- winning the trust of shareholders;
- embodying and promoting integrity in the conduct of business.

Supported by all of the governing bodies, they promote consistency and continuous improvement across the Group's various entities. They do not replace existing codes and charters within Maisons, but serve as a shared foundation and source of inspiration. Where appropriate, their policies are defined in greater detail by Maison according to its business sector or location. Furthermore, locally applicable codes and charters are implemented where this is appropriate in light of local laws and regulations.

These Codes have been translated into more than 10 languages and are widely disseminated across the Group. Supplementary tools have also been developed to help employees better understand and apply the principles set out in them, including an e-learning module and various communication materials.

Supplier Codes of Conduct

Groupe Arnault and LVMH have implemented a Supplier Code of Conduct, applicable to all of their respective subsidiaries, which sets out their requirements for their partners in the fields of corporate social responsibility, the environment and the fight against corruption.

These Supplier Codes of Conduct have been disseminated across the Group's Maisons; providers subject to the Codes are required to comply with the principles laid down in them.

These Codes specify requirements relating to labor (prohibition of forced labor, child labor, harassment and discrimination; provisions regarding pay, working hours, freedom of association, health and safety), environmental provisions, business conduct (in particular relating to legality, customs, security and subcontracting) and measures to prevent and combat corruption and influence-peddling that must be respected by suppliers and any subcontractors in managing their business.

The Groupe Arnault and LVMH Supplier Codes of Conduct state that the Group's suppliers must take responsibility for work undertaken by their own subcontractors and suppliers, and make sure that they comply with the principles laid down in the Codes and any other relevant obligations.

They also give the Group an audit right that allows it, as far as possible, to ensure that these principles are effectively observed.

If the Supplier Code of Conduct is violated by one of its suppliers – or by a supplier or subcontractor of one of its suppliers – the Group or the Maison concerned reserve the right to end the commercial relationship, subject to the conditions provided by law and depending on the severity of the violations identified.

LVMH Environmental Charter

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

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

It encourages the President of each Maison to demonstrate commitment to this approach through concrete actions.

The Charter was given a significant boost by the strategic LIFE (LVMH Initiatives for the Environment) program, launched in 2011, described in the "Environment and sustainability" section.

LVMH Recruitment Code of Conduct

The LVMH Recruitment Code of Conduct, implemented in 2009, has been widely disseminated to all employees involved in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity.

LVMH Animal-Based Raw Materials Sourcing Charter

In 2019, the Group launched the LVMH Animal-Based Raw Materials Sourcing Charter. This charter is the result of a long process of scientific research and collaboration between LVMH's environmental experts, its Maisons and their suppliers. The exhaustive charter covers the full range of issues concerning the sourcing of fur, leather, exotic leather, wool and feathers. It allows the Group to make long-term commitments to achieving progress in three areas: full traceability in supply chains; animal farming and trapping conditions; and respect for local populations, the environment and biodiversity. Under the charter, a scientific committee has been formed, and each year it will support and supervise a number of research projects aimed at driving progress in this area.

LVMH Charter on Working Relations with Fashion Models

In 2017, LVMH drew up a Charter on Working Relations with Fashion Models in consultation with the Kering group and sector professionals motivated by a shared desire to promote dignity, health and well-being among fashion models.

The Charter, which applies to all Maisons worldwide, aims to bring about genuine change in the fashion world by rooting out certain behaviors and practices not in keeping with the Group's values and raising awareness among fashion models that they are full-fledged stakeholders in these changes.

To help spread the principles laid down in the Charter, the LVMH and Kering groups have set up a dedicated website, wecareformodels.com. The site provides fashion models with best practice and advice from independent nutritionists and coaches.

LVMH Internal Competition Law Compliance Charter

In 2012, LVMH formalized its commitment to uphold free and fair competition by adopting an Internal Competition Law Compliance Charter. The Charter aims to help develop a true culture of compliance with competition rules within the Group. This charter sets out the main rules that should be known by all employees in conducting commercial relationships on a day-to-day basis, and defines in a pragmatic way the standards of conduct expected of them. In particular, the Group prohibits any abuse of dominant position, concerted practice or unlawful agreement, through understandings, projects, arrangements or behaviors which have been coordinated between competitors concerning prices, territories, market shares or customers. The Charter is available on the LVMH Ethics & Compliance Intranet.

3. Governance

Dedicated governance arrangements are in place to ensure the Group's values and ethical standards are put into practice.

LVMH's Board of Directors' Ethics & Sustainable Development Committee – the majority of whose members are Independent Directors – ensures compliance with the individual and shared values on which the Group bases its actions. The Committee provides leadership on matters of ethics as well as environmental, workforce-related and social responsibility. The mapping of non-financial risks established in 2018 was notably submitted to it for review.

LVMH's Executive Management coordinates the efforts of the Audit & Internal Control, Operations, Purchasing, Environment, Social Development, Ethics & Compliance and Financial Communications Departments, which work together to raise awareness and help the Maisons make progress – especially in the areas of risk management and supplier relations – with regard to environmental, social and integrity issues.

The Ethics & Compliance Department is led by LVMH's Ethics & Compliance Director, who reports to the Group Managing Director. The department draws up standards of conduct and makes available various tools designed to help Group entities implement applicable regulations. It has its own budget and staff, and is also supported by representatives from various departments so as to promote coordination on cross-functional projects led by it.

Around this central function, a network of Ethics & Compliance Officers, designated by the President of each Maison, coordinate implementation of the compliance program within each Maison and help share best practice within the Group.

This governance structure is also supported by the following:

- The network of CSR Officers at Maisons, who help organize the measures to be implemented and facilitate their application by the Maisons, who will then make the necessary adjustments in line with their own values, their environment, and the expectations of their employees and customers.
- The Environment Committee, which brings together a network of Environment Officers from the Maisons. This body provides a forum for reflection and discussion about major objectives (LIFE program), environmental challenges and opportunities.
- Maison representatives in charge of purchasing, certain supply chains and supplier relations, who come together at the Responsible Purchasing seminar to review priority issues, launch new initiatives and share best practices within the Group.
- The network of Internal Control Officers led by LVMH's Audit & Internal Control Department, which coordinates the implementation of internal control and risk management systems. These officers are responsible, within the Maisons, for ensuring compliance with the LVMH's internal control procedures and preparing controls tailored to their business.

Groupe Arnault's governing bodies verify the work performed by LVMH with respect to ethics and compliance, notably through presentations made by LVMH's Ethics & Compliance Director.

4. Risk identification

The Group's activities involve exposure to various risks that are the object of regular risk management and identification within the context of primarily regulatory reforms. The approach to identifying risks that the Group's business might generate for its stakeholders has been systematized through a comprehensive risk-mapping exercise covering the fight against corruption, respect for human rights and environmental protection, based on a shared methodology covering the whole Group.

This non-financial risk-mapping exercise was undertaken in 2018 by LVMH with the assistance of global risk and strategic consulting firm Verisk Maplecroft, which specializes in analyzing political, economic, social and environmental risks. It will be updated in 2020.

It was based on an assessment comparing external benchmarking indicators provided by Verisk Maplecroft with qualitative and quantitative information provided internally by various LVMH entities, such as their level of activity, the amount of purchases by category, the number of production, logistics and retail sites, and the number of employees.

The exercise analyzed a wide variety of factors by geography and sector, including corruption indices, child labor, decent pay and working hours, workplace discrimination, freedom of association and trade union membership, health and safety, forced labor, air quality, waste management, water stress, water quality, deforestation, climate change and risk of drought.

The resulting risk map separates out administration, production and distribution activities across these various risks, highlighting the severity of potential risks arising from LVMH's own activities and those of its supply chain.

Based on an array of data – including this mapping work, feedback from the Maisons' networks of Ethics & Compliance, CSR and Environment Officers, and an assessment of the impact and probability of occurrence of the various risks identified – the following have been classified by representatives of LVMH's central functions and senior management as "key risks" in light of the Group's activities:

- impact on ecosystems and depletion of natural resources;
- setting up and maintaining responsible supply chains;
- safeguarding health and safety at work;
- loss of key skills and expertise;
- implementation of a policy to promote employee inclusion and fulfillment;
- shortcomings in the implementation of rules governing the protection of personal data;
- shortcomings in the implementation of business practice compliance arrangements.

5. Risk management

In keeping with its aim of constantly improving its management of non-financial risks, the Group has set up a system for regularly monitoring risks relating to ethical, social and environmental responsibility.

The comprehensive risk-mapping exercise (described in the previous section) helps the Maisons identify which countries and types of purchases are particularly at risk with respect to anti-corruption, respect for human rights, environmental protection and the scale of their business activities there (revenue, amount of purchases, number of employees). This helps make audit programs and risk mitigation measures more effective and efficient.

This information is taken into account in letters of representation concerning risk management and internal control arrangements under the "ERICA" approach, an overview of which can be found in the "Financial and operational risk management and internal control" section.

Each year, LVMH's Ethics & Compliance Department reports to the Ethics & Sustainable Development Committee of LVMH's Board of Directors and Groupe Arnault's governing bodies on the implementation of the Group's ethics and compliance policy.

The policies put in place to manage the key risks identified above, together with their results, where relevant, are set out in this section. Readers are referred to the "Attracting and retaining talent" and "Environment and sustainability" sections where applicable.

5.1 COMPREHENSIVE PROGRAM TO PROTECT ECOSYSTEMS AND NATURAL RESOURCES

Because its businesses celebrate nature at its purest and most beautiful, the Group sees preserving the environment as a strategic imperative. The fact that this imperative is built into all the Group's activities constitutes an essential driver of its growth strategy, enabling it to respond to stakeholders' expectations and constantly stimulate innovation.

Built around nine key aspects of the Group's environmental performance, the global LIFE (LVMH Initiatives for the Environment) program provides a structure for this approach, from design through to product sale. It is presented in detail in the "Environment and sustainability" section.

5.2 SUPPLIER ASSESSMENT AND SUPPORT

The Group considers it very important that the Maisons and the Group's partners abide by a shared body of rules, practices and principles in relation to ethics, corporate social responsibility and environmental protection. The complexity of global supply chains means there is a risk of exposure to practices that run counter to these rules and values.

The Group's responsible supply chain management approach therefore aims to motivate suppliers and every link in the supply chains involved to meet ethical, social and environmental requirements.

Supporting suppliers has long been a strategic focus for the Group, with a view to maintaining sustainable relationships based on a shared desire for excellence. The Group pursues an overarching approach aimed at ensuring that its partners adopt practices that are environmentally friendly and respect human rights.

This approach is based on a combination of the following:

- identifying priority areas, informed in particular by the non-financial risk-mapping exercise covering the activities of the Group and its direct suppliers by type of activity;
- site audits of our suppliers (Tier 1 and higher) to check that the Group's requirements are met on the ground;
- supplier support and training;
- actively participating in cross-sector initiatives covering high-risk areas.

To a large extent, actions implemented address issues connected with both the environment and human rights.

Identifying priority areas

The non-financial risk-mapping exercise described under §4 helps determine which suppliers should be audited as a priority. It takes into account risks related to the country, purchasing category and amount of purchases in question.

In 2019, the Group also continued to expand its use of the EcoVadis platform, which helps identify the most at-risk suppliers by assessing their ethical, social and environmental performance through the collection of documentary data, external intelligence and online research. More than 1,000 suppliers were invited to join the platform in 2019. Two-thirds of suppliers improved their score upon reassessment, with an average 12-point improvement since the first assessment. Following sign-on by the Group Purchasing Department, Louis Vuitton and the Perfumes and Cosmetics business group, new Maisons came on board in 2019: Sephora in Europe and the United States, as well as the Wines and Spirits business group.

Assessment and corrective action plans

The Group's Maisons are unique in that they undertake much of their own manufacturing in house, with subcontracting accounting for only a small proportion of the cost of sales. The Group is therefore able to directly ensure that working conditions are safe and human rights respected across a significant part of its production.

The Maisons apply reasonable due diligence measures and audit their suppliers – and, above Tier 1, their subcontractors – to ensure they meet the requirements laid down in the Group's Supplier Codes of Conduct.

Contracts entered into with suppliers of raw materials and product components with whom the Group maintains a direct relationship include a clause requiring them to be transparent about their supply chain by disclosing their subcontractors.

For some Maisons, the majority of audits are above Tier 1: at Givenchy Couture, for example, more than two-thirds of audits completed in 2019 were of subcontractors of direct suppliers.

Maisons maintain collaborative working relationships with direct suppliers, helping them conduct audits and draw up any corrective action plans that might be required.

The Group uses specialist independent firms to conduct these audits. In 2019, 1,589 audits (not including EcoVadis assessments) were undertaken at 1,261 suppliers and subcontractors. Half of these audits cover both workforce-related aspects (health and safety, forced labor, child labor, decent pay, working hours, discrimination, freedom of association and collective bargaining, the right to strike, etc.) and environmental aspects (environmental management system, water usage and pollution, gas emissions and air pollution, management of chemicals, waste management, types of raw materials used, etc.). Some cover workforce-related aspects only (36%) or environmental aspects only (14%).

The Maisons continue to focus their efforts on follow-up audits (which accounted for 23% of audits completed in 2019) and pre-production audits of potential suppliers. In 2019, 15 potential business relationships were not initiated as a result of unsatisfactory audit findings.

	Europe	Asia	North America	Other
Breakdown of suppliers – all categories *(as %)*	66	13	14	7
Breakdown of audits *(as %)*	76	22	1	1

Some Maisons have supplemented their audits using measures to directly ask their suppliers' employees about their working conditions. These surveys help gain a clearer vision of working conditions at the sites concerned and check for problems such as forced labor or harassment, which may not be detected during audits. These fully anonymous, confidential surveys are carried out on WeChat. In 2019, Sephora USA teamed up with audit firm Elevate to pilot four such surveys (one in China and three in the United States) during site audits.

In 2019, 36% of suppliers audited failed to meet the Group's requirements based on a four-tier performance scale that takes into account the number and severity of compliance failures observed; 6% were found to have critical compliance failures. In such cases, the Group always works with the supplier to draw up a corrective action plan, implementation of which is monitored by the buyer responsible for the relationship within the relevant Maison. Support from specialized external consultants is sometimes offered: this is always the case for Fendi, Loro Piana and Bvlgari's jewelry business.

When, in spite of the support offered by the Group, a supplier or its subcontractors prove unwilling to make the effort required to meet the relevant requirements, the relationship is terminated. In 2019, 21 such relationships were terminated, the vast majority of them with Tier 2 subcontractors, in agreement with the direct supplier.

Supplier and buyer training

In keeping with its aim of providing continuous support and fostering continuous improvement, the Group regularly offers its suppliers training opportunities. For example, in 2019:

- The second "Chemical Management" training session was held in Milan in partnership with the Polytechnic University of Milan in February. This sector-focused initiative was spearheaded by the Group's main fashion Maisons based in Italy. 80 Group suppliers took part in the event, which helped identify a number of areas to focus on in the future.
- 40 participants representing 27 Group suppliers based in Italy took part in training held in Milan on responsible cotton sourcing in September, in partnership with members of the Better Cotton Initiative (BCI).
- Bvlgari's Jewelry branch invited 97 suppliers (manufacturers, gem cutters and producers of semi-finished goods) to three group training sessions on key issues and action plans relating to corporate social responsibility.
- Sephora's branches in the United States and Europe along with several other Maisons (including Givenchy, Kenzo and TAG Heuer) held training in Shenzhen in December for 59 managers of supplier sites based in China. This training focused on human rights, health and safety, and the environment. New sessions will be held in 2020.

At the same time, the Group ensures that its buyers receive training in issues relating to responsible purchasing. For example, in 2019:

- Christian Dior Couture held a training session for its buyers on chemical management. This training was led by an outside audit firm.
- Loewe brought together all its raw materials buyers to raise their awareness of key issues and check compliance among all their suppliers.
- Around 130 people took part in the annual full-day Responsible Purchasing seminar held in November by the Group Purchasing Department, in cooperation with the Environment and Ethics & Compliance Departments. The seminar's "marketplaces" served as a forum for attendees from different Maisons to share experience and best practices on social and environmental responsibility-related issues.

Participation in multi-party initiatives covering high-risk areas

In addition to its actions aimed at direct suppliers, the Group, via LVMH, takes part in initiatives intended to improve visibility along supply chains and throughout subcontractor networks, to ensure that it can best assess and support all stakeholders.

Working groups have been put in place and targeted programs rolled out to address issues specific to each of the industry sectors in which the Group operates. To maximize efficiency and optimize influence over subcontractors' practices, preference is generally given to sector-specific initiatives covering multiple purchasing entities.

For Maisons in the Watches and Jewelry business group, the mining sector, which is highly fragmented and relies substantially on the informal economy, carries significant risks to human rights. As such, the Maisons have formally committed under the LIFE 2020 program to ensuring that all gold supplies are certified by the Responsible Jewellery Council (RJC). Alongside suppliers and other pioneering competitors, LVMH also participates in the Coloured Gemstones Working Group run by sustainable development consultancy The Dragonfly Initiative, aimed at optimizing oversight of supply arrangements for colored gemstones.

Maisons in the Perfumes and Cosmetics business group have signed up for the Responsible Beauty Initiative run by EcoVadis, working with major sector players to develop action plans in response to business-specific issues. The business group is also involved in the Responsible Mica Initiative, which aims to pool sector stakeholders' resources to ensure acceptable working conditions in the sector by 2022. Work to map Indian mica supply chains began in 2015, followed by a program of audits down to individual mine level. Over 80% of the supply chain has been covered to date.

The business group also joined Action for Sustainable Derivatives (ASD), a collaborative initiative jointly managed and overseen by BSR and Transitions. ASD brings together large companies in the cosmetics sector and the oleochemical industry to achieve their shared goal of improving traceability, working conditions and practices throughout the entire palm derivatives supply chain.

For Maisons in the Fashion and Leather Goods business group, specific traceability requirements applicable to the leather and cotton sectors have been incorporated into the LIFE 2020 program. Leather traceability is taken into account via the score resulting from audits of the Leather Working Group standard. Meanwhile, 70% of cotton supplies must meet responsible criteria (such as the GOTS, Certified Recycled or BCI standards) by 2020.

For all Maisons, particular attention is paid to purchases of packaging materials due to fragmentation of production processes in this sector. Specific tools are used to assess and improve the environmental performance of packaging.

5.3 UNRELENTING FOCUS ON QUALITY AND SAFETY

The Group's Maisons are continuously looking to offer products of the highest quality, through research and innovation and high standards in the selection of materials and the implementation of expertise in their activities. The Group is motivated by a constant desire to protect the health and safety of its stakeholders.

As regards its own employees, the Group pursues a health, safety and well-being policy that is set out in the "Attracting and retaining talent" section.

As regards its suppliers' employees, the assessment criteria used in workforce audits of suppliers at Tier 1 and above include aspects related to health and safety (see §5.2).

As regards its customers, the Group is particularly attentive to two key issues: prudent use of chemical compounds in production processes and promoting responsible consumption of wines and spirits.

Prudent use of chemical compounds in production processes

The Group is committed to safeguarding against risks inherent in the use of chemical compounds, and complies with regulations, industry group recommendations and opinions issued by scientific committees in this field. The Group is constantly seeking to anticipate changes in this area, drawing on its employees' expertise to produce only the safest products.

The Group's experts regularly take part in working groups set up by domestic and European authorities and play a very active role within industry groups. Their ongoing monitoring of changes in scientific knowledge and regulations has regularly led the Group's Maisons to prohibit the use of certain substances and make efforts to reformulate some of its products.

The Group's Maisons have customer relations departments that analyze customer complaints, including those relating to adverse effects.

The Perfumes and Cosmetics business group has a dedicated team of specialists who provide the Maisons with access to a European network of healthcare professionals able to quickly respond to help consumers experiencing side effects. Such post-market surveillance makes it possible to explore new avenues of research and constantly improve the quality and tolerance with respect to the Group's products. The Maisons in this business group comply with the most stringent international safety laws, including the EU regulation on cosmetic products. Their products must meet very strict internal requirements covering development, quality, traceability and safety.

Maisons in the Fashion and Leather Goods, and Watches and Jewelry business groups abide by the LVMH Restricted Substances List, an in-house standard that prohibits or restricts the use of certain substances in products brought to market, as well as their use by suppliers. This standard, which notably applies to metal parts, goes beyond regulatory requirements and is regularly updated in response to ongoing monitoring of scientific developments. In 2019, LVMH joined the ZDHC (Zero Discharge of Hazardous Chemicals) trade association, which aims to promote best practices concerning the use of dangerous substances at textile and leather manufacturing sites.

To help suppliers eliminate the substances on this list, the Group's Environment Department has produced specific technical guides suggesting alternatives. Training is regularly offered on this subject.

Another in-house tool, the LVMH Testing Program, reinforces the control system of Maisons in the Fashion and Leather Goods business group, allowing them to test the highest-risk substances for different materials at five partner laboratories.

Moët Hennessy: an ambassador for responsible consumption of wines and spirits

The Group's Maisons specializing in wines and spirits are committed to combating practices that encourage inappropriate drinking. For many years, Moët Hennessy has promoted the responsible enjoyment of its champagnes, wines and spirits. This commitment takes shape through a diverse range of initiatives aimed at its employees and customers, as well as guests and visitors to its Maisons.

Not only does Moët Hennessy scrupulously adhere to local regulations, it also self-regulates across the entire spectrum of its communications and marketing practices, as well as following strict digital media guidelines, for example by using filters to keep underage viewers from visiting its Maisons' websites.

On the labels of all its wine and champagne bottles sold in the European Union (except in France for legal reasons), Moët Hennessy provides links to websites that provide consumers with information on responsible drinking, such as www.wineinmoderation.com for wines, www.responsibledrinking.eu for spirits and www.drinkaware.co.uk in the United Kingdom. Links to these websites are also available on the websites of the Maisons in this business group.

Raising awareness also means educating consumers. For example, every year, Moët Hennessy's teams teach hundreds of consumers the rituals for tasting its exceptional products.

Moët Hennessy continues to provide its employees with training on the importance of responsible drinking, notably through a new in-house mobile app, as well as running an internal communications campaign reminding employees that they are "all ambassadors for responsible drinking".

In recognition of the fact that responsible drinking is something the whole sector should be concerned about, Moët Hennessy has developed a fully digital training program for students at partner hotel management schools. The aim is to ensure that those who are likely to serve Moët Hennessy products will be familiar with and keen to pass on the principles of responsible drinking.

Lastly, Moët Hennessy continued to actively support responsible drinking programs run by the industry associations it belongs to around the world. In particular, Moët Hennessy is one of three ambassador companies of Wine in Moderation, a nonprofit that actively supports a wine culture based on a healthy and balanced lifestyle.

5.4 ONGOING EFFORTS TO ATTRACT AND SUPPORT TALENT

The pursuit of our strategy of growth, international expansion and digitalization relies on the Group's ability to identify talented individuals with the skills it needs and attract them in a highly competitive environment. In particular, the highly specific and demanding nature of the luxury goods industry means the Group must recruit staff with outstanding craftsmanship. Promoting the Group's business lines, passing on skills and training the designers and craftspeople of the future are therefore key issues for the Group.

This is why innovative recruitment initiatives, academic partnerships and professional education programs are key components of the Group's human resources policy, detailed in the "Attracting and retaining talent" section.

5.5 CONSTANT FOCUS ON EMPLOYEE INCLUSION AND FULFILLMENT

The Group is constantly seeking to create conditions that enable its employees to realize their full potential and succeed within the business. At a time of shifting career expectations, it is vitally important to foster employees' aspirations and their fulfillment and to promote diversity.

This is why workplace well-being, career guidance, reducing gender inequality, promoting employment for people with disabilities and retaining older employees are all priorities within the Group's human resources policy, detailed in the "Attracting and retaining talent" section.

5.6 INTEGRITY IN BUSINESS

The Group requires its employees and partners to conduct their work with exemplary integrity.

Any lapse in prevention and detection in its operations, or any practices contrary to applicable regulations, may bring serious harm to the Group's reputation, cause disruptions in its business activities, and, in certain cases, expose the Group to various types of administrative and judicial penalties (such as fines, withdrawals of authorizations or lawsuits filed against employees or senior executives).

Due to their extraterritorial aspects, laws relating to the prevention of bribery and other forms of financial crime as well as policies regarding international sanctions are increasingly giving rise to enforcement actions and the announcement of judicial and financial penalties.

The Group's senior executives may now be held personally liable for any breach of their obligation to put in place adequate prevention and detection measures, possibly even in the absence of any noted illicit activity.

Given the global reach of its business, the Financière Agache group has operations in many countries around the world through its subsidiary LVMH, including some with a level of maturity in the adoption of ethical business practices deemed unsatisfactory by leading international rankings.

The Group pays taxes in the countries and regions where it operates, and endeavors to fully comply with all its tax obligations. The risk management measures taken in connection with its tax policy are described in §1.3.2 of the "Financial and operational risk management and internal control" section.

Due to the nature of its business model, the Group does not enter into any significant contracts with governments. Consequently, it is not exposed to the corruption risks associated with public procurement procedures.

However, the Group's business activities involve contacts with government agencies, for the granting of various authorizations and permits. Similarly, out of a willingness to discuss and cooperate with authorities and decision-makers, the Group contributes to public debate in countries where to do so is authorized and relevant. The Group's contributions in the public space always abide by the laws and regulations applicable to the institutions and organizations in question, and the Group is registered as an interest representative where its activities so require.

Furthermore, the Group may be exposed, in the same way as any other private company, to the risk of corruption in its dealings with private business partners.

Given the diversity of the Group's ecosystem and its decentralized organizational model, Maisons have developed their own policies adapted to their specific business contexts. At a central level, LVMH's Ethics & Compliance Department develops and coordinates the rollout of cross-departmental initiatives to strengthen compliance programs already in place within the Group and ensure their consistency.

Communications, awareness and training efforts aiming to improve employee vigilance are implemented. Common rules, procedures and tools are also in place to facilitate day-to-day detection and prevention, by operational staff, of prohibited conduct.

Communications, awareness and training

Serving as key information resources for the Group's ethics and compliance policy, the Groupe Arnault and LVMH Ethics & Compliance Intranet sites provide access for all employees to a set of documents, tools and information relating to business ethics.

Specific information is provided by the relevant human resources departments to newly hired employees concerning the Codes of Conduct and whistleblowing systems. An online training tool, available to all employees on the LVMH Ethics & Compliance Intranet, is designed to help them understand and better assimilate the rules, practices and values presented in the Group's Codes of Conduct. This module is available in around ten languages.

Awareness initiatives are coordinated by LVMH's Ethics & Compliance Department, which holds in-house events in various regions, aimed at staff in various roles. For 2019, these included initiatives aimed at the community of internal controllers in New York, Hong Kong and Paris; heads of legal departments in Paris; and the Responsible Purchasing community in Milan and New York.

At the annual seminar on the Group's ethics and compliance policy, held on October 10 and 11, 2019, LVMH Group Managing Director Antonio Belloni delivered a powerful message to the Ethics & Compliance Officers, which they shared with the Presidents of the Group's Maisons, reaffirming the Group's commitment in this area and accelerating the implementation of measures to prevent and detect data integrity risks throughout the entire Group.

The Group has also developed a specific 45-minute online anti-corruption training module, which is available to all Maisons and serves as a common core that supplements existing training materials. This module is aimed at staff identified as particularly exposed to corruption risk, and its results are regularly assessed. Since it was launched in late 2018, the module has been completed by several thousand employees throughout the Group.

Available in three languages (French, English and Chinese, with other languages coming soon), this module:

- reiterates the Group's zero-tolerance policy on corruption;
- expresses the Group Chairman and Chief Executive Officer and Group Managing Director's commitment to promoting exemplary, responsible behavior;

- defines and illustrates the notions of corruption and influence-peddling;
- provides an overview of the policies, governance and tools involved in the Group's anti-corruption compliance program;
- illustrates the negative consequences of corruption on civil society and companies;
- provides information on anti-corruption laws in force around the world and obligations for businesses in combating corruption;
- introduces the concept of due diligence on third parties to combat corruption and the main items to check;
- includes a number of case studies and questionnaires to ensure that employees have fully understood the key concepts involved.

Rules, procedures and tools

The Groupe Arnault and LVMH Codes of Conduct define and illustrate prohibited behaviors, in particular those that may constitute corruption or influence-peddling. They reaffirm the Group's zero-tolerance stance on this issue.

In addition to the Codes of Conduct, the Group has internal guiding principles, a set of documents that apply to all entities intended to be used as a reference guide to help employees adopt appropriate behaviors in various areas to do with business ethics. In particular, these principles cover the following:

- preventing corruption and influence-peddling, including basic definitions of these concepts and information about how to identify various suspicious behaviors against which staff should be on their guard;
- mandatory rules on gifts and entertainment;
- preventing money laundering, including information on cash payment limits and formalities for reporting large payments;
- rules for preventing, reporting and resolving conflicts of interest; in this regard, an annual conflict of interest reporting campaign is undertaken within the governing bodies of the Group and the Maisons;
- use of assets belonging to the Group and the Maisons, including the fact that such assets are made available only for a temporary period and the requirement that they be used in a professional and conscientious manner;
- loans of clothes and accessories by Maisons to employees or individuals outside the Group;
- Group policy on travel and security, which includes rules on authorization of travel and payment of travel expenses.

These internal guidelines help employees recognize risky situations and act responsibly and appropriately, by drawing their attention to a number of key points to watch out for. It includes a number of everyday examples to illustrate how to react in risky situations.

These guidelines provide a common core that can be adjusted to fit each entity's specific situation.

LVMH's internal control framework includes a set of minimum requirements for ethics and compliance, which are checked through self-assessments and audits at the Group's various entities (as described in the "Financial and operational risk management and internal control" section).

In addition to the usual existing communication and warning channels within the Group and the Maisons, LVMH has set up a centralized whistleblowing system, available in around ten languages, to collect and process reports from all employees concerning infringements or serious risks of infringement of laws, regulations, the provisions of the Group's Codes of Conduct and other principles, guidelines and internal policies.

The system covers the following behaviors:

- corruption and influence-peddling;
- money laundering, fraud and falsification of accounting records;
- embezzlement;
- anti-competitive practices;
- data protection breaches;
- discrimination, harassment, violence and threatening behavior;
- infringements of workers' rights and labor law, illegal employment;
- infringements of occupational health and safety regulations, violation of environmental protection laws;
- practices contrary to ethical principles.

Alerts handled through dedicated whistleblowing systems can be used to help improve risk identification and prevention procedures, as part of a continuous improvement approach.

No instances of alleged corruption or influence-peddling were reported through the Group's whistleblowing system in respect of fiscal year 2019.

If employees fail to abide by rules laid down in the Codes of Conduct, the guiding principles or, more generally, the Rules of Procedure (or equivalent document) of their employing Maison, the Group will take appropriate steps to put an end to the infringement in question, including appropriate disciplinary sanctions proportionate to the severity of the infringement, in accordance with the provisions of the Rules of Procedure (or equivalent document) and applicable laws and regulations.

5.7 RESPONSIBLE MANAGEMENT OF PERSONAL DATA

In order to offer their customers exceptional products and experiences that meet their expectations, the Group's Maisons must have access to high-quality customer data, and are committed to ensuring that all data collected is kept secure.

In an era of innovation for the Group – which is moving ahead with an ambitious digital strategy, resolutely focused on its customers and their aspirations – every Maison takes steps to comply with the regulations applicable to personal data, including the General Data Protection Regulation (GDPR).

Ensuring full compliance with data protection regulation requires adequate governance arrangements to be implemented within the Group. Accordingly, each Group Maison has appointed a Data Protection Officer (DPO) to ensure that its operations are compliant, with support from the legal and cybersecurity departments and in close cooperation with staff in a range of roles (including IT, digital, marketing and HR).

This also means building and promoting a personal data protection culture that permeates all the Group's business lines and activities as well as taking into account technical and methodological developments. To this end, the Group and its Maisons regularly hold in-person and/or e-learning training and awareness sessions on personal data protection-related issues. The privacy policies for customers and employees of the Group's Maisons were updated to inform these individuals of their rights and obligations regarding personal data, pursuant to the principle of transparency required by the GDPR.

A strict cybersecurity policy is also applied within the Group to ensure a fresh customer experience without compromising on data security, privacy, integrity or availability requirements. Under this policy, the Group and its Maisons monitor not only the security of their own information systems but also the security levels of the products and services offered by the third-party providers used by the Group and its Maisons. Providers that have access to the Group and/or its Maisons' data are assessed to ensure that the technical and organizational measures they have implemented provide a level of security that is sufficient and well suited to their work. Specific cybersecurity incident management and prevention policies are also applied within the Group.

As a general rule, projects carried out by the Group and/or its Maisons are subject to a Security and Privacy Risk Assessment to check that any personal data protection and security-related issues have been adequately addressed by the business lines involved (Security and Privacy by Design), that only personal data that is necessary for the project's purposes is actually collected and processed (Privacy by Default), and that any data protection-related impact analyses that must be completed have been identified.

To ensure a consistent, effective approach, a data protection policy is proposed to all Maisons in order to provide them with a common framework of rules and recommendations, helping ensure that appropriate measures are taken to protect personal data within the Group, in compliance with applicable regulations.

This policy defines a Group compliance program on the protection of personal data, aimed at putting in place clear and transparent governance arrangements to manage issues concerning data protection, together with a range of common directives, bodies and processes. Sample data processing records, impact analyses, privacy notices, security questionnaires and personal data clauses to be added to contracts signed with subcontractors who process personal data are also provided to the Maisons by the Group, which each Maison then adapts to its own context.

The Group also has Binding Corporate Rules (BCR) approved by France's Commission Nationale de l'Informatique et des Libertés (CNIL), which govern international transfers within the Group of the personal data of employees and job candidates.

An annual audit and assessment campaign is run as part of internal control or the Maisons' internal audit work, in order to assess compliance with their personal data protection obligations.

Lastly, communities to share experience and exchange ideas – made up of the DPOs and their local representatives as well as the heads of security and legal directors of the Group's Maisons – meet regularly to discuss shared issues related to personal data protection, with the goal of continuously improving practices in this area.

6. Independent Verifier's report on the consolidated statement of non-financial performance

To the Shareholders' Meeting,

In our capacity as an Independent Verifier accredited by COFRAC (Accreditation No. 3-1681; scope of accreditation available at www.cofrac.fr) and belonging to the network of a Statutory Auditor of your Company (hereinafter "entity"), we hereby present our report on the consolidated statement of non-financial performance for the fiscal year ended December 31, 2019 (hereinafter "Statement"), as set out in the Management Report pursuant to the provisions laid down in Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Responsibility of the entity

It is the Board of Directors' responsibility to prepare a Statement compliant with legal and regulatory requirements, including an overview of the business model, a description of key non-financial risks and an overview of the policies adopted in light of those risks, together with the results of those policies, including key performance indicators.

The Statement was prepared by applying the entity's procedures (hereinafter "Guidelines"), the significant components of which are set out in the Statement and available on request from the LVMH group's Environment and Human Resources Departments.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the code of ethics of our profession. In addition, we have implemented a quality control system, including documented policies and procedures designed to ensure compliance with applicable laws and regulations, ethical standards and professional guidelines.

Responsibility of the Independent Verifier

It is our responsibility, on the basis of our work, to express a reasoned opinion reflecting a limited assurance conclusion that:

- the Statement complies with the requirements laid down in Article R. 225-105 of the French Commercial Code;
- the information provided is fairly presented in accordance with Point 3 of Sections I and II of Article R. 225-105 of the French Commercial Code, namely the results of policies, including key performance indicators, and actions in relation to key risks, hereinafter "Information".

It is not our responsibility, however, to express an opinion on whether the entity complies with other applicable legal and regulatory provisions, notably concerning the vigilance plan and the prevention of corruption and tax evasion, or whether products and services comply with applicable regulations.

Nature and scope of work

The work described below was carried out in accordance with the provisions of Articles A. 225-1 et seq. of the French Commercial Code, the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) applicable to this engagement, and ISAE 3000 [(1)]:

- We familiarized ourselves with the business of all entities falling within the scope of consolidation and the key risks.
- We assessed the suitability of the Guidelines in terms of their relevance, completeness, reliability, objectivity and comprehensible nature, taking the sector's best practices into consideration, where applicable.
- We checked that the Statement covers each category of information laid down in Section III of Article L. 225-102-1 on workforce-related and environmental issues, as well as compliance with human rights and the prevention of corruption and tax evasion.
- We checked that the Statement provides the information required by Section II of Article R. 225-105 wherever relevant with respect to the key risks and, where applicable, includes an explanation of the reasons for the absence of information required by Section III, Paragraph 2 of Article L. 225-102-1.
- We checked that the Statement provides an overview of the business model and a description of the key risks associated with the business of all entities falling within the scope of consolidation, including, where relevant and proportionate, risks arising from business relationships, products and services as well as policies, actions and results, including key performance indicators related to key risks.
- We consulted source documents and conducted interviews to:
- Assess the process used to select and validate key risks, as well as the consistency of results, including key performance indicators related to the key risks and policies presented; and
- Corroborate what we considered the most important qualitative information (actions and results) set out in Appendix 1. For all risks, our work was completed at the level of the consolidating Entity and on a selection of the entities listed below:
  - for environmental risks: Wines and Spirits: MHCS (France), Hennessy (France), Glenmorangie (Ardbeg, Scotland), Chandon Argentina (Argentina); Perfumes and Cosmetics: Parfums Christian Dior (Saint-Jean-de-Braye, France), Guerlain La Ruche (Chartres, France); Fashion and Leather Goods: Loro Piana (Quarona, Italy), Christian Dior Couture (Paris, France), Tanneries Roux (Romans-sur-Isère, France), Loewe (Maison and stores) (Getafe, Spain); Watches and Jewelry: Bvlgari (Valenza, Italy), Hublot (Nyon, Switzerland); Selective Retailing: Sephora North America (Sephora BDC, Canada and Sephora USA); Sephora North Asia, Southeast Asia, Middle East (Neuilly, France); Le Bon Marché (Paris, France); DFS (Hong Kong); Other activities: headquarters of Les Echos – Le Parisien (Paris, France);
  - for workforce-related risks: Wines and Spirits: Glenmorangie (Edinburgh, Scotland); Perfumes and Cosmetics: Benefit Cosmetics UK (London, United Kingdom), Parfums Christian Dior UK (London, United Kingdom); Fashion and Leather Goods: Christian Dior Couture (Paris, France); Watches and Jewelry: Bvlgari Gioielli S.p.A. (Valenza, Italy); Selective Retailing: Sephora SAS (Neuilly, France), DFS (Singapore); Other activities: Les Echos (Paris, France);
  - for social risks:
    - responsible supply chains: Moët-Hennessy (Paris, France), Parfums Christian Dior (Neuilly, France), Christian Dior Couture (Paris, France), Sephora Europe Middle East (Neuilly, France),
    - protection of personal data: Louis Vuitton Malletier (Paris, France), Sephora SAS (Neuilly, France),
    - compliant business practices: Fendi (Rome, Italy), Moët-Hennessy (Paris, France).
- We checked that the Statement covers the scope of the consolidated Group, i.e. all entities falling within the scope of consolidation in accordance with Article L. 233-16, within the limits set out in the Statement.
- We reviewed the internal control and risk management procedures put in place by the entity and assessed the collection process aimed at ensuring that the Information is complete and fairly presented.

(1) ISAE 3000 – *Assurance engagements other than audits or reviews of historical financial information*.

- For key performance indicators and those other quantitative results we considered the most significant, set out in Appendix 1, we carried out the following:
  - analytical procedures that consisted in checking that all data collected had been properly consolidated, and that trends in that data were consistent;
  - detailed, sample-based tests that consisted in checking that definitions and procedures had been properly applied and reconciling data with supporting documents. This work was carried out on a selection of contributing entities listed above and covers between 8% and 84% of the consolidated data selected for these tests (10% of the workforce, 48% of energy consumption and an average of 27% of certified supplies).
- We assessed the Statement's overall consistency with our knowledge of all the entities falling within the scope of consolidation.

We consider that the work we performed using our professional judgment allow us to formulate a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work.

Means and resources

Our work was undertaken by a team of three people between December 2019 and May 2020, for a period of approximately one week.

We conducted around fifteen interviews with those responsible for preparing the Statement, notably representing Executive Management and the Administration & Finance, Risk Management, Ethics & Compliance, Human Resources, Environment and Purchasing Departments.

Conclusion

On the basis of our work, we found no material misstatements that might have led us to believe that the consolidated statement of non-financial performance is not compliant with applicable regulatory requirements or that the Information, taken as a whole, is not fairly presented, in accordance with the Guidelines.

Paris-La Défense, May 13, 2020

The Independent Verifier

French original signed by

ERNST & YOUNG et Associés

Jean-François Bélorgey
Partner

Éric Duvaud
Sustainable Development Partner

This is a free translation into English of a report issued in French. It is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

APPENDIX 1: INFORMATION CONSIDERED THE MOST IMPORTANT

Workforce-related information

Quantitative information (including key performance indicators)	Qualitative information (actions and results)
• Breakdown of the workforce as of December 31 by gender and professional category • Recruitment on permanent contracts from January 1 to December 31 (breakdown by gender) • Turnover among employees on permanent contracts from January 1 to December 31 (breakdown by reason) • Proportion of employees on permanent contracts trained, by professional category • Number of days' training for employees on permanent contracts • Absence rate by reason • Work-related accident frequency rate • Work-related accident severity rate	• Attracting and training students and recent graduates • Preventing discrimination during the recruitment process • Training and support for employees throughout their careers • Workplace health and safety

Environmental information

Quantitative information (including key performance indicators)	Qualitative information (actions and results)
• Proportion of manufacturing sites certified ISO 14001 (%) • Total energy consumption (MWh) • Energy-related greenhouse gas emissions (metric tons of CO_2 equivalent) • Total water consumption for process requirements (m^3) • Chemical Oxygen Demand after treatment (metric tons/year) • Total waste produced (metric tons) • Total hazardous waste produced (metric tons) • Waste recovery rate (%) • Total packaging that reaches customers (metric tons) • Environmental Performance Index for packaging (value) • Greenhouse gas emissions avoided per year by projects under the banner of the Carbon Fund (metric tons of CO_2 equivalent avoided)	• Organization of the environmental approach, particularly governance and commitments, including the LIFE program • Environmental impact of packaging and monitoring of the LIFE "Products" target • Environmental standards applied to the supply chain and monitoring of the LIFE "Sourcing" targets • Combating climate change and monitoring the LIFE "Climate change" target • Environmental management of sites and monitoring of the LIFE "Sites" targets

Social information

Quantitative information (including key performance indicators)	Qualitative information (actions and results)
• Proportion of grape supplies (in kg) with sustainable winegrowing certification (%) • Proportion of palm oil derivative supplies (in kg) certified RSPO Mass Balance or Segregated (%) • Proportion of leather supplies (in m²) sourced from LWG-certified tanneries (%) • Proportion of gold supplies (in kg) certified RJC CoC • Proportion of gold supplies (in kg) sourced from RJC CoP-certified suppliers • Proportion of diamond supplies (in carats) sourced from RJC CoP-certified suppliers • Proportion of cotton supplies (in metric tons) certified BCI, organic, etc. (%)	• Implementation of the Charter on Working Relations with Fashion Models and Their Well-Being • Supplier assessment and support • Management of personal data • Business conduct and ethics

7. Cross-reference tables

7.1 STATEMENT OF NON-FINANCIAL PERFORMANCE

Like any other economic actor, the Financière Agache group is exposed to a number of non-financial risks that may affect its performance, cause harm to its reputation, and impact its stakeholders and/or the environment. The following risks have been classified by representatives of LVMH's central functions and senior management as "key risks" in light of the Group's activities (see §3 of the "Ethics and responsibility" section):

- impact on ecosystems and depletion of natural resources;
- setting up and maintaining responsible supply chains;
- safeguarding health and safety at work;
- loss of key skills and expertise;
- implementation of a policy to promote employee inclusion and fulfillment;
- shortcomings in the implementation of rules governing the protection of personal data;
- shortcomings in the implementation of business practice compliance arrangements.

The Group is committed to addressing each of these risks by putting the appropriate policies in place. The cross-reference tables below provide a summary presentation of the information constituting the Group's statement of non-financial performance, as required by Article L. 225-102-1 of the French Commercial Code, indicating for each item the location in this Management Report where further details may be found. They include cross-references to the specific disclosures required by this article with regard to respect for human rights and measures to combat corruption, climate change, and discrimination.

The remaining disclosures required by this article may be found in the following sections:

- with regard to the Group's business model, in the sections entitled "The Financière Agache business model" and "Business overview, highlights and outlook" in the introduction to this report;
- with regard to the presentation of the workforce for each business group and geographic region, in §1.3 of the "Attracting and retaining talent" section;
- with regard to collective bargaining agreements signed at the level of companies across the Group, in §3.2 of the "Attracting and retaining talent" section;
- with regard to efforts to promote the circular economy, in §1.2.2 and §5.4 of the "Environment and sustainability" section;
- with regard to combating food waste, in §5.4.2 of the "Environment and sustainability" section;
- with regard to social commitments to promote sustainable development, apart from the topics covered by the cross-reference tables below in terms of social consequences, respect for human rights and the environment, in §1 and §2 of the "Outreach and giving back" section;
- with regard to protecting animal welfare, in §3.1 and §3.3 of the "Environment and sustainability" section.

Lastly, given the nature of the Group's business activities, topics relating to the fight against food insecurity or efforts to promote responsible and sustainable food production as well as fair food systems are not discussed in this Management Report.

7.1.1 Social consequences

Risk	Policies	Results
Loss of key skills and expertise	• Academic partnerships (§2.2 of the "Attracting and retaining talent" section) • Institut des Métiers d'Excellence (§2.2 of the "Attracting and retaining talent" section) • Employee training and support (§3.1 of the "Attracting and retaining talent" section) • EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.3 of the "Attracting and retaining talent" section) • Support for high-potential female employees to help them move into key positions (§3.1 of the "Attracting and retaining talent" section)	• Joiners by business group and geographic region (§2.1 of the "Attracting and retaining talent" section) • Investment in training (§3.1 of the "Attracting and retaining talent" section) • Internal mobility data (§2.1 of the "Attracting and retaining talent" section) • Awards, recognition and rankings obtained as an employer (§2.1 of the "Attracting and retaining talent" section)
Health and safety issues faced in the Group's business activities	• Codes of Conduct (§2.2 of the "Ethics and responsibility" section) • Whistleblowing systems (§5.6 of the "Ethics and responsibility" section) • LVMH Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section) • Investments in health, safety and security (§3.2 of the "Attracting and retaining talent" section) • Employee training in health, safety and security (§3.2 of the "Attracting and retaining talent" section) • Social audits of suppliers and subcontractors including a health and safety dimension (§5.2 of the "Ethics and responsibility" section) • Measures relating to the use of chemicals and cosmetovigilance (§5.3 of the "Ethics and responsibility" section) • Promoting responsible consumption of wines and spirits (§5.3 of the "Ethics and responsibility" section)	• Breakdown, frequency and severity of work-related accidents (§3.2 of the "Attracting and retaining talent" section) • Data relating to social audits that include a health and safety dimension (§5.2 of the "Ethics and responsibility" section) • Training for employees and suppliers focusing on the LVMH Restricted Substances List (§5.3 of the "Ethics and responsibility" section)
Implementation of a policy of employee inclusion and fulfillment (aspects related to fulfillment at work)	• Codes of Conduct (§2.2 of the "Ethics and responsibility" section) • Whistleblowing systems (§5.6 of the "Ethics and responsibility" section) • DARE program (§3.1 of the "Attracting and retaining talent" section) • Employee induction seminars (§3.1 of the "Attracting and retaining talent" section) • Specific training for managers (§3.1 of the "Attracting and retaining talent" section) • Group Works Council and SE Works Council (§3.2 of the "Attracting and retaining talent" section)	• Number of meetings held by employee representative bodies in 2019 (§3.2 of the "Attracting and retaining talent" section)

7.1.2 Respect for human rights

Risk	Policies	Results
Setting up and maintaining responsible supply chains (aspects relating to respect for human rights)	• Codes of Conduct (§2.2 of the “Ethics and responsibility” section) • Supplier Codes of Conduct (§2.2 of the “Ethics and responsibility” section) • LVMH Charter on Working Relations with Fashion Models (§2.2 of the “Ethics and responsibility” section) • Whistleblowing systems (§5.6 of the “Ethics and responsibility” section) • Risk mapping (§4 of the “Ethics and responsibility” section) • Social audits of suppliers and subcontractors (§5.2 of the “Ethics and responsibility” section) • Collection of information on suppliers’ social and ethical performance via the EcoVadis platform (§5.2 of the “Ethics and responsibility” section) • Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the “Ethics and responsibility” section)	• Breakdown of suppliers and audits (§5.2 of the “Ethics and responsibility” section) • Data on combined audits and audits examining only social aspects carried out at suppliers (§5.2 of the “Ethics and responsibility” section) • Data on follow-up audits (§5.2 of the “Ethics and responsibility” section) • Proportion of suppliers not meeting the Group’s standards (§5.2 of the “Ethics and responsibility” section) • Number of terminated contracts following audits (§5.2 of the “Ethics and responsibility” section) • Number of business relationships not initiated following audits (§5.2 of the “Ethics and responsibility” section)
Implementation of a policy of employee inclusion and fulfillment (aspects relating to the fight against discrimination and the promotion of diversity)	• Codes of Conduct (§2.2 of the “Ethics and responsibility” section) • Whistleblowing systems (§5.6 of the “Ethics and responsibility” section) • LVMH Recruitment Code of Conduct (§2.2 of the “Ethics and responsibility” section) • Specific training for recruiters (§2.3 of the “Attracting and retaining talent” section) • Independent review of hiring practices (§2.3 of the “Attracting and retaining talent” section) • EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.3 of the “Attracting and retaining talent” section) • Support for high-potential female employees to help them move into key positions (§3.1 of the “Attracting and retaining talent” section)	• Proportion of employees with disabilities (§2.3 of the “Attracting and retaining talent” section) • Proportion of female employees among joiners and in the Group’s active workforce (§3.1 of the “Attracting and retaining talent” section) • Number of participants in the EXCELLhanCE initiative (§2.3 of the “Attracting and retaining talent” section)
Shortcomings in the implementation of rules governing the protection of personal data	• Codes of Conduct (§2.2 of the “Ethics and responsibility” section) • Data protection policy (§5.7 of the “Ethics and responsibility” section)	• Creation of a network of Data Protection Officers (§5.7 of the “Ethics and responsibility” section)

7.1.3 Environmental consequences

Risk	Policies	Results
Business impacts on ecosystems and depletion of natural resources (including aspects relating to the fight against climate change)	• LVMH Environmental Charter (§1.1 of the “Environment and sustainability” section) • LIFE program and LIFE 2020 targets (§1.1 and §1.2 of the “Environment and sustainability” section) • Combating climate change and the LVMH Carbon Fund (§4 of the “Environment and sustainability” section)	• Improvement in the Environmental Performance Index scores of product packaging for Wines and Spirits companies and Perfumes and Cosmetics companies (§2.3 of the “Environment and sustainability” section) • Accelerated and expanded rollout of sustainable and organic winegrowing (§3.6 of the “Environment and sustainability” section) • Certification of materials used in products: leather, cotton, fur, palm oil derivatives, diamonds and precious metals (§3.6 of the “Environment and sustainability” section) • Achievement of targets set for the LVMH Carbon Fund (§4.2 of the “Environment and sustainability” section) • Increase in the proportion of renewable energy in the Group’s energy mix (§4.5 of the “Environment and sustainability” section) • Implementation of an environmental management system at manufacturing sites (§5.5 of the “Environment and sustainability” section)
Setting up and maintaining responsible supply chains (environmental aspects)	• Codes of Conduct (§2.2 of the “Ethics and responsibility” section) • Supplier Codes of Conduct (§2.2 of the “Ethics and responsibility” section) • LVMH Environmental Charter (§1.1 of the “Environment and sustainability” section) • LIFE program and LIFE 2020 targets (§1.1 and §1.2 of the “Environment and sustainability” section) • Whistleblowing systems (§5.6 of the “Ethics and responsibility” section) • Risk mapping (§1.2 of the “Environment and sustainability” section) • Collection of information on suppliers’ environmental performance via the EcoVadis platform (§5.2 of the “Ethics and responsibility” section) • Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the “Ethics and responsibility” section)	• Data on environmental audits carried out at suppliers, both combined audits and audits examining only environmental aspects (§5.2 of the “Ethics and responsibility” section) • LIFE 2020 program – “Sourcing” target, particularly relating to supply chains for grapes, leather, skins and pelts, gemstones and precious metals, palm oil derivatives and regulated chemicals (§3 of the “Environment and sustainability” section)

7.1.4 Fight against corruption

Risk	Policies	Results
Shortcomings in the implementation of business practice compliance arrangements	• Codes of Conduct (§2.2 of the "Ethics and responsibility" section) • Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) • Whistleblowing systems (§5.6 of the "Ethics and responsibility" section) • Ethics & Compliance Intranet sites (§5.6 of the "Ethics and responsibility" section) • Risk mapping (§4 of the "Ethics and responsibility" section) • Role of the Ethics & Compliance Department (§3 and §5.6 of the "Ethics and responsibility" section) • Internal guiding principles (§5.6 of the "Ethics and responsibility" section) • Anti-corruption training (§5.6 of the "Ethics and responsibility" section) • Compliance rules included in the internal audit and control framework (§5.6 of the "Ethics and responsibility" section)	• No instances of alleged corruption or influence-peddling were reported through the Group's whistleblowing system in 2019 (§5.6 of the "Ethics and responsibility" section) • Several thousand people throughout the Group have completed the anti-corruption training module (§5.6 of the "Ethics and responsibility" section)

7.2 VIGILANCE PLAN

As a responsible, actively engaged corporate citizen on a global scale, the Group strives to exert a positive influence on the communities, regions and countries where it operates and to minimize the potential adverse impacts of its activities, as well as those of its suppliers and subcontractors, for its stakeholders and the environment.

The cross-reference tables below provide a summary presentation of the information constituting the vigilance plan, as required by Article L. 225-102-4 of the French Commercial Code, indicating for each item the sections within this Management Report where further details may be found.

7.2.1 Human rights and fundamental freedoms

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	• Risk mapping (§4 of the "Ethics and responsibility" section)	• Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section) • Risk mapping (§4 of the "Ethics and responsibility" section)
Frequent risk assessments	• Internal control and audit framework (§3.2 of the "Financial and operational risk management and internal control" section)	• Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) • Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	• Specific training for recruiters to prevent discrimination (§2.3 of the "Attracting and retaining talent" section) • Independent review of hiring practices (§2.3 of the "Attracting and retaining talent" section)	• Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) • Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) • Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) • Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)
Whistleblowing systems	• Centralized whistleblowing systems (§5.6 of the "Ethics and responsibility" section)	• Group employees can use the whistleblowing systems to report violations committed by suppliers or subcontractors • Some Maisons have implemented measures to directly ask their suppliers' employees about their working conditions (§5.2 of the "Ethics and responsibility" section)
Follow-up and assessment measures	• Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) • Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) • Risk mapping exercises carried out regularly	• Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) • Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

7.2.2 Individuals' health and safety

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	• Risk mapping (§4 of the "Ethics and responsibility" section)	• Risk mapping (§4 of the "Ethics and responsibility" section) • Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	• Internal control and audit framework (§3.2 of the "Financial and operational risk management and internal control" section) • Accident analysis and prevention (§3.2 of the "Attracting and retaining talent" section)	• Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) • Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	• LVMH Restricted Substances List, an internal standard (§5.3 of the "Ethics and responsibility" section) • LVMH Testing Program (§5.3 of the "Ethics and responsibility" section) • Promoting responsible consumption of wines and spirits (§5.3 of the "Ethics and responsibility" section) • Third-party liability insurance and product recalls (§2.3 of the "Financial and operational risk management and internal control" section) • Specific insurance policies in countries where work-related accidents are not covered by social security systems (§2.3 of the "Financial and operational risk management and internal control" section)	• Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) • Training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) • Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) • Supply chain certification targets (§5.2 of the "Ethics and responsibility" section) • Assistance guides provided to suppliers for the elimination/substitution of chemicals whose use is restricted or prohibited by LVMH (§5.3 of the "Ethics and responsibility" section) • LVMH Charter on Working Relations with Fashion Models (§2.2 of the "Ethics and responsibility" section)
Whistleblowing systems	• Centralized whistleblowing systems (§5.6 of the "Ethics and responsibility" section)	• Group employees can use the whistleblowing systems to report violations committed by suppliers or subcontractors (§5.6 of the "Ethics and responsibility" section) • Some Maisons have implemented measures to directly ask their suppliers' employees about their working conditions (§5.2 of the "Ethics and responsibility" section)
Follow-up and assessment measures	• Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) • Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) • Risk mapping exercises carried out regularly	
		• Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) • Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

7.2.3 Environment

	Group's own operations	Suppliers' and subcontractors' activities
Risk mapping	• Risk mapping (§4 of the "Ethics and responsibility" section)	• Risk mapping (§4 of the "Ethics and responsibility" section) • Additional risk assessment for certain suppliers via the EcoVadis platform (§5.2 of the "Ethics and responsibility" section)
Frequent risk assessments	• Environmental management system (§5 of the "Environment and sustainability" section)	• Audits and follow-up audits (§5.2 of the "Ethics and responsibility" section) • Corrective action plans following audits (§5.2 of the "Ethics and responsibility" section)
Mitigation and prevention measures	• LIFE 2020 targets (§2 to §5 of the "Environment and sustainability" section) • Insurance for environmental damage (§2.3 of the "Financial and operational risk management and internal control" section)	• Supplier Codes of Conduct (§2.2 of the "Ethics and responsibility" section) • Specific training for suppliers and buyers (§5.2 of the "Ethics and responsibility" section) • Participation in multi-party initiatives covering suppliers in higher risk categories (§5.2 of the "Ethics and responsibility" section) • Supply chain certification targets (§5.2 of the "Ethics and responsibility" section)
Whistleblowing systems	• Centralized whistleblowing systems (§5.6 of the "Ethics and responsibility" section)	• Group employees can use the whistleblowing systems to report violations committed by suppliers or subcontractors (§5.6 of the "Ethics and responsibility" section)
Follow-up and assessment measures	• Tracking achievement of LIFE 2020 targets (§2 to §5 of the "Environment and sustainability" section) • Action plans implemented by the Maisons in countries identified as priorities during the risk mapping exercise (§5 of the "Ethics and responsibility" section) • Action plans included as part of the ERICA approach (§5 of the "Ethics and responsibility" section) • Risk mapping exercises carried out regularly	• Remediation plans to address shortcomings identified during audits (§5.2 of the "Ethics and responsibility" section) • Follow-up audits of suppliers (§5.2 of the "Ethics and responsibility" section)

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5. ENVIRONMENT AND SUSTAINABILITY

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The Group’s policy with respect to the environment and sustainability is led primarily by LVMH and its Maisons, which comprise all of the Group’s operating activities.

1. General environmental policy

1.1 ORGANIZATION OF THE GROUP’S ENVIRONMENTAL APPROACH

1.1.1 Governance

For the Group, protecting the environment is much more than an obligation: it is an imperative and a key driver for competitiveness. Having recognized the importance of action in this area more than 27 years ago, LVMH formed an Environment Department in 1992 reporting directly to Executive Management. With a staff of ten, this department has the following objectives:

- roll out the LIFE (LVMH Initiatives for the Environment) program;
- guide Group companies’ environmental policies, in compliance with the LVMH Environmental Charter;
- conduct internal audits to assess Maisons’ environmental performance;
- monitor regulatory and technical developments;
- create management tools that address issues such as packaging design, supplier relations and regulatory monitoring;
- help the Group’s companies safeguard against risks;
- train employees and raise environmental awareness at every level of the organization;
- define and consolidate environmental indicators;
- work with the various stakeholders involved (nonprofits, rating agencies, public authorities, etc.).

Each Maison also draws on its own in-house expertise in environmental matters. These experts make up a network of nearly 200 Environment Officers from Maisons, known as the Environment Committee, which meets several times a year, in particular to share and discuss best practices.

In addition, LVMH’s ability to drive continuous improvement is closely tied to the Group’s success at making sure that its 163,000 employees understand their role as active participants in its approach to environmental matters. The Environment Department thus works to inform, train and raise awareness among employees with regard to the conservation of natural resources and biodiversity, as well as climate change. In 2016, the Group established an in-house Environment Academy to serve this role. The Academy designs training programs based on the major objectives of the LIFE program, using a range of learning materials – including face-to-face training sessions, e-learning modules and virtual classes – covering a large number of subjects, from sustainable design to environmental audits. In addition, almost all Maisons continued with their employee environmental training and awareness programs. These programs totaled 21,225 hours.

1.1.2 Commitments

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

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

The Environmental Charter also encourages all Maison Presidents to become directly involved in the approach through concrete actions, and requires each Maison to set up an effective environmental management system, create think tanks to assess the environmental impacts of its products, manage risks, and adopt environmental best practices.

In 2003, LVMH joined the United Nations Global Compact, which aims to promote responsible corporate citizenship through business practices and policies based on ten universal principles, including the following three relating to the environment:

- adopt a precautionary approach to environmental challenges;
- promote greater environmental responsibility;
- encourage the development and diffusion of environmentally friendly technologies.

Launched in 2011, the LIFE (LVMH Initiatives for the Environment) program is designed to reinforce the incorporation of environmental concerns into brand strategy, facilitate the development of new coordination tools, and take into account developments and improvements arising from innovative practices at Maisons. The Maisons have incorporated the LIFE program into their strategic plans since 2014. The LIFE program was implemented by a Steering Committee at each Maison and is based on nine key aspects of environmental performance:

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

In 2019, LVMH was included in the main indices based on responsible investment criteria: FTSE4Good Global 100, Euronext Vigeo Eurozone 120 and ESI (Ethibel Sustainability Indices) Europe. LVMH also took part in the "Wake-Up Call on the Environment" student manifesto organized by several French schools.

Environmental expenses are recognized in accordance with the recommendations of the Autorité des Normes Comptables, France's accounting standards authority. Operating expenses and capital expenditure are recognized against each of the following items:

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

In 2019, expenses related to environmental protection broke down as follows:

- operating expenses: 15.9 million euros;
- capital expenditure: 10.7 million euros.

Provisions for environmental risks amounted to 12.4 million euros as of December 31, 2019. This amount corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

1.2 IDENTIFICATION OF LIFE 2020 RISKS AND TARGETS

1.2.1 Methodology

The environmental indicator reporting process covered the following scope in 2019:

Production facilities, warehouses and administrative sites *(number)*	**2019**
Sites covered [(a)]	263
Sites not covered [(b)] [(c)]	134
TOTAL NUMBER OF SITES	**397**

(a) Integration of new manufacturing sites (Thélios, Shangri-La vineyard and Louis Vuitton).
(b) Main components: certain regional administrative sites of Louis Vuitton and Moët Hennessy as well as administrative sites with fewer than 20 employees.
(c) The Belmond group is not included in the 2019 environmental reporting scope.

93% of production sites are covered. The manufacturing, logistics and administrative sites that are not covered by environmental reporting are essentially excluded for operational reasons and are not material. A plan to gradually include them is underway.

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

	% of Group's total store floor space taken into account in calculating energy consumption and greenhouse gas emissions [(a)]	
	2019	**2018**
GROUP TOTAL	**65**	**70**

(a) The reporting scope does not cover the stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.

The total store floor space of the main Maisons used to calculate energy consumption and greenhouse gas emissions is as follows, expressed as a percentage of the total store floor space of each Maison:

	% of Maison's total store floor space taken into account in calculating energy consumption and greenhouse gas emissions [(a)]	
	2019	**2018**
DFS	77	77
Louis Vuitton	69	69
Sephora North America and Latin America	63	59
Sephora (Europe, Asia and Middle East)	64	80
Le Bon Marché	100	100
Christian Dior Couture	64	74

(a) The reporting scope does not cover the stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.

Calculations of energy consumption and greenhouse gas emissions also include all French stores operated by Berluti, Givenchy, Guerlain, Kenzo and Make Up For Ever, and certain stores operated by Acqua di Parma, Benefit, Bvlgari, Celine, Chaumet, Fendi, Fred, Hublot, Loewe, Loro Piana, Marc Jacobs, Parfums Christian Dior, Pink Shirtmaker, Pucci, TAG Heuer and Zenith.

Sephora's stores in China and Saudi Arabia are not included. Data for 2018 has been restated.

For waste production and water consumption, only certain stores operated by DFS (53% of floor areas in 2019 and 52% in 2018) and stores operated by the Le Bon Marché group are included. Data for 2018 has been restated.

1.2.2 Main risks

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

1. impacts on ecosystems,
2. depletion of natural resources,
3. setting up and maintaining responsible supply chains.

The policies implemented and their results are presented primarily in §3 "LIFE 2020 – 'Sourcing' target" below.

The full materiality matrix provides detailed information on the following environmental issues relating to the Group's business activities:

	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing
Depletion of energy resources and climate change	• Grape growing; • Packaging production; • Distillation; • Transportation of products.	• Store lighting and air conditioning; • Transportation of products; • Production of resources needed to manufacture products: - Plant fibers used for textiles (cotton, etc.), - Leather, including exotic leather, - Fur, - Wool.	• Packaging production; • Store lighting and air conditioning; • Transportation of products.	• Store lighting and air conditioning.	• Store lighting and air conditioning; • Transportation of products.
Impact on water resources	• Water consumption (vineyard irrigation in Australia, New Zealand, Argentina and California); • Production of effluents containing organic matter during winemaking and distillation.	• Water consumption (crocodile farms and tanneries); • Production of effluents containing organic matter.	• Protection and conservation of water resources.		
Impact on ecosystems and depletion of natural resources	• Production of plant resources needed for other production processes (grape vines, barley, rye, etc.).	• Production of resources needed to manufacture products: - Plant fibers used for textiles (cotton, etc.), - Leather, including exotic leather, - Fur, - Wool.	• Production of plant resources needed to manufacture products (rose, jasmine, etc.).	• Extraction of resources needed to manufacture products: - Gems and precious metals, - Exotic leather.	
Waste recovery and the circular economy	• Residues from winemaking and distillation processes.	• Recycling of raw materials and products at the end of their useful life.	• Recycling of packaging.	• WEEE (Waste Electrical and Electronic Equipment, such as batteries).	• Recycling of point-of-sale advertising and packaging materials.

1.2.3 LIFE 2020 targets

After having conducted an in-depth analysis and mapping of its environmental risks (see above), the Group decided to give its Maisons – regardless of business sector – four shared targets resulting from the LIFE program to be achieved by 2020 (the reference year being 2013, with the values for its indicators presented in the "Baseline" column of the tables presented below):

- Sustainable product design: By 2020, the Group's Maisons must make all their products more environmentally friendly. LVMH's Perfumes and Cosmetics Maisons and Wines and Spirits Maisons undertake to improve their Environmental Performance Index (EPI) score by 10%. The Group's Fashion and Leather Goods Maisons, and Watches and Jewelry Maisons are working to reduce their environmental impact arising from the sourcing of raw materials.
- Suppliers and raw materials: Maisons must ensure that optimum standards are rolled out in their procurement of raw materials supplies and among their suppliers across 70% of the supply chain by 2020 and 100% by 2025.
- Cutting energy-related CO_2 emissions by 25% by raising the proportion of renewables in the Group's energy mix to at least 30%, improving store energy efficiency by 15%, and ensuring that new stores achieve a minimum performance of 50% according to the LVMH Store Guidelines score chart.
- Making all production sites and stores more environmentally friendly: Maisons undertake to reduce at least one of three indicators (water consumption, energy consumption and waste production) by 10% at each of their sites, and to have an effective environmental management system focused on continuous improvement.

In 2019, the Group held two Future LIFE events in Paris and New York, which offered a chance to share updates on progress made toward achieving LIFE 2020 targets as well as the new partnerships described in the following sections.

2. LIFE 2020 – "Products" target

2.1 OBJECTIVES

The Group's Maisons have always worked to limit the impact of their products on the natural environment. LIFE 2020 encourages them to do more by setting a new goal: improving the environmental performance of all their products, across their entire life cycle. The other LIFE 2020 targets cover the environmental impact of the steps involved in sourcing raw materials, production, transport and sales. With respect to the "Products" target, sustainable design is the key priority for all of the Group's Maisons. Two of its essential components are the guarantee of superior quality and a constant focus on innovation. In taking up this challenge, the Maisons have access to the range of tools developed with their input by LVMH's Environment Department. These tools include Edibox, a web-based tool that calculates Environmental Performance Indices (EPIs) for product packaging as well as the carbon footprint of the materials used to manufacture this packaging. This calculation results in a score for each product's packaging, depending on its weight and volume, the number of layers of packaging used, and the separability of the various components. Positive points (for rechargeable packaging, recycled materials, etc.) and negative points (for packaging features that hinder recycling, etc.) are also included in calculating scores.

LVMH's Perfumes and Cosmetics Maisons, and Wines and Spirits Maisons undertake to improve their Environmental Performance Index (EPI) score for product packaging by 10% by 2020. The Group's Fashion and Leather Goods Maisons, and Watches and Jewelry Maisons are working to reduce their environmental footprint arising from the sourcing of raw materials, which is the step that generates the most substantial environmental impact.

The quantities of packaging consolidated by the Maisons concern the following items:

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

Packaging used for transport is not included in this breakdown.

2.2 TRACKING TARGET ACHIEVEMENT

Progress toward meeting the LIFE 2020 "Products" targets

Indicators	Baseline (2013)	Performance in 2019	Target for 2020
EPI score for Perfumes and Cosmetics packaging	8.32	9.3 (+12%)	+10%
EPI score for Wines and Spirits packaging	Champagne: 16.03 Cognac: 10.60	16.76 (+5%) 12.6 (+19%)	+10%

The weight of packaging that reaches customers changed as follows between 2018 and 2019:

(in metric tons)	2019	2018	2019 pro forma [(1)]	Change [(1)] *(as %)*
Wines and Spirits	181,319	159,844	181,319	13 [(a)]
Fashion and Leather Goods	13,375	11,059	13,375	21 [(a)]
Perfumes and Cosmetics	31,115	29,167	31,115	7
Watches and Jewelry	4,416	4,834	4,416	(9) [(b)]
Selective Retailing	6,375	4,651	6,375	37 [(a)]
Other activities	2	-	2	-
TOTAL	**236,602**	**209,555**	**236,602**	**13**

(a) Change related to business activity.
(b) Change related to sustainable packaging design.

(1) Value and change at constant scope.

The total weight of packaging that reaches customers, by type of material, broke down as follows in 2019:

(in metric tons)	Glass	Paper/ cardboard	Plastic	Metal	Fabric	Other packaging materials
Wines and Spirits	159,247	16,816	1,821	1,640	86	1,709
Fashion and Leather Goods	324	10,937	303	68	1,711	32
Perfumes and Cosmetics	16,053	5,182	7,446	2,063	93	278
Watches and Jewelry	1,624	1,193	1,198	163	158	80
Selective Retailing	226	3,683	2,315	83	1	67
Other activities	-	2	-	-	-	-
TOTAL	**177,474**	**37,813**	**13,083**	**4,017**	**2,049**	**2,166**

3. LIFE 2020 – "Sourcing" target

3.1 JOINT ACTIONS AND COMMON GOALS

The Group's heavy dependence on natural resources, together with its strong values and commitments, prompted it to put in place a sustainable sourcing policy a number of years ago. LVMH pays very close attention to the traceability and compliance of the materials and substances used to manufacture its products. The Group promotes responsible purchasing practices and works to ensure that its supply chains are more environmentally sustainable, in close collaboration with its suppliers and subcontractors.

LVMH has a strategy in place for sourcing and preserving raw materials, governed by the LIFE 2020 targets, which commit Maisons, between now and 2020, to buying and producing at least 70% of their core raw materials in accordance with optimum environmental standards for raw material sourcing and production sites. Choosing which components to use is an essential part of preserving the environment, especially rare resources that are vital for product manufacturing. To reinforce this approach, a number of projects are underway to develop new, responsible supply chains for the Perfumes and Cosmetics, Fashion and Leather Goods, and Watches and Jewelry business groups.

Furthermore, the Maisons have implemented procedures to ensure that all of their products comply with CITES, a convention on international trade in endangered species. Through a system of import-export permits, this convention was set up to prevent overexploitation of certain species of endangered fauna and flora.

The "Sourcing" target concerns the following raw materials in particular:

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

LVMH takes a long-term, global approach to its actions in this area alongside many partners working to conserve biodiversity. LVMH was the first private-sector entity to join the eight public research bodies on the Board of Directors of the French Foundation for Research on Biodiversity (FRB). The Group is now an official member of the FRB, with which it has been working for more than seven years. Sylvie Bénard, LVMH's Environment Director, has also served as Vice President of the Foundation's Strategic Orientation Committee for four years. As part of this committee – which brings together more than 160 stakeholders to jointly design research programs that promote biodiversity – the Group has focused in particular on the issue of access to genetic resources and sharing the benefits resulting from their use.

In 2019, LVMH stepped up its involvement by signing a five-year partnership with UNESCO to support its intergovernmental scientific program, “Man and the Biosphere” (MAB). This tool for international cooperation is aimed at protecting global biodiversity. Both partners will appear side by side at international events. For example, the Group’s Maisons will draw on UNESCO’s scientific expertise and its network of 686 biosphere reserves to develop their sustainable sourcing policies.

LVMH has also implemented many tools to improve and monitor the use of chemicals in products. These are described in §5.3 “Unrelenting focus on quality and safety”.

3.2 WINES AND SPIRITS

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

Stepping up the roll-out of sustainable and/or organic winegrowing at the Maisons’ vineyards and among independent grape suppliers has thus been adopted as a LIFE 2020 target. Various certification systems have been established across winegrowing regions: Viticulture Durable en Champagne for champagne houses, Haute Valeur Environnementale (HVE) 3 for cognac, organic farming for certain vineyards, Napa Green in California, etc.

3.3 FASHION AND LEATHER GOODS

The Fashion and Leather Goods business group has adopted five major targets for 2020:

- At least 70% of leather purchased from LWG-certified tanneries. LWG certification is a standard created by the Leather Working Group to improve the environmental performance of tanneries (energy, water, waste, traceability).
- At least 70% of cotton purchased from sustainable cotton sources. LVMH has joined the Better Cotton Initiative (BCI), which has developed a standard to encourage measurable improvements in the main environmental impacts of growing cotton on a global scale.
- Certification for all crocodile farms supplying the Group’s tannery.
- At least 80% of pelts supplied by certified fur farms by the end of 2019, in particular by rolling out FurMark certification.
- Integration of the Animal Sourcing Principles – developed with Business for Social Responsibility (BSR) – into supplier contracts. LVMH shares civil society’s aim of improving animal welfare, which is connected to many raw materials such as leather, wool and fur. In 2019, the Group unveiled its Animal-Based Raw Materials Sourcing Charter. This undertaking is the result of a long process of scientific research and collaboration between LVMH’s environmental experts, its Maisons and its suppliers. The exhaustive charter covers the full range of issues concerning the sourcing of fur, leather, exotic leather, wool and feathers. It allows the Group to make commitments to achieving progress by 2020 and 2025 in three areas: full traceability in supply chains; animal farming and trapping conditions; and respect for local communities, the environment and biodiversity.

3.4 PERFUMES AND COSMETICS

The Perfumes and Cosmetics business group has set LIFE 2020 targets relating to its suppliers and supply chains, in particular by developing a system to assess their environmental and social performance. Initial performance targets have been set for suppliers of packaging and ingredients. The business group also takes part in specific initiatives related to the sourcing of palm oil (RSPO) and mica (RMI).

LVMH’s Research & Development Department and Maisons have been carrying out ethnobotanical studies for a number of years. They seek to identify plant species with a particular interest as components of cosmetic products while contributing to the preservation of these species and to local economic development. This partnership can take a variety of forms such as financial support, technical or scientific assistance, or skills sponsorship, sharing the expertise of LVMH’s staff with its partners. As part of this initiative, Parfums Christian Dior’s Dior Gardens are plots dedicated to cultivating plant species chosen for their exceptional properties. Guerlain has also launched a number of partnerships focused on orchids in China, vetiver in India, honey in Ouessant in France, sandalwood in Asia and lavender from the south of France.

3.5 WATCHES AND JEWELRY

As part of the LIFE 2020 targets, all of the Watches and Jewelry Maisons have received certification under the Responsible Jewellery Council (RJC) system. In line with this certification, which has been extended to their gold and diamond supply chains, they are expanding their responsible sourcing efforts. Bvlgari is particularly active in this area, and has become the first company in its market to obtain the RJC Chain of Custody (CoC) certification for gold. The Group and its Maisons are also involved in the Coloured Gemstones Working Group run by The Dragonfly Initiative, which aims to promote environmental and social best practices in the sourcing of colored gemstones. Several audits have already been carried out.

3.6 TRACKING TARGET ACHIEVEMENT

Progress toward meeting the LIFE 2020 "Sourcing" targets

Indicators	Baseline (2013)	Performance in 2019	Target for 2020
Wines and Spirits			
Sustainable winegrowing certification *(certified grapes by weight, as %)*	LVMH vineyards: French vineyards: 100%	LVMH vineyards: French vineyards: 100% Rest of the world: 58%	LVMH vineyards: French vineyards: 100% Rest of the world: 100%
	Independent grape suppliers: Champagne: 7%	Independent grape suppliers: Champagne: 15%	
Fashion and Leather Goods			
LWG-certified tanneries *(leather from certified tanneries by weight, as %)*	25%	66%	70%
Certified cotton *(GOTS- or Better Cotton-certified cotton by weight, as %)*	2%	54% (a)	70%
Perfumes and Cosmetics			
Perfume ingredient supplier performance	64	89	90
Cosmetics ingredient supplier performance	56	84	80
Palm oil derivatives *(RSPO-certified Mass Balance or Segregated palm oil derivatives by weight, as %)*	0%	86%	70%
Watches and Jewelry			
Diamonds: RJC COP certification *(carats of diamonds from COP-certified direct suppliers, as %)*	90%	98%	100%
Gold: RJC COP certification	94%	82%	100%
RJC CoC certification *For Maisons without CoC certification, gold is included within the reported indicator if it is sourced from CoC-certified precious metal refiners, regardless of any intermediate subcontractors (between the precious metal refiner and the Maison)*	-	79%	100%

(a) Change related to improvements in Maison practices and reporting.

4. LIFE 2020 – "Climate change" target

4.1 COMMON GOAL

Combating climate change is a major focus of LVMH's environmental policy. The Group has often played a pioneering role in this area. In the early 2000s, for example, it took part in testing the carbon assessment method that would later become the Bilan Carbone®. In 2015 it was also the first luxury company to set up an internal carbon fund. From energy consumption to manufacturing, transport and logistics to work habits, LVMH is looking at all possible ways to reduce the climate impact of its activities. In 2019, LVMH announced a partnership with Bertrand Piccard's Solar Impulse Foundation, aimed at identifying innovative solutions to reduce the environmental impact of human activities, in particular as part of the effort to combat climate change.

As part of LIFE 2020, the Group is aiming to cut Scope 1 and 2 greenhouse gas emissions by 25%, in absolute values, between 2013 (baseline year) and 2020. The performance of production, logistics and administrative sites is calculated by comparing data for each site between 2013 and the reporting year. Store CO_2 performance is calculated by multiplying CO_2 efficiency for the reporting year (in metric tons of CO_2 equivalent per square meter) by the baseline floor area (total floor area of stores reported in 2013). The CO_2 value generated for the reporting year covers 65% of total emissions in 2019. Actions are being pursued on three fronts: improving monitoring and reporting processes; increasing the energy efficiency of operations, particularly at the Group's stores; and expanding the use of renewable energy.

In 2016, a specific study was carried out assessing the environmental impact of the Group's raw material production and supply chain. Across the Group's entire value chain, 50% of emissions are generated by the production of raw materials and 30% by inbound and outbound transport. Next come emissions generated by the Maisons' production sites, logistics centers, offices and stores (20%), either direct (Scope 1) or indirect (Scope 2). Downstream emissions generated by using products (washing of fashion products, rinsing certain cosmetic products, etc.) or when products come to the end of their useful life will be refined in 2021.

4.2 THE LVMH CARBON FUND

Created in 2016, the LVMH Carbon Fund is a key element of LIFE 2020's strategy to address climate change. Each Maison's expected annual contribution is calculated by multiplying the greenhouse gas emissions resulting from its business activities by the carbon price set by LVMH, which went from 15 to 30 euros per metric ton in 2018. The amount thus obtained must be invested the following year in projects aimed at reducing emissions. The LVMH Carbon Fund reached its target in 2019, with 16.5 million euros in financing for 138 projects that could help avoid 5,658 metric tons of greenhouse gas emissions per year.

4.3 ENERGY EFFICIENCY AND RENEWABLE ENERGY

Improving energy efficiency and expanding the use of renewable energy are the main thrusts of LVMH's strategy to limit its carbon footprint, an approach that also entails better energy management, which is vital to help reduce overall energy consumption.

4.3.1 Energy consumption

Total energy consumption amounted to 1,059,892 MWh in 2019 for the Group's subsidiaries included in the reporting scope. This corresponds to primary energy sources (such as fuel oil, butane, propane and natural gas) added to secondary energy sources (such as electricity, steam and ice water) mainly used for the implementation of manufacturing processes in addition to buildings and stores' air conditioning and heating systems.

Energy consumption by business group changed as follows between 2018 and 2019:

(in MWh)	2019	2018	2019 pro forma [(1)]	Change [(1)] *(as %)*
Wines and Spirits	223,395	220,454	222,785	1
Fashion and Leather Goods	394,620	393,598	385,516	(2)
Perfumes and Cosmetics	93,923	94,044	94,021	-
Watches and Jewelry	40,726	40,935	38,773	(5)
Selective Retailing	286,142	286,514	306,319	7
Other activities	21,086	22,006	21,086	(4)
TOTAL	**1,059,892**	**1,057,551**	**1,068,500**	**1**

Energy consumption by business group and by energy source was as follows in 2019:

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane/ Propane	Steam	Ice water	Renewable energies
Wines and Spirits	22,842	80,479	117	43,921	3,253	-	-	72,784
Fashion and Leather Goods	158,241	110,816	-	9,114	5,851	2,182	2,238	106,179
Perfumes and Cosmetics	7,871	31,564	-	2,532	-	1,234	378	50,345
Watches and Jewelry	11,822	5,783	-	907	144	285	-	21,785
Selective Retailing	124,270	14,383	-	662	13	5,878	8,611	132,323
Other activities	5,750	4,634	-	1,231	-	1,445	2,979	5,046
TOTAL	**330,796**	**247,659**	**117**	**58,367**	**9,261**	**11,024**	**14,206**	**388,462**

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

Scope 1 emissions are those generated directly by sites, mainly through the combustion of fuel oil and natural gas. Scope 2 emissions are those generated indirectly from energy use, mainly electricity used on-site. Measures to reduce these emissions have been in place for a number of years at Maisons' production sites. The Maisons are also working hard to improve energy efficiency at stores, the main source of LVMH's greenhouse gas emissions. Thanks to their efforts, one of the LIFE 2020 targets has already been achieved: a 15% improvement in the average energy efficiency of existing stores, in particular by installing the advanced lighting systems offered by the LVMH Lighting program and by rolling out the LVMH Store Guidelines (see §5 "LIFE 2020 – 'Sites' target").

(1) Value and change at constant scope.

CO_2 emissions by business group changed as follows between 2018 and 2019:

(in metric tons of CO_2 equivalent)	**CO_2 emissions in 2019**	*Of which:* Direct CO_2 emissions (as %)	*Of which:* Indirect CO_2 emissions (as %)	**CO_2 emissions in 2018**	**CO_2 emissions in 2019 pro forma [(1)]**	**Change [(1)]** *(as %)*
Wines and Spirits	40,893	71	29	40,845	40,442	(1)
Fashion and Leather Goods	113,314	23	77	113,783	108,692	(4)
Perfumes and Cosmetics	12,971	56	45	12,807	12,832	-
Watches and Jewelry	7,257	20	80	7,027	6,332	(10) [(a)]
Selective Retailing	72,643	4	96	88,089	70,764	(20) [(a)]
Other activities	3,340	38	62	3,319	3,340	1
TOTAL	**250,418**	**27**	**73**	**265,870**	**242,402**	**(9)**

(a) Change related to the switch to renewable energy and the rollout of energy-saving technologies.

4.3.3 Raw materials and transport (Scope 3)

The study carried out in 2016 on the environmental impact of producing the raw materials needed to manufacture the Maisons' products was updated in 2018. It showed that over 70% of emissions come from leather, grapes and glass for packaging. With the help of its partners, the Group is continuing to work on quantifying these emissions, as well as fine-tuning how it assesses the impact of raw materials like leather, gold and cotton:

- Production of raw materials: The main sources of greenhouse gas emissions are leather production (432,000 tCO_2e), winegrowing (172,000 tCO_2e, which includes vineyards belonging to the Group's Maisons as well as independent grape suppliers) and glass for packaging (158,000 tCO_2e).
- Inbound transport: Movement of raw materials and product components to production sites. Only the main raw materials and components are taken into account.
- Outbound transport: Movement of finished products from production sites to distribution platforms.

In 2019, greenhouse gas emissions generated by inbound transport broke down as follows:

(in metric tons of CO_2 equivalent)	**Road**	**Air**	**Ship**	**Total**
Wines and Spirits	16,254	1,457	898	18,609
Fashion and Leather Goods	1,048	12,510	45	13,603
Perfumes and Cosmetics	1,029	40,903	470	42,402
Watches and Jewelry	3	1,715	-	1,718
Selective Retailing	-	-	-	-
TOTAL	**18,334**	**56,585**	**1,413**	**76,332**

(1) Value and change at constant scope.

In 2019, greenhouse gas emissions generated by outbound transport broke down as follows:

(in metric tons of CO_2 equivalent)	**Road**	**Rail**	**Air**	**Ship**	**Inland barge**	**Electric vehicle**	**Liquid natural gas**	**Total**
Wines and Spirits	22,086	690	41,674	20,176	149	2	117	84,894
Fashion and Leather Goods	3,240	51	218,402	106	-	-	171	221,970
Perfumes and Cosmetics	3,111	-	323,136	2,109	-	-	-	328,356
Watches and Jewelry	221	-	37,484	70	-	-	-	37,775
Selective Retailing	3,875	-	9,724	205	-	79	-	13,883
TOTAL	**32,533**	**741**	**630,420**	**22,666**	**149**	**81**	**288**	**686,878**

Rimowa, Le Bon Marché, Château d'Yquem, DFS, Fred, Rossimoda and Les Echos did not report their data for this indicator.

4.3.4 Renewable energies

Alongside actions to reduce its fossil fuel consumption, LVMH is rapidly expanding its use of renewable energy. Between 2013 and 2019, the proportion of renewables in the Group's energy mix rose from 1% to more than 36%. Framework agreements signed with energy suppliers have been one of the main drivers of the Group's progress in this area. The first of these dates back to 2015 and supplies green electricity to more than 90% of LVMH's sites in France, belonging to 23 of its Maisons. A similar agreement was signed in 2016 for the supply of electricity to several Maisons in Italy and a third is in preparation for sites in Spain. Many sites have also installed solar panels or geothermal systems. As of 2019, all of Sephora's sites in the United States are powered by green electricity.

4.4 PROSPECTS FOR ADAPTING TO CLIMATE CHANGE

To accompany its initiatives, the Group is also conducting a review of the various issues involved in adapting to climate change. In the medium term, changing winegrowing practices is the main component of the Group's adaptation strategy. Several solutions are available for European vineyards depending on the extent of climate change, from altering harvest dates to developing different methods of vineyard management (such as widening rows, increasing the size of grapevine stocks and employing irrigation in certain countries) and testing new grape varieties. For vineyards in Argentina and California, the main issue is the availability of water (see §5.3 "Water consumption and preventing pollution").

4.5 TRACKING TARGET ACHIEVEMENT

Progress toward meeting the LIFE 2020 "Climate change" targets

Indicators	**Baseline (2013)**	**Performance in 2019**	**Target for 2020**
CO_2 emissions	220,480 tCO_2e	-25%	Cut energy-related CO_2 emissions by 25% (Scope 1 and 2 at constant scope)
Proportion of renewable energy in the Group's energy mix	1%	36%	Raise the proportion of renewables in the Group's energy mix to at least 30%
Store energy efficiency *(electricity consumption in kWh/m²)*	460 kWh/m²	-21%	Improve store energy efficiency by 15% *(electricity consumption in kWh/m²)* (target met as of 2017)

5. LIFE 2020 – "Sites" target

5.1 OBJECTIVES

Since it was launched in 2012, the LIFE program has focused on ensuring that the Group's sites are environmentally friendly. LIFE 2020 further strengthens these commitments. As a major player in the luxury industry, LVMH aims to ensure that its 397 manufacturing and administrative sites as well as its 4,915 stores are exemplary in this area. The Group has asked its Maisons to put in place environmental management systems at all of their production sites, and at their administrative sites with more than 50 employees.

The Maisons must also commit to a focus on continuous improvement. Taking 2013 as the baseline, LVMH is asking them to reduce at least one of the following indicators by at least 10%: water consumption, energy consumption, or waste production. Specific targets have also been set for their stores. Stores must achieve a score of at least 50 out of 100 for their environmental performance on the LVMH LIFE in Stores Guidelines scale, which was developed in 2016 on the basis of the most stringent international standards (including LEED, BREEAM, Green Star, HQE, WELL and BEAM). It identifies the ten most important factors contributing to a store's environmental performance, from the building's insulation and lighting density to heating and air conditioning. This checklist was drawn up as part of the LVMH LIFE in Stores program. Its aim is to encourage the integration of environmental issues at an early stage in the development of store projects, preferably from the design phase. A LIFE in Stores event held this year in New York was an opportunity to present architects with the best technologies to reduce energy consumption at the Maisons' stores and sites.

5.2 ENVIRONMENTAL MANAGEMENT AND CERTIFICATION SYSTEMS

The Group has decided to extend the implementation of environmental certification programs to all its sites, because this can serve as a dynamic, unifying and motivating tool to promote continuous improvement. This approach to certification is not new for the Maisons: the LVMH Environmental Charter already requires that they put in place an environmental management system reporting to Executive Management. Many of them have opted for ISO 14001 certification. Hennessy has played a pioneering role in this regard, becoming the world's first wines and spirits company to obtain ISO 14001 certification in 1998. At the end of 2019, 60% of the Group's manufacturing, logistics and administrative sites (and 71% of its manufacturing sites alone) were ISO 14001-certified.

5.3 WATER CONSUMPTION AND PREVENTING POLLUTION

5.3.1 Breakdown of water consumption

Water consumption is broken down into the following requirements:

- Process requirements: Use of water for cleaning purposes (tanks, products, equipment, floors), air conditioning, employees, product manufacturing, etc. Such water consumption generates waste water.
- Agricultural requirements: Water used for vineyard irrigation outside France, as irrigation is not used for the Group's vineyards in France. Water is taken directly from the natural environment for irrigation purposes, with water use from year to year closely linked to changes in weather conditions. However, it should be noted that water consumption for agricultural requirements is assessed by sites with a higher level of uncertainty than water consumption for process requirements.

Water consumption changed as follows between 2018 and 2019:

(in m³)	2019	2018	2019 pro forma [1]	Change [1] *(as %)*
Process requirements	3,927,034	3,985,070	3,930,956	1
Agricultural requirements (vineyard irrigation)	7,018,856	5,568,770	6,946,556	25 [a]

(a) Change mainly related to increased irrigation requirements in Argentina and New Zealand.

(1) Value and change at constant scope.

Water consumption for process requirements broke down as follows by business group:

(process requirements in m³)	2019	2018	2019 pro forma [1]	Change [1] *(as %)*
Wines and Spirits	1,247,673	1,193,364	1,247,673	5
Fashion and Leather Goods	1,918,215	1,840,355	1,911,342	4
Perfumes and Cosmetics	194,720	204,089	195,700	(4)
Watches and Jewelry	75,955	80,566	80,516	-
Selective Retailing	306,062	401,708	311,317	(23) [a]
Other activities	184,408	264,989	184,408	(30) [b]
TOTAL	**3,927,034**	**3,985,070**	**3,930,956**	**(1)**

(a) Change related to the installation of equipment at a site.
(b) Change related to exceptional construction work in 2018 and improvements in reporting processes.

An in-depth analysis of sensitivity to local constraints was carried out at each of the Group's Maisons using Pfister's 2009 water scarcity index and the 2012 Aquastat database. This analysis was based on measurements of each geographic area's sensitivity, obtained by comparing water consumption to available resources at the local level. Four Maisons whose water consumption is significant relative to the Group as a whole are located in areas where water stress is close to 100%, meaning that water requirements in these areas are close to the level of available resources:

- the Domaine Chandon Argentina vineyards (Agrelo and Terrazas), which represent 80% of the Group's agricultural water requirements;
- the Domaine Chandon California and Newton vineyards, which represent 6% of the Group's agricultural water requirements.

Vineyard irrigation requires authorization and is regulated in California and Argentina due to the climate. Such irrigation is necessary for winegrowing. Nevertheless, the Group has taken the following measures to limit water consumption: harvesting rainwater; implementing protocols to measure and specify water requirements; standardizing drip irrigation practices in California; using weather forecasts to optimize irrigation; and adopting the "regulated deficit irrigation" technique, which reduces water consumption and improves grape quality and grapevine size, yielding an enhanced concentration of aroma and color.

5.3.2 Preventing pollution

The only significant, relevant indicator related to preventing water pollution is the release of substances into water by Wines and Spirits, Fashion and Leather Goods, and Perfumes and Cosmetics operations contributing to eutrophication. The Group's other activities have only a very limited impact on water quality. Eutrophication is the excessive buildup of algae and aquatic plants caused by excess nutrients in the water (particularly phosphorus), which reduces water oxygenation and adversely affects the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of effluents from the Group's own plants or external plants with which the Group has agreements. The following operations are considered treatment: city and county wastewater collection and treatment, independent collection and treatment (aeration basin), and land application.

COD after treatment changed as follows between 2018 and 2019:

COD after treatment *(metric tons/year)*	2019	2018	2019 pro forma [1]	Change [1] *(as %)*
Wines and Spirits	967	1,066	967	(9) [a]
Fashion and Leather Goods	37	64	37	(42) [b]
Perfumes and Cosmetics	26	40	26	(35) [c]
TOTAL	**1,030**	**1,170**	**1,030**	**(11)**

(a) Change related to measurement method.
(b) Change related to improvements in reporting processes and changes in business activity.
(c) Change related to improvements in reporting processes (2018 data restated).

Measurement frequencies at the highest-contributing Maisons are compliant with local regulations but remain limited with regard to the changes observed in quantities discharged.

Volatile Organic Compound (VOC) emissions are addressed through specific action plans, notably for Perfumes and Cosmetics operations and the tanneries.

(1) Value and change at constant scope.

5.4 REDUCING AND RECOVERING WASTE

5.4.1 Waste produced and recovered

In 2019, 91% of waste was recovered (91% in 2018). Recovered waste is waste for which the final use corresponds to one of the following channels, listed in descending order of interest in accordance with European and French laws:

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

The weight of waste generated changed as follows between 2018 and 2019:

(in metric tons)	**Waste produced in 2019**	***Of which: Hazardous waste produced in 2019*** (a)	**Waste produced in 2018**	**Waste produced in 2019 pro forma** (1)	**Change in waste produced** *(as %)* (1)
Wines and Spirits	62,667	*502*	65,423	62,667	(4)
Fashion and Leather Goods	16,327	*2,421*	15,888	15,963	1
Perfumes and Cosmetics	9,112	*1,764*	10,186	9,118	(10) (b)
Watches and Jewelry	992	*311*	869	988	14 (b)
Selective Retailing	4,806	*9*	4,895	4,806	(2)
Other activities	1,716	*129*	2,234	1,716	(23) (c)
TOTAL	**95,620**	***5,136***	**99,495**	**95,258**	**(4)**

(a) Waste that must be sorted and processed separately from non-hazardous waste (such as cardboard, plastic and paper).
(b) Change related to business activity.
(c) Change related to exceptional construction work at one site in 2018.

Waste was recovered as follows in 2019:

(as % of waste produced)	**Re-used**	**Recovery of materials**	**Waste-to-energy recovery**	**Total recovery**
Wines and Spirits	35	59	3	97
Fashion and Leather Goods	3	40	29	72
Perfumes and Cosmetics	2	69	26	97
Watches and Jewelry	18	24	30	72
Selective Retailing	4	47	28	79
Other activities	6	39	44	89
TOTAL	**24**	**56**	**12**	**91**

(1) Value and change at constant scope.

In France, the Perfumes and Cosmetics Maisons, as well as Sephora since 2010 and Louis Vuitton since 2011, have used the CEDRE (Centre Environnemental de Déconditionnement, Recyclage Écologique) recovery and recycling facility to handle all the waste generated by the manufacturing, packaging, distribution, and sale of cosmetic products. CEDRE accepts several types of articles: obsolete packaging, alcohol-based products, advertising materials, store testers, and empty packaging returned to stores by customers. In 2014, the service was expanded to accept textiles. In 2019, around 2,447 metric tons of waste were processed. The various materials (glass, cardboard, wood, metal, plastic, alcohol and cellophane) are resold to a network of specialized recyclers.

5.4.2 Actions to combat food waste

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

The store has signed a partnership with the French Red Cross, which collects any unsold prepared food each day. Another partnership was launched in 2018 with Too Good To Go, an app that lets stores give their unsold items to its users.

Both La Grande Épicerie Rive Droite and La Grande Épicerie Rive Gauche are looking into setting up new partnerships with organizations and companies active in this field, and plan to extend the selection of products offered under these partnerships.

In light of the Group's business activities, food insecurity and actions promoting responsible, fair and sustainable food use do not constitute key risks.

5.5 TRACKING TARGET ACHIEVEMENT

Progress toward meeting the LIFE 2020 "Sites" targets

Indicators	Baseline (2013)	Performance in 2019	Target for 2020
Presence of environmental management systems (ISO 14001, EMAS, etc.) at manufacturing sites	60%	71%	Rollout of an environmental management system (ISO 14001, EMAS, etc.) at all manufacturing sites

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6. ATTRACTING AND RETAINING TALENT

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1. General policy

The Group's approach to workforce-related responsibility is led by LVMH and its subsidiaries, which employ the entire workforce of the Financière Agache group.

At the center of the Group's actions is a strong conviction: people make the difference. To support its growth, the Group must attract and develop the best people on every continent. Fostering the right conditions to enable them to succeed within the Group's ecosystem is vital to its long-term success.

The Group's critical objectives include attracting the best people through an ambitious recruitment process open to all talented individuals and offering employees a work environment that encourages them to flourish and give the very best of themselves.

These two key components of the Group's human resources policy are therefore both presented in this section, preceded by general information about the Group's approach to workforce-related responsibility, how workforce-related reporting is organized and key data about the workforce.

1.1 ORGANIZATIONAL ARRANGEMENTS WITH REGARD TO WORKFORCE-RELATED RESPONSIBILITY

A dedicated annual survey is run on the workforce-related responsibility measures taken by the Maisons. This survey, which spans all Maisons, covers human rights, diversity, preventing discrimination, skills development, working conditions, listening to employees, labor relations and engaging with local communities. The survey form includes references to the conventions and recommendations of the International Labor Organization, where relevant.

The Group's approach to workforce-related responsibility is structured around four priorities, identified through discussions and interactions with its various stakeholders and an analysis of the challenges facing the Group.

The risk-mapping exercise carried out at the level of LVMH and of each of the Maisons has supplemented this approach, notably by identifying factors relating to individual countries where the Group operates and the types of activities undertaken in regard to the following subjects: decent pay and working hours, non-discrimination in the workplace, freedom of association and trade union membership.

These components are as follows: developing talent and skills, paying constant attention to working conditions, preventing all forms of discrimination as well as respecting each person as a unique individual, and engaging with communities to help local populations.

These priorities, which are common to all the Maisons, provide an overall framework for action while leaving the Maisons free to identify other priorities specific to their business and environment, and to draw up their own action plans.

1.2 ORGANIZATION OF WORKFORCE-RELATED REPORTING

The Group works hard to ensure the quality and completeness of workforce-related data through rigorous collection and validation processes.

Collection and validation of workforce-related reporting data

Human Resources Directors at each Maison, who are responsible for reporting across their respective scope, appoint a reporter for each company who is tasked with collecting and reporting all workforce-related data, as well as a reviewer responsible for checking the data thus reported and verifying that it is accurate by applying an electronic signature when validating the online questionnaire. Each Maison's Human Resources Director approves the process as a whole by signing a letter of representation.

Computer checks are implemented throughout the reporting cycle to confirm the reliability and consistency of the data entered.

Since fiscal year 2007, selected employee-related disclosures for the Group have been verified each year by one of the Statutory Auditors. For fiscal year 2019, company data was verified by Ernst & Young, in accordance with Article R. 225-105-2 of the French Commercial Code (in its version resulting from the transposition into French law of European Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups).

A support guide is available to everyone involved in Group workforce-related reporting. This guide is intended to familiarize staff with the goals of the Group's approach and to help them better understand the methods used to calculate key indicators. A descriptive sheet is available for each employee-related indicator specifying its relevance, the elements of information tracked, the procedure to be applied to gather information, and the various controls to be performed when entering data.

Scope of workforce-related reporting

The reconciliation of organizational and legal entities ensures consistency between the workforce and financial reporting systems. Accordingly, the scope of reporting on employee-related issues covers all staff employed by fully consolidated Group companies, but does not include equity-accounted associates.

Workforce information set out below includes all consolidated companies as of December 31, 2019, including LVMH's share in joint ventures, with the exception of certain companies that have been part of the Group for less than a year, such as Belmond. Other employee-related indicators were calculated for a scope of 798 organizational entities covering over 99% of the global workforce and encompass staff employed during the fiscal year, including those employed by joint ventures.

The Group's employees in China and its regions are included in the number of staff working under permanent contracts (24,335 as of December 31, 2019). Although Chinese labor law limits the duration of employment contracts, which can only become permanent after several years, the Group considers employees working under such contracts as permanent.

1.3 KEY WORKFORCE DATA

Total headcount as of December 31, 2019 stood at 163,309 employees, an increase of 5% compared with 2018. Of this total, 147,230 employees were working under permanent contracts and 16,079 under fixed-term contracts. Part-time employees represented 17% of the total workforce, or 27,248 individuals.

Staff outside France represented 79% of the global workforce.

The Group's average total full-time equivalent (FTE) workforce in 2019 comprised 147,684 employees, up 8% compared with 2018.

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

Breakdown by business group

Total workforce as of December 31 [(a)]	2019	%	2018	%	2017	%
Wines and Spirits	7,671	5	7,380	5	7,157	5
Fashion and Leather Goods	53,456	33	48,101	31	41,212	28
Perfumes and Cosmetics	30,427	19	29,141	18	26,699	18
Watches and Jewelry	9,426	6	8,784	6	8,100	6
Selective Retailing	57,383	35	57,975	37	57,360	40
Other activities	4,946	3	4,707	3	4,719	3
TOTAL	**163,309**	**100**	**156,088**	**100**	**145,247**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by geographic region

Total workforce as of December 31 [(a)]	2019	%	2018	%	2017	%
France	33,701	21	31,156	20	29,578	20
Europe (excluding France)	40,453	25	38,645	25	34,159	24
United States	31,483	19	32,724	21	32,717	23
Japan	7,391	5	6,905	4	6,397	4
Asia (excluding Japan)	38,109	23	34,802	22	31,102	21
Other markets	12,172	7	11,856	8	11,294	8
TOTAL	**163,309**	**100**	**156,088**	**100**	**145,247**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by professional category

Total workforce as of December 31 [(a)]	2019	%	2018	%	2017	%
Executives and managers	32,004	20	29,288	19	26,631	18
Technicians and supervisors	15,333	9	14,500	9	14,009	10
Administrative and sales staff	93,575	57	91,624	59	86,742	60
Production workers	22,398	14	20,676	13	17,865	12
TOTAL	**163,309**	**100**	**156,088**	**100**	**145,247**	**100**

(a) Total permanent and fixed-term headcount.

1.3.2 Average age and breakdown by age

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

(as %)	Global workforce	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets
Age: Under 25	11.7	6.1	9.0	17.9	4.3	13.1	20.7
25-29	20.0	16.6	15.9	21.2	12.9	26.5	22.2
30-34	20.1	16.8	17.6	18.0	18.4	27.1	20.0
35-39	15.2	13.9	15.7	13.1	20.3	16.4	15.3
40-44	11.1	12.4	13.9	8.5	21.2	7.8	9.3
45-49	8.5	11.8	11.7	6.7	13.6	4.1	5.3
50-54	6.4	10.2	8.5	5.5	6.3	2.6	3.3
55-59	4.5	8.5	5.3	4.5	3.0	1.4	2.1
60 and up	2.5	3.8	2.4	4.6	0.2	1.0	1.1
	100	100	100	100	100	100	100
AVERAGE AGE	**36**	**40**	**38**	**36**	**38**	**33**	**33**

1.3.3 Average length of service and breakdown by length of service

The average length of service within the Group is 9 years in France and ranges from 4 to 8 years in other geographic regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a higher rate of turnover.

(as %)	Global workforce	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets
Length of service: Less than 5 years	61.0	46.1	54.8	70.4	49.3	70.5	75.5
5-9 years	18.4	18.6	19.5	17.3	18.1	18.6	16.2
10-14 years	9.1	11.3	12.3	6.8	14.5	6.1	4.6
15-19 years	5.5	9.9	6.8	3.3	11.8	2.1	1.8
20-24 years	2.6	5.0	3.5	1.2	4.0	1.1	1.0
25-29 years	1.5	3.5	1.5	0.5	1.6	0.8	0.3
30 years and up	1.9	5.6	1.5	0.5	0.8	0.7	0.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE LENGTH OF SERVICE	**6**	**9**	**7**	**5**	**8**	**5**	**4**

2. An ambitious, inclusive recruitment policy

Recruitment is a strategic pillar of the Group's human resources policy and is critical to its momentum. Given the huge diversity of opportunities it offers, the Group is seen as a highly attractive employer, and is constantly working to improve its attractiveness by training promising individuals and ensuring that it models exemplary recruitment practices so as to welcome talented people without regard for gender, age, disability or any other characteristic not relevant to an advertised vacancy.

2.1 A DIVERSE, INCLUSIVE RECRUITMENT POLICY

The ability to recruit and develop top talent is key to performance and is therefore a fundamental part of the Group's human resources policy.

The Group is a community where creativity and expertise are fundamental – where people make all the difference, and are an essential competitive advantage driving the Maisons' success.

Hiring takes place across all levels of seniority, from recent graduates to experienced managers and senior executives, in all the countries and regions where the Group operates.

Beyond the question of numbers to respond to growth, the Maisons' highly creative worlds require people who are passionate about their work, in constant pursuit of excellence in their field, and able to combine technical skills, craft expertise and interpersonal skills.

The Group looks for people who share its core values, who are both pragmatic and creative, with an entrepreneurial spirit, and who are highly attuned to luxury products and the services that go with them. To succeed in the Group's ecosystem, agility, entrepreneurial spirit and a sense of quality are essential. New employees must be able to grasp the duality of LVMH's world: the enduring, lasting nature of its Maisons combined with the need to be quick-witted, agile entrepreneurs.

The diverse range of backgrounds, cultures and talents embodied by the Group's employees throughout the world are a unique asset and a source of its unrivaled success in the luxury market. It is also a key factor in its competitiveness. All the Maisons combine a global vision with a local approach. This requires multicultural teams, collaboration between talent from all different backgrounds and all different countries, and offering employees international career paths to open up to different cultures. The Group's size and the diversity of its Maisons, their vast geographic scope and the multitude of opportunities they offer favor this geographic mobility and constitute a unique source of appeal in terms of career perspectives. In 2019, 66% of senior executive positions were filled through internal promotion.

In a highly competitive environment, the Group works continuously on building its employer brand and ensuring that its work environment draws top talent. In 2019, LVMH held 250 events at schools and universities throughout the world to raise awareness of the Group and its different professions.

The Group's strong appeal was recognized on a number of occasions in 2019: for the 14th consecutive year, Universum ranked LVMH the number-one preferred employer for business school students in France, and the Group also rose in international rankings.

Average compensation

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

Employees concerned *(as %)*	**2019**	**2018**	**2017**
Less than 1,500 euros	1.9	1.5	1.6
1,501 to 2,250 euros	15.3	16.2	19.5
2,251 to 3,000 euros	22.6	22.8	21.5
Over 3,000 euros	60.2	59.5	57.4
TOTAL	**100.0**	**100.0**	**100.0**

Personnel costs [(a)]

Worldwide personnel costs break down as follows:

(EUR millions)	2019	2018	2017
Gross payroll – Fixed-term or permanent contracts	6,544.7	5,787.2	5,746.6
Employer social security contributions	1,619.3	1,490.9	1,412.6
Temporary staffing costs	324.0	306.0	287.6
TOTAL PERSONNEL COSTS	**8,488.0**	**7,584.2**	**7,446.9**

(a) Indicators are taken from the HR reporting system, which covers 798 organizational entities, with the exception of certain companies that have been part of the Group for less than a year, such as Belmond.

Outsourcing and temporary staffing costs decreased year over year, accounting for 6.7% of the total worldwide payroll (versus 7% in 2018), including employer social security contributions.

Profit-sharing, incentive and company savings plans

All companies in France with at least 50 employees have a profit-sharing, incentive or company savings plan. These plans accounted for a total expense of 320 million euros in 2019, paid in respect of 2018, an increase compared to the previous year.

(EUR millions)	2019	2018	2017
Profit sharing	138.3	131.4	118.2
Incentive	148.8	123.6	102.7
Employer's contribution to company savings plans	32.9	26.7	24.0
TOTAL	**320.0**	**281.7**	**244.9**

In 2019, a total of 34,319 employees working under permanent contracts left the Group (all reasons combined); of these, 48% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate.

Turnover by geographic region

(as %)	2019	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets	2018	2017
Total turnover [(a)]	23.1	12.9	16.5	40.4	12.0	26.1	29.2	22.9	22.7
Of which:									
Voluntary turnover [(b)]	17.2	5.7	12.0	34.1	10.8	20.2	21.3	17.5	16.4
Involuntary turnover [(c)]	5.4	6.2	4.1	6.0	0.9	5.7	7.7	4.9	5.8

(a) All reasons, except internal mobility and non-Group transfers.
(b) Resignations.
(c) Dismissals/end of trial period.

Breakdown of movements [a] of employees working under permanent contracts by business group

(number)	Joiners 2019	Joiners 2018	Joiners 2017	Leavers 2019	Leavers 2018	Leavers 2017
Wines and Spirits	844	855	854	717	708	724
Fashion and Leather Goods	13,563	11,915	8,509	8,609	7,610	6,884
Perfumes and Cosmetics	7,468	8,113	6,895	6,340	6,343	5,458
Watches and Jewelry	1,799	1,697	1,356	1,253	1,124	1,187
Selective Retailing	16,719	17,176	14,782	16,508	15,458	14,566
Other activities	894	858	795	892	844	821
TOTAL	**41,287**	**40,614**	**33,191**	**34,319**	**32,087**	**29,640**

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

2.2 NURTURING FUTURE TALENT

To ensure its long-term success, the Group is constantly seeking to attract and train those individuals who best match its current and future needs. LVMH runs a number of initiatives aimed at students and graduates, key examples being the Institut des Métiers d'Excellence (IME), the immersive "Inside LVMH" program and various international academic partnerships.

Institut des Métiers d'Excellence

In 2014, LVMH established the Institut des Métiers d'Excellence, a vocational training program that helps the Group ensure its expertise in craftsmanship, design and sales is successfully passed on to the younger generation and those retraining in a new profession.

This work-linked training program was designed in partnership with prestigious schools and universities selected for their high academic standards and wide recognition of the qualifications they offer. Participants complete technical and theoretical coursework at these partner institutions and gain practical experience at the 35 partner Maisons through paid work-linked training or vocational training contracts. Through IME, work-linked training students take foreign language courses and masterclasses featuring opportunities to meet craftspeople, experts and designers and visit workshops and stores.

After being launched in France in 2014, the IME opened in Switzerland in 2016, then in Italy in 2017, and most recently in Spain in 2019. Since it was launched, 800 apprentices have taken part in this program, including 300 new students in this year's class.

In 2019, the IME offered 28 training programs, including 26 as work-linked training in 21 professions such as flou and tailored fashion design, knits, silk, leather goods, winegrowing and winemaking, makeup formulation, design and sales. The program has a 97% pass rate, with a 74% placement rate within the profession studied or in a higher-education program, and a 61% placement rate at LVMH and its outside partners.

Inside LVMH

Year after year, the Group continues to build very strong ties with schools and universities around the world in order to expose students to its diverse range of business lines and career opportunities. Following two initiatives in Europe, in April 2019 the Inside LVMH program was launched in China, where nearly 10,000 students from 40 Chinese universities applied using an innovative system on the WeChat social media platform. 120 of them were chosen to take part in a major event in Shanghai attended by leaders from the Group and its Maisons, and nearly 100 of them were offered an internship at the end of the program.

International academic partnerships

In 2019, LVMH continued to strengthen its historical links with recognized schools and universities such as ESSEC, HEC Paris, École Polytechnique and CentraleSupélec in France, Central Saint Martins in the United Kingdom, Bocconi University in Italy and Fudan University in China. The Group's partnerships with these institutions take a variety of forms, including research and teaching initiatives, scholarship funding and support for student projects.

In addition to the three major initiatives detailed above, the Group's policy on attracting talented young people is translated into hundreds of events at which the Group and its Maisons have the opportunity to reach out to students in person, offering internships, apprenticeships, international corporate volunteering opportunities and fixed-term or permanent positions. As a signatory of the Apprenticeship Charter, the Group has been a particularly strong supporter of apprenticeships as a route into employment. As of December 31, 2019, more than 1,500 young people were working under apprenticeship or vocational training contracts (including the Institut de Métiers d'Excellence) across the Group's French companies.

2.3 RECRUITING WITHOUT DISCRIMINATING

The Group is open to talented people of all kinds and is constantly working to prevent any form of discrimination in its recruitment practices.

Since 2011, the Group's recruiters have received specific training in preventing discrimination through a mandatory training session, the content of which was expanded and updated in 2018. Specific training sessions have also been rolled out across the Group's various locations to align with applicable national laws. These are supplemented by Group training on decision-making biases, launched starting in December 2019. The Group has also created a Diversity & Inclusion Department.

Furthermore, since 2008 the Group has put in place arrangements for independent oversight of its recruitment practices by appointing an independent firm to carry out discrimination testing on its posted job offers, and in 2019, conduct an initial survey on the risk of discrimination in the recruitment process. These testing campaigns are run regularly and over long periods; since 2014, they have been worldwide in scope. Results are presented to Human Resources Directors at Group and Maison level, and appropriate action is taken if necessary.

The LVMH group is particularly keen to attract the best candidates regardless of disabilities. A number of initiatives are in place aimed at selecting and training people with disabilities and ensuring that they are optimally integrated into the workforce. The Group's approach in this area is coordinated by LVMH's "Mission Handicap" initiative, established in 2007 and supported by a network of 40 disability officers at the various Maisons who meet twice a year.

This policy of hiring people with disabilities concerns every level of the Group and every country, such as the United States, for example, where Sephora has implemented a system to ultimately hire more than 350 people with disabilities over the next three years. In late 2019, more than 122 people with disabilities had already been hired through this system.

In France, the Group has entered into a number of partnership agreements with AGEFIPH, the country's leading partner for the employment for people with disabilities (with the latest such agreement in 2014-2016). Sephora signed its own agreement with AGEFIPH in 2017. Hennessy, Christian Dior Couture and Parfums Christian Dior also have their own formal agreements with the organization.

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

Candidates are selected using the "Handi-Talents" process, based on work-related simulation exercises, which help objectively identify each individual's aptitudes and skills. The third series of EXCELLhanCE sessions for potential employees began in fall 2018. In partnership with six Maisons, this has allowed twelve people with disabilities to enter employment on vocational training contracts, most of them retraining in a new profession, in the roles of sales associate, inventory manager and human resources assistant. Around 50 people have participated in the program since its launch, and 35 people are still working under a vocational training contract or have successfully secured a job or further training or education (24 of whom within the Group).

Worldwide, people with disabilities make up 1.0% of the Group's workforce. In France, the Group's employment of people with disabilities was estimated at 4.2% (sum of direct and indirect employment rates) as of end-2019, based on official standards for the definition of disabilities.

3. A fulfilling work environment

The Group seeks to create conditions under which all employees can flourish in their roles and achieve their full potential. Achieving this objective means offering high-quality career support to each and every employee, adopting best practice on health and safety, and fostering constructive labor relations.

3.1 LEARNING AND DEVELOPING: KEY ELEMENTS IN VALUING EACH PERSON'S INDIVIDUALITY AND POTENTIAL

The Group's human resources policy aims to enable our employees to fully express their personalities and skills. By developing our talent – a priority shared by the Group's senior executives, managers and human resources staff – the Group cultivates its wealth and contributes to a fulfilling work environment for its employees. It offers them specific learning and skills development opportunities to help them meet their aspirations: individual career planning, participation in "intrapreneurship" and interdisciplinary projects. DARE is a powerful illustration of this philosophy, enabling employees to experience open innovation and intrapreneurship, work alongside LVMH group senior executives and gain first-hand knowledge of new ways of working. This program helps Group employees develop and capitalize on their individuality.

While employees themselves play the leading role in their skills and career development, the human resources staff and managers are fully engaged in supporting and promoting the development of the Group's talent pool. Career planning sessions let employees express their aspirations and discuss how to achieve them with their manager and HR advisor. Lastly, to help employees set and achieve their career development goals, human resources staff post job openings within the Group on an in-house digital platform and hold monthly career meetings.

In addition to the Maisons' many training opportunities, the Group's LVMH House offers all executives and managers – from the most junior new managers to the most senior members of the Executive Committee – learning and development initiatives in four different areas:

- **Understanding and promoting our company culture**

  The Group believes that a good understanding of its company culture drives strong performance. It therefore places special emphasis on supporting new employees, offering induction seminars to introduce them to LVMH's values and fundamental management principles as well as the history and positioning of the various Maisons;

- **Management and leadership**

  Through a comprehensive range of programs for new managers/ leaders (e.g. fundamentals) as well as more advanced initiatives for experienced or high-potential managers, as well as senior executives, LVMH House provides learning opportunities on management and leadership, where the notions of respect, inclusion, collective intelligence and collaboration are considered key to success.

- **Developing business excellence in roles that are just as strategic as the appeal of the Group's brands: retail, supply chains and operations**

- **Open innovation**

  Initiatives that are now recognized both in-house and outside the Group, such as DARE and LVMH's La Maison des Startups (at Station F) are powerful examples of what can be done in terms of innovation pipelines, openness to the outside world and intrapreneurship, and are also highly effective learning and development opportunities for participants. New incubation initiatives launched in 2019 (such as the innovative digital canvas bags unveiled in May 2019 at the Louis Vuitton Cruise collection runway show held in New York, and the Shero app offered to all employees with the aim of promoting gender equality within the Group's Maisons) are yet another testament to the Group's desire to constantly meet and exceed learners' expectations, both at an individual level and in terms of collective intelligence experiences.

The opening of two new LVMH Houses in Tokyo and New York (following the launch of the original program in London in 2000 and then in Singapore) demonstrates the Group's commitment to open spaces where participants learn from one another, building up the Group's wealth of diversity in terms of economic backgrounds, cultures, nationalities and more.

Measures taken to reorganize and develop training synergies between the Group's training and development entities around the world, under the aegis of LVMH House, help provide a clearer overview and offer new programs that are more effective in terms of accessibility and impact, with a complementary positioning alongside the solid, recognized training initiatives offered by each of the Maisons.

These LVMH House initiatives illustrate the Group's desire to constantly enhance the diversity of its talent pool through programs such as EllesVMH Coaching, which promotes women's career development, and the content and teaching philosophy of the Management and Leadership programs, which pride themselves on their dual focus on the uniqueness of each participant and the collective intelligence of groups of learners and communities.

Helping employees be actively involved in their career mobility and professional development

The Group encourages its staff to be actively involved in their career mobility and professional development. Working closely with human resources departments, managers play a proactive role in planning skills development and helping manage their team members' career paths.

Proportion of women among joiners and in the Group's workforce [(a)]

	Joiners			Group workforce		
(% women)	**2019**	**2018**	**2017**	**2019**	**2018**	**2017**
Breakdown by business group						
Wines and Spirits	45	45	43	38	38	37
Fashion and Leather Goods	65	66	65	67	69	68
Perfumes and Cosmetics	85	86	85	83	83	83
Watches and Jewelry	60	58	60	59	59	59
Selective Retailing	83	83	83	83	83	83
Other activities	42	33	34	37	35	35
Breakdown by professional category						
Executives and managers	65	65	65	65	65	65
Technicians and supervisors	68	67	71	68	68	68
Administrative and sales staff	79	80	81	80	81	81
Production workers	61	57	47	59	58	55
Breakdown by geographic region						
France	66	63	62	64	64	64
Europe (excluding France)	74	76	75	72	74	73
United States	79	80	78	78	79	79
Japan	73	69	71	73	74	75
Asia (excluding Japan)	75	76	77	77	77	76
Other markets	79	79	81	73	73	73
TOTAL	**75**	**75**	**75**	**73**	**73**	**73**

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

Training investment

Overall, in 2019, training expenses incurred by Group companies throughout the world represented a total of 138 million euros, or 2.1% of total payroll. A substantial portion of training also takes place on the job on a daily basis and is not factored into the indicators presented below:

	2019	2018	2017
Training investment *(EUR millions)*	138.0	131.0	121.5
Proportion of total payroll *(as %)*	2.1	2.3	2.1
Number of days of training per employee	1.9	2.0	2.0
Average cost of training per employee *(EUR)*	930.0	943.0	832.0
Employees trained during the year *(as %)*	57.5	58.9	56.6

Note: Indicators are calculated for fiscal years 2018 and 2019 on the basis of the total number of employees under permanent contracts present at the workplace as of December 31.
Indicators are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) present at the workplace during fiscal year 2017, with the exception of the percentage of employees trained during the year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31, 2017.

The average training investment per full-time equivalent employee was approximately 930 euros. In 2019, the total number of training days was 283,630, equivalent to around 1,233 people receiving full-time training for the entire year. In 2019, 57.5% of employees received training and the average number of days of training was 1.9 days per employee.

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

	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Training investment *(EUR millions)*	42.6	30.5	14.7	5.9	36.9	7.1
Proportion of total payroll *(as %)*	2.6	2.1	1.0	1.7	2.8	2.0
Employees trained during the year *(as %)*	50.1	56.7	51.9	59.5	68.1	57.4
Of which:						
Executives and managers	52.5	71.7	55.9	71.2	64.2	50.7
Technicians and supervisors	67.1	69.5	49.3	57.5	64.8	66.7
Administrative and sales staff	48.0	58.1	52.5	57.3	70.4	57.4
Production workers	37.7	37.9	40.2	9.1	33.6	65.1

Note: Indicators are calculated on the basis of the total number of employees under permanent contracts present at the workplace as of December 31 of that fiscal year.

3.2 PROMOTING WORKPLACE HEALTH AND SAFETY AND FOSTERING CONSTRUCTIVE LABOR RELATIONS

The Group is constantly working to offer all staff a high-quality working environment by ensuring their health and safety, adapting workspaces – particularly for older employees and those with disabilities – and fostering constructive labor relations.

Ensuring health and safety for all staff

The Group cares about the health and safety of its employees, makes sure that all its activities comply with current health and safety laws and regulations in all the countries in which it operates, and pays particular attention to implementing best practice with regard to safety in the workplace.

Given the wide range of situations encountered within the different business groups, the Maisons are responsible for their own health and safety initiatives. Actions aimed at ensuring appropriate workplace health and safety conditions and preventing accidents take a variety of forms under the banner of an overarching investment, certification and training program.

In 2019, the Group invested over 38.4 million euros in health and safety. This includes costs related to occupational health, protective equipment, and health and safety improvement programs covering compliance for new equipment, signage, replacement of protective equipment, fire prevention training and noise reduction. More generally, the total amount spent on

and invested in improving working conditions came to more than 129.1 million euros, or 2% of the Group's gross payroll worldwide.

Initiatives for awareness-raising and training in workplace safety and risk prevention are expanding. In 2019, 49,095 employees received training in these areas at the Group's companies worldwide.

Health, safety and ergonomics assessments are regularly conducted at production sites, workshops and vineyards as well as stores and headquarters. These assessments are followed up with structured action plans to meet the needs identified.

Arrangements are made to improve workstation ergonomics, and workspaces are redesigned to meet employees' needs. The Group is particularly attentive to working conditions for staff members over 50 and those with disabilities, aiming to enable them to continue working under optimal conditions.

This means putting in place arrangements to improve workstation ergonomics and reduce physical strain, particularly for those positions most exposed to physical or mental stress in workshops and at production facilities.

As retirement approaches, the Maisons offer end-of-career interviews, dedicated training, special working arrangements or even specific healthcare and retirement support arrangements.

For employees with disabilities, the Maisons offer solutions on a case-by-case basis to help people keep their jobs, such as making adjustments to their workspaces or helping them transition to a different role. In March 2011, to help employees make this transition, Moët & Chandon founded MHEA, a company that offers facilities adapted to employees with disabilities. MHEA maintains a workforce made up entirely of people with disabilities and provides optimum working conditions for employees affected by disabilities, without any change in their compensation conditions. Since it was founded, MHEA has enabled 50 people to work under fixed-term or permanent contracts and around ten of them to join one of the Group's champagne houses under permanent contracts.

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

	Number of accidents	Frequency rate (a)(b)	Severity rate (b)(c)
Breakdown by business group			
Wines and Spirits	110	8.32	0.20
Fashion and Leather Goods	404	4.49	0.12
Perfumes and Cosmetics	198	3.82	0.14
Watches and Jewelry	67	4.06	0.04
Selective Retailing	630	6.64	0.16
Other activities	123	17.51	1.09
Breakdown by geographic region			
France	719	14.97	0.51
Europe (excluding France)	341	5.17	0.09
United States	193	4.04	0.18
Japan	10	0.81	0.01
Asia (excluding Japan)	186	2.43	0.04
Other markets	83	3.65	0.09
Group: 2019	**1,532**	**5.60**	**0.16**
2018	1,416	5.55	0.16
2017	1,232	5.16	0.16

(a) The frequency rate is equal to the number of accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked.
(b) The calculation of hours worked is based on actual data for France; for other countries, it is based on the number of full-time equivalent (FTE) employees present within the Group as of December 31 of the fiscal year and a ratio of hours worked per FTE employee per country taken from OECD knowledge bases.
(c) The severity rate is equal to the number of workdays lost, multiplied by 1,000 and divided by the total number of hours worked.

The Group's worldwide absence rate for employees working under permanent and fixed-term contracts was 5.2%. This represents a year-on-year increase (4.9%).

Absence rate [(a)] by region and by reason

(as %)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Illness	2.6	4.1	4.0	1.2	0.4	1.6	1.5
Work/commuting accidents	0.1	0.3	0.1	0.1	0.0	0.0	0.1
Parental leave	1.7	1.3	3.0	0.8	1.4	1.4	1.1
Paid leave (personal leave)	0.4	0.4	0.5	0.2	0.2	0.3	0.2
Unpaid leave	0.5	0.9	0.2	0.4	0.3	0.6	0.2
OVERALL ABSENCE RATE	**5.2**	**7.1**	**7.9**	**2.6**	**2.3**	**4.0**	**3.2**

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

Fostering constructive labor relations

Employee representatives also play an important part in enabling the Group's employees to flourish, by passing on their colleagues' needs and expectations at various levels of the organization. A Group Works Council was formed at LVMH in 1985. This employee representative body – which currently has 30 members, whose appointments were renewed in 2018 – covers personnel based in France and holds one plenary meeting each year. Delegates meet with the Presidents of all of LVMH's business areas to receive and exchange information on strategic direction, business and financial issues, employment trends within the Group and future prospects.

At the European level, the SE Works Council is an employee representative body comprised of 28 members from the 22 European countries where the Group has operations. The rules for this representative body are laid down in an agreement that was unanimously approved on July 7, 2014 by employee representatives from these 22 countries and by Group management. In 2019, following elections, the SE Works Council held a plenary session on June 6.

The SE Works Council handles transnational issues at the European level. Alongside the LVMH-level Group Works Council, this body supplements the employee representation system made up of the Maisons' works councils which, in keeping with the Group's culture of decentralization, handle most employee-related issues.

In France, the Group's Maisons now have employee representative bodies known as CSEs (Comités Sociaux et Économiques), pursuant to the Orders of September 22, 2017. A CSE combines employee representatives, the works council and the health and safety committee, or replaces the DUP (Délégation Unique du Personnel) where such a body was in place. Its remit depends on the size of the Company's workforce.

In 2019, employee representatives attended 1,599 meetings:

Type of meeting	Number
Works Council	650
Employee representatives	367
Health and Safety Committee	253
Other	329
TOTAL	**1,599**

As a result of these meetings, 180 company-wide agreements were signed.

Worldwide, 16% of employees have variable or adjusted working hours, and 47% have shift work or alternating working hours.

Global workforce affected by various forms of working time adjustments: Breakdown by geographic region

Employees concerned [(a)] *(as %)*	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Variable/adjusted working hours	16	27	21	1	21	9	15
Part-time	17	12	19	35	4	5	21
Shift work or alternating hours	47	14	31	78	79	66	49

(a) Percentages are calculated on the basis of total headcount (employees under both permanent and fixed-term contracts) in France. For the other regions, they are calculated in relation to the number of employees under permanent contracts, except for part-time workers, in which case the percentages are calculated with respect to the total headcount.

Workforce in France affected by various forms of working time adjustments: Breakdown by professional category

Employees concerned [(a)] *(as %)*	Workforce in France	Executives and managers	Technicians and supervisors	Administrative and sales staff	Production workers
Variable/adjusted working hours	27	16	61	48	2
Part-time	12	2	6	18	22
Shift work or alternating hours	14	0	14	12	34
Employees benefiting from time off in lieu	12	2	26	19	11

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

The total cost of overtime was 118 million euros, averaging 1.8% of the worldwide payroll.

Overtime by region

(as % of total payroll)	Global workforce	France	Europe (excluding France)	United States	Japan	Asia (excluding Japan)	Other markets
Overtime	1.8	1.6	1.8	1.6	4.7	1.8	1.0

Work-life balance is another essential part of quality of life at work, and a focus area for the Group's Maisons. Workplace concierge services and childcare are becoming more and more widespread within the Group.

In 2019, Group companies allocated a budget totaling over 26.5 million euros (1.6% of total payroll) to social and cultural activities in France via contributions to works councils.

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7. OUTREACH AND GIVING BACK

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The Group's ambition with regard to corporate social responsibility is based on two guiding principles: respect for each individual's unique identity, and a commitment to use excellence as a driver of social inclusion and employment.

This policy is spearheaded by LVMH and its Maisons, which comprise all the Group's operating activities, and which mobilize resources and skills to support community-oriented initiatives that help give back to the regions where they are located, with the aim of amplifying the positive social impact of their activities.

The Group pursues a wide range of initiatives to support education, young people, culture and the arts, with the Group's approach also reflecting its attachment to historical and artistic heritage, as well as its involvement in major social and humanitarian causes. With regard to education and young people, the Group's initiatives include democratizing access to the richness of the world's cultural heritage and encouraging the emergence of future talent. These commitments are pursued over the long term and are reflected in real-world contributions to society. Maisons pursue their own commitments according to their specific priorities and operating environments, while the Group coordinates and provides overall leadership.

The Group's innovative corporate giving program aims to benefit a wide audience through a range of initiatives that reflect and transmit the cultural values that unite the Maisons, upon which they have built their success.

1. Local involvement and social impact

The Group puts its values to work in society, not only to ensure the successful integration of its Maisons and their activities at the local and national levels, but also to create positive grassroots outcomes where it operates.

1.1 SUPPORTING JOB CREATION, ENTREPRENEURSHIP AND REGIONAL DEVELOPMENT

The Group helps drive economic growth and social development in the regions where it operates, both directly at its own sites and indirectly at its partners' locations, through its initiatives and contributions to public revenue in the countries and regions where it carries out its activities, and as a result of the steady growth achieved by its Maisons. These companies create many jobs in the regions where they operate, particularly as a result of the expansion of the network of directly operated stores.

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

The Group is a long-standing supporter of entrepreneurship. In early 2018, to help connect open innovation and business development with new ways of learning, LVMH launched "La Maison des Startups", a startup accelerator for the luxury industry, housed within the world's biggest startup incubator, Station F. For participating entrepreneurs, La Maison des Startups can be a stepping stone to the Group's Maisons. It reaffirms the Group's entrepreneurial spirit by giving these entrepreneurs the opportunity to reflect on the future of luxury and the Group, together with colleagues from varying backgrounds, within an innovative ecosystem.

1.2 FACILITATING ACCESS TO EMPLOYMENT AND SOCIAL INCLUSION FOR PEOPLE WHO HAVE BEEN MARGINALIZED ON THE JOB MARKET

As major employers in many labor markets, the Group and its Maisons pay close attention to each region's specific employment situation, and have forged partnerships with nonprofits and NGOs to promote social inclusion and employment for people who have been marginalized on the job market.

In France, the Group is a long-term partner and board member of nonprofit Nos Quartiers ont des Talents, which offers young graduates from underprivileged backgrounds the chance to be mentored by an executive or manager working at the Group. In 2019, 67 experienced managers participated as mentors, 51 of whom were still participating at the end of 2019. Since 2007, 630 young people have found jobs after being mentored by a Group employee.

To speed up access to employment, LVMH has put in place job coaching sessions. These job coaching sessions are led by recruiters from the Group's Maisons and beauty consultants from Make Up For Ever and Sephora. The goal is to give job candidates all the resources they need to fully prepare for a job interview and develop their self-confidence. The program is aimed at groups that are underrepresented in the labor market, supported by the Group's partners who are active in the fields of education, disability and integration.

1.3 FACILITATING EMPLOYMENT FOR PEOPLE WITH DISABILITIES

Supporting access to employment for people with disabilities is at the heart of the Group's corporate social responsibility policy. It is a top priority and an apt reflection of the Group's values: respect for each person as an individual and the same attitude expected of everyone working for the Group.

LVMH works with organizations that support young people with disabilities in training programs, along with others that foster employment and social inclusion.

In France, the Group is a co-founder of ARPEJEH, a nonprofit organization that brings together some sixty companies to offer support and guidance to students with disabilities in secondary and post-secondary education. Employees lend their support to this initiative and 21 young people benefited from LVMH's involvement in 2019.

The Maisons also take action outside France. For example, in Japan Parfums Christian Dior partnered with specialized agency Startline and recruited a team of seven employees with mental disabilities to grow plants within the Ibuki greenhouse. The pace, tasks and working conditions are adapted to each employee. The team is overseen by an experienced Startline employee, who works closely with Parfums Christian Dior's human resource staff in Japan. In addition to enabling certain people with disabilities to enter the workforce, this initiative also serves as a springboard for those who are able to grow professionally and move into a long-term position at the offices of Parfums Christian Dior.

The Group also encourages its Maisons to develop their relationships with companies specifically employing people with temporary or permanent severe disabilities, and provide them with special facilities and support (known as the "secteur protégé et adapté" in French). Services entrusted to companies specifically employing people with disabilities totaled 8.8 million euros in 2019, up 6% relative to 2018 and representing 440 full-time equivalent jobs. To raise its profile in this area, the Group organizes the Disability, Employment and Responsible Purchasing trade fair, which is open to the general public; the fourth trade fair confirmed the event's success, drawing 4,500 visitors.

2. Supporting humanitarian and social causes

The Group encourages its Maisons to support the causes it feels are most important, in particular ensuring access to education for young people and helping the most vulnerable communities.

2.1 HELPING YOUNG PEOPLE ACCESS EDUCATION

The same focus on excellence that has enabled the Maisons to succeed drives our efforts to provide educational opportunities for young people. Following the Group's lead, the Maisons have developed numerous partnerships with schools located near their sites or further away.

To promote equal opportunity in access to world-class higher education, LVMH supports the priority education program run by the Institut d'Études Politiques (Sciences Po Paris), by offering grants to students and giving young Sciences Po graduates the chance to be mentored by Group managers. In 2019, LVMH renewed its commitment – under which it will provide financial support and mentoring by Group managers for around ten students – for two years.

LVMH has developed a partnership with Clichy-sous-Bois and Montfermeil, two adjacent suburbs of Paris with young, diverse populations. Driven by a shared commitment to excellence, this partnership helps facilitate employment for young people from underprivileged neighborhoods and social inclusion. Young people benefit from a wide range of initiatives, including "business discovery" internships for 120 middle school students in 2019, visits to the Group's Maisons, internships for vocational school students and career orientation.

The national work-linked training fair showcasing the positions on offer at the Institut des Métiers d'Excellence was held once again on January 15, attended by more than 600 people. The Group also supports the "Cultures et Création" fashion show, which showcases the region's creative talent. It provides early training for young people through masterclasses and organizes events where they can meet designers and craftspeople. At the fashion show, the Group awards the Young Talent Prize to one young but underprivileged fashion design enthusiast, helping winners gain wider recognition within the profession. The 2019 winner, Tëena Franchi, got to exhibit her designs at Neonyt, a trade fair dedicated to environmentally responsible fashion held in Berlin from July 2 to 4, and completed an internship at Christian Dior, while the previous year's winner trained at Loewe. Since the program was launched, a number of young people have had the opportunity to join the Group's Maisons under a long-term work-linked training program at Paris's couture union school. In 2016, the 2013 winner was hired at Christian Dior's haute couture workshop.

2.2 HELPING THOSE IN NEED

The Group and its Maisons are committed to helping disadvantaged communities in the regions where they operate. Their support may take the form of employee volunteering in these communities, product donations or financial assistance, and has led to the launch of major new initiatives.

In January 2016, Louis Vuitton launched an international partnership with the United Nations International Children's Emergency Fund (UNICEF). By the end of 2019, 9 million euros had been raised since it was launched, with funds going to support children in emergencies, notably at Syrian refugee camps in Lebanon and Rohingya refugee camps in Bangladesh. In 2019, a charity run was held to get employees more involved in the partnership with UNICEF, and raised 150,000 euros. Once a year, volunteer employee-reporters travel with UNICEF to refugee camps to experience life there and share their first-hand accounts of this situation.

In 2019, significant progress was made on the "Sephora Stands" CSR program developed in the Americas, Europe, the Middle East and Asia. The aim of this initiative is to generate positive social and environmental impacts on Sephora's employees, communities and the planet in the following areas:

- Giving back and promoting inclusion: Sephora has forged ties with more than 500 local NGOs around the world, providing them with financial support, involving its employees through volunteering initiatives and mobilizing customers to round up purchase amounts as a donation and buy products that raise funds for good causes. In 2019, more than 4 million euros were raised to promote inclusion, support education for women and help underprivileged populations. Progress was also made in the field of disabilities. In the United States, Sephora's partnership with a specialized logistics facility helped create jobs for more than 120 people with disabilities. Sales of fundraising products – the proceeds of which are donated to partner nonprofits – increased. For example, its stores in most European countries offer fundraising products around International Women's Day and the Christmas season.
- Empowering women: Even in the beauty industry, women entrepreneurs are under-represented. In 2016, Sephora launched "Sephora Accelerate" to support women who have started their own businesses in all areas of the beauty industry and in different countries around the world. In 2019 – the fourth year of this initiative – the goal of backing 50 women entrepreneurs was met. In addition, all the startups supported were able to successfully launch their business. As is the case every year, 12 finalists from different countries participated in a mentoring program with Sephora's top experts and a week of coaching in San Francisco, where they met potential investors. In Saudi Arabia, for the second year running, Sephora partnered with the Glowork women's job fair, helping women prepare with résumé workshops and mock interviews.
- Building self-confidence: Through Classes for Confidence, Sephora offers both beauty classes and coaching to help people facing major life transitions show themselves in the best light and regain self-confidence. In 2019, a total of over 800 classes were held for cancer survivors, people who have been marginalized on the job market and members of the transgender community. Classes were launched in the United States and were expanded in seven countries across Europe (France, Russia, Poland, Spain, Italy, Greece and Portugal) and the United Arab Emirates. Since its launch, and thanks to new materials available online, the program has already reached over 70,000 people.

In 2009, Bvlgari decided to get involved with Save the Children, and has so far donated over 90 million US dollars, helping 2 million children. Four main priority areas are targeted: education, youth empowerment, emergencies and combating poverty. More than 114 projects have been launched in 34 countries around the world. The partnership is supported by 300 celebrities. Bvlgari also involves its staff: more than 400 employees have visited Save the Children projects on the ground, and more than 600 have participated in awareness-raising sessions and interactive workshops to learn more about the organization.

LVMH also supports Secours Populaire to help underprivileged women. The Group's partnership with this nonprofit has already made it possible to hold the first event in the Une Journée Pour Soi ("A Day All Your Own") initiative. In the spring of 2019, 400 women supported by Secours Populaire in six cities across France were able to put their day-to-day worries aside for a special day focused on regaining self-confidence and building positive momentum.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maisons Dinner. This event – which has been held every year since 2013, and is organized by Chantal Gaemperle, LVMH's Director of Human Resources and Synergies, and attended by Antonio Belloni, LVMH's Group Managing Director – is an opportunity for the Maisons to come together and celebrate the Group's commitment to its people and society. Led by Human Resources, the event brings together stakeholders who play an active role in LVMH's social responsibility, internal champions and external partners of the Maisons and the Group as a whole. On December 11, 2019, the dinner was held at the Palais Brongniart and attended by nearly 400 people, including six Executive Committee members and 17 Maison Presidents, as well as numerous partners, opinion leaders, and heads of NGOs and other nonprofit organizations.

This occasion also raises funds for the Robert Debré Hospital in Paris, the leading center for sickle cell anemia, to which LVMH has donated 1,100,000 euros since 2011 to improve patient care and fund research. Every year, LVMH also provides financial support to a cause that is close to its heart. In 2019, this support went to Secours Populaire.

3. Corporate philanthropy to support culture and the arts

For more than twenty years, the Group's groundbreaking corporate philanthropy has expressed the artistic and humanitarian values shared by all its Maisons, while respecting each one's specific communications approach and image.

3.1 CULTURE, HERITAGE AND CONTEMPORARY CREATIVE ARTS

3.1.1 Restoring and enriching historical heritage

For French and world heritage, 2019 will be remembered first and foremost as the year of the fire that devastated Notre-Dame de Paris Cathedral in the spring. LVMH, spurred by its Chairman, Bernard Arnault, offered a forceful response, pledging a 100 million euros donation to help save the monument and ensure the long restoration process is followed through to completion.

3.1.2 Commitments to culture and expanding access to it

In the fall, LVMH reaffirmed its commitment to France by contributing to the installation, in the Champs-Élysées gardens, of Bouquet of Tulips, a monumental sculpture offered by artist Jeff Koons as a tribute to the victims of the 2015 and 2016 terrorist attacks. By doing so, LVMH wished to show its support for the cultural values and the universality of France and of Paris, offering Parisians and visitors from the entire world an opportunity to come together in a shared spirit of freedom around a work of art that symbolizes the unbreakable bonds of friendship and brotherhood between France and the United States.

Furthermore, in 2019, LVMH maintained its commitment to supporting art, culture, heritage and contemporary design. LVMH has been a loyal patron of the Nuit Blanche night-time arts festival for more than 11 years, and once again in 2019 provided support alongside the City of Paris to the French and international arts scene, giving center stage to contemporary artists at an event open to all in the heart of Paris. LVMH also renewed its support for the Giacometti Institute, helping it develop its scientific and cultural program.

3.1.3 LVMH Prize

In 2019, LVMH held the sixth edition of the LVMH Prize for Young Fashion Designers. South African designer Thebe Magugu was awarded the Grand Prize, presented by Swedish actress Alicia Vikander in a ceremony held at the Fondation Louis Vuitton, along with a 300,000 euros grant and a year of mentoring by a dedicated team. The special jury prize – now called the Karl Lagerfeld Prize – was awarded to Hed Mayner, who will receive 150,000 euros and a year of mentoring by LVMH as well. Since it was first awarded in 2014, the LVMH Prize has received more than 6,500 applications from designers of all backgrounds. The previous winners of the Prize for Young Fashion Designers are Thomas Tait (from Canada, 2014), Marta Marques and Paulo Almeida (Portugal, 2015), Grace Wales Bonner (United Kingdom, 2016), Marine Serre (France, 2017) and Masayuki Ino (Japan, 2018).

3.1.4 Fondation Louis Vuitton

Since it was opened in 2014, the Fondation Louis Vuitton (see Note 1 on the following page) has consolidated its position as a leading institution on the international arts scene and has been a resounding success with a French and international audience. For the Fondation Louis Vuitton, the theme of 2019 was support for the arts, illustrated by its exhibitions dedicated to two major figures of 20th century modernity: Samuel Courtauld and Charlotte Perriand. This groundbreaking program, spanning multiple disciplines and eras, drew more than a million visitors to the Fondation Louis Vuitton.

In the first half of the year, "The Courtauld Collection: A Vision for Impressionism" paid tribute to the exacting standards and keen eye of English industrialist Samuel Courtauld (1876-1947), who amassed one of the world's largest Impressionist collections. The exhibition at the Fondation Louis Vuitton featured around 110 works, brought together for the first time in Paris in 60 years, allowing nearly 500,000 visitors to rediscover masterpieces of art history such as Manet's *A Bar at the Folies-Bergère* (1882), Gauguin's *Nevermore* (1897), Renoir's *The Theatre Box* (1874) and Van Gogh's *Self-Portrait with Bandaged Ear* (1889). In parallel, "A Vision for Painting" presented a new selection of contemporary works, including pieces by Gerhard Richter, Pierre Soulages, Bernard Frize, Joan Mitchell, Albert Oehlen and Mark Bradford.

Then, in the second half of the year, the Fondation Louis Vuitton launched a major exhibition celebrating the immense, multifaceted body of work of Charlotte Perriand (1903-1999), a pioneer of modernity and one of the leading lights of 20th century architecture and design, who helped define a new art of living as well as a new role of the artist in society by bringing together different disciplines and forms of artistic expression. The exhibition included spectacular reconstructions – built with the utmost scientific rigor and in very close collaboration with Perriand's successors – that plunged visitors into the heart of the "synthesis of the arts" championed by this maverick creative visionary, whose works were in constant dialogue with contemporary artists (such as Léger, Picasso and Calder) and cultures (Japanese in particular) the world over.

Lastly, the end of 2019 saw the inauguration in Seoul of a spectacular edifice designed by Frank Gehry – the architect of the Fondation – to house a store and a new Espace Louis Vuitton, where an exhibition was held to mark the occasion, featuring an exceptional set of eight works by Alberto Giacometti.

In 2020, the Fondation Louis Vuitton will hold two major exhibitions: first, an extensive retrospective on one of the world's most influential living artists: American photographer Cindy Sherman; and then – for the first time in Europe, in partnership with the State Hermitage Museum in Saint Petersburg, the Pushkin State Museum of Fine Arts and the State Tretyakov Gallery in Moscow – one of the most legendary collections in the history of modern art: the Morozov Collection.

3.2 ARTS EDUCATION INITIATIVES

In 2019, LVMH's patronage of programs for young people focused on music. It renewed its support for Orchestre à l'École, a nonprofit that enables hundreds of children all over France to learn a musical instrument as part of a special educational program. LVMH also once again loaned out the Stradivariuses in its collection.

3.3 BACKING MEDICAL RESEARCH AND CERTAIN SOCIAL CAUSES

Lastly, the LVMH group supported numerous institutions well-known for their work with children, the elderly and people with disabilities, and for their efforts to combat major causes of suffering and exclusion. In particular, LVMH has supported the Fondation des Hôpitaux de Paris-Hôpitaux de France and the Association Le Pont Neuf in France, Save the Children Japan, and the Robin Hood Foundation in New York in their initiatives for children, as well as the Fondation Claude Pompidou, which provides support in France for seniors and people with disabilities, and Association Fraternité Universelle, which works in Haiti to improve access to health care and education alongside actions in favor of agricultural development, especially in the Central Plateau. The Group is also a long-standing supporter of a number of scientific teams and foundations engaged in cutting-edge public health research.

(1) Fondation Louis Vuitton

The Fondation Louis Vuitton is a "fondation d'entreprise" (corporate foundation) established by prefectural order published in the Journal Officiel (official gazette) on November 18, 2006, and governed by French Law No. 87-571 of July 23, 1987 on the development of corporate philanthropy. The Fondation is a nonprofit organization that pursues a diverse range of initiatives aimed at promoting artistic and cultural activities in France and abroad, as well as expanding access to works of art; these initiatives include exhibitions, educational activities for schools and universities, seminars and conferences.

The members of the Fondation are the Group's main French companies. The Fondation is overseen by a Board of Directors, one-third of whose members are non-Group individuals chosen for their expertise in its fields of activity, and the other two-thirds of which are company officers and employees of the Group's Maisons. It is funded in part by contributions from Fondation members as part of multi-year programs, as required by law, as well as external financing guaranteed by LVMH.

It is subject to verification by a Statutory Auditor, which carries out its assignment under the same conditions as those that apply to commercial companies, and to the general supervisory authority of the Prefect of Paris and the Paris region.

Management Report of the Board of Directors – Financière Agache group

8. FINANCIAL AND OPERATIONAL RISK MANAGEMENT AND INTERNAL CONTROL

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1. Strategic, operational and financial risks

The risk factors to which the Financière Agache group is exposed, and the occurrence of which could jeopardize its ability to carry on its normal business activities and to execute its strategy, are presented under the following three headings:

- operational and business risks;
- external risks;
- financial risks.

Only major risks, classified as such based on their probability of occurrence and their adverse impact on the Group are presented below. Risk magnitude was assessed after taking into account the preventive measures and risk management procedures put in place by the Group. The severity of the risks has been rated on a scale from 3 (moderate risk) to 1 (critical risk).

Type of risk	Risk description	Degree of severity [a]	See §
Group operational and business risks	Risks related to products or communication at odds with the Maisons' image	1	1.1.1
	Risks arising from the loss of strategic competencies	3	1.1.2
	Risks arising from access to and pricing of raw materials	3	1.1.3
	Information system-related risks	3	1.1.4
External risks	Counterfeit and parallel retail network-related risks	1	1.2.1
	Risks arising from regulations adversely affecting the Group	2	1.2.2
	Risks arising from the political, public-health and economic environment	3	1.2.3
	Climate change-related risks	2	1.2.4
	Risks arising from the occurrence of serious adverse events	3	1.2.5
Financial risks	Foreign exchange risks	1	1.3.1
	Liquidity risks and risks linked to fluctuations in interest rates	3	1.3.1
	Risks arising from tax policy	3	1.3.2

(a) 1: Critical; 2: Major; 3: Moderate.

1.1 GROUP OPERATIONAL AND BUSINESS RISKS

Operational risks are mainly present – and managed – at the level of LVMH and its subsidiaries.

1.1.1 Risks related to products or communication at odds with the Maisons' image

Risk description	Risk management
The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks and the marketing strategy applied. Products, production methods, distribution networks or marketing methods not in line with brand image could affect brand awareness and adversely impact revenue. The net value of brands, trade names and goodwill recorded in the Financière Agache group's balance sheet as of December 31, 2019 amounted to 29.9 billion euros.	• The Group is highly vigilant with regard to the inappropriate use by third parties of its brand names, in particular through the systematic registration of brands and main product names and communications to limit the risk of confusion between Group brands and others with similar names. • The Group supports and develops the reputations of its Maisons by working with seasoned and innovative professionals in various fields (creative directors, oenologists, cosmetics research specialists, etc.), with the involvement of the most senior executives in strategic decision-making processes (collections, distribution and communication). In this regard, the Group's key priority is to respect and bring to the fore each Maison's unique characteristics. • At every stage in the production process, LVMH implements an exacting control and quality audit process and selects its subcontractors based on the most stringent product quality and production method standards. • Lastly, the Group is introducing a strict approval process for its advertising spend (visual, types of medium, media, etc.).
Circulation of information prejudicial to the Group in the media or on social media.	• The Group conducts an ongoing media watch and monitors social media. Where appropriate, it takes legal action, and has a crisis management unit on permanent stand-by. • Initiatives pursued by the Group aim to promote a legal framework suited to the digital world, prescribing the responsibilities of all those involved and instilling a duty of care with regard to unlawful acts online to be shared by all actors at every link in the digital value chain.
Inappropriate conduct by brand ambassadors, employees, distributors or Group suppliers, and breaches of compliance rules (Sapin II Act, GDPR, etc.).	• Employees and the Maisons are made aware of the ethical rules in force at the Group through codes of conduct, charters and other guidelines including the Groupe Arnault and LVMH Codes of Conduct, Groupe Arnault and LVMH Supplier Codes of Conduct and the LVMH Charter on Working Relations with Fashion Models. Additional arrangements have been put in place to provide guidance on how to interpret and apply these principles (see the Management Report of the Board of Directors – "Ethics and responsibility", §2.2). • The Group's distribution agreements include strict guidelines on these matters, which are also regularly monitored by the Maisons through on-site audits. • LVMH has also implemented a responsible supply chain management approach (see the Management Report of the Board of Directors – "Ethics and responsibility", §5.2).

1.1.2 Risks arising from the loss of strategic competencies

Risk description	Risk management
Around the world, the Group is known for its brands, unrivaled expertise and production methods unique to its products. The loss of these strategic skills and expertise, especially in leather goods and watchmaking, could severely affect product quality.	• To avoid any dissipation of this expertise, the Group implements a range of measures to encourage training and to safeguard these professions, notably by promoting the recognition of the luxury trades as professions of excellence, with criteria specific to the luxury sector and geared to meet its demands and requirements (see the Management Report of the Board of Directors – "Attracting and retaining talent", §2.2). • In order to safeguard and develop the Fashion and Leather Goods Maisons' access to the high-quality raw materials and expertise they need, LVMH Métier d'Arts invests in, and provides long-term support to, its best suppliers (see the Management Report of the Board of Directors – "Business overview, highlights and outlook", §2.5).
The pursuit of our strategy of growth, international expansion and digitalization relies on the Group's ability to identify talented individuals with the skills it needs and attract and retain them in a highly competitive environment.	• The Group is constantly seeking to create conditions that enable its employees to realize their full potential and succeed within the business. The Group devotes special care to matching employee profiles and responsibilities, formalizing annual performance reviews, developing skills through ongoing training, and promoting internal mobility (see the Management Report of the Board of Directors – "Attracting and retaining talent", §3.1).

1.1.3 Risks arising from access to and pricing of raw materials

Risk description	Risk management
The Group relies heavily on certain raw materials, and the natural resources used to design products are often in short supply, valuable and hard to access. Likewise, the Group is heavily exposed to fluctuations in raw material prices (gold, grapes, leather, cotton, etc.).	• Just as for its strategic expertise, the Group has adopted a policy of sourcing a portion of its strategically important raw materials in-house (Champagne vineyards, investments made by LVMH – Métiers d'Art in Fashion and Leather Goods). • Since 1996, industry agreements have established a qualitative reserve in order to cope with variable harvests and secure grape supplies in the Champagne region (see the Management Report of the Board of Directors – "Business overview, highlights and outlook", §1.1.4). • The Maisons seek to build longstanding partnerships with their suppliers. The Perfumes and Cosmetics Maisons do so via the Research and Development Department, the Fashion and Leather Goods Maisons forge partnerships with farmers, and the Wines and Spirits business group enter into multi-year sourcing agreements for grapes and eaux-de-vie. • LVMH has secured the precious metals component of its production costs for Watches and Jewelry, either by purchasing hedges from banks or by negotiating the forecast price of future deliveries of alloys with precious metal refiners or producers.

1.1.4 Information system-related risks

Risk description	Risk management
The Group is exposed to cyber risks arising either from internal or external attacks or from unintended events. The occurrence of these risks may result in the loss, corruption or disclosure of sensitive data, including information relating to products, customers or financial data. Such risks may also involve the partial or total unavailability of some systems, impeding the normal operation of the processes and business activities concerned. The Group may be exposed to shortcomings in the implementation of rules governing the protection of personal data.	• In order to safeguard against such risks, the Group has implemented a decentralized information system architecture, thereby limiting the spread of risks between Maisons. • A shared cyber-security unit set up by the Group to monitor and detect suspicious security events and provide support to every Maison by responding to verified incidents. • The network of Information Systems & Security Officers run by the Group Chief Information & Security Officer (CISO) monitors IS risks and implements preventative measures. • The Group regularly conducts audit campaigns, intrusion testing and vulnerability audits. LVMH also offers a "Business Continuity Plan" methodology toolkit, based on which business continuity and disaster recovery plans are drawn up for material entities (see also §3.3 "Information and communication systems" below). • The Group takes steps to comply with the regulations applicable to personal data, including the General Data Protection Regulation (GDPR), and requires adequate governance arrangements to be implemented within the Group. Accordingly, each Group Maison has appointed a Data Protection Officer. This role involves ensuring that the Maison's operations are compliant, with the support of the legal and cybersecurity departments and close cooperation from the relevant functions (IT, digital, marketing, HR, etc.) (see the Management Report of the Board of Directors – "Ethics and responsibility", §5.7).

1.2 EXTERNAL RISKS

1.2.1 Counterfeit and parallel retail network-related risks

Risk description	Risk management
Counterfeiting or copying the brands' products or the Group's expertise or production methods can have an immediate adverse effect on revenue and profit, and over time may damage the brand image of the products concerned and erode consumer confidence. Similarly, its products – leather goods, Perfumes and Cosmetics in particular – may be distributed in parallel retail networks, including web-based sales networks, without the Group's consent.	• To address the counterfeiting of products, the Group systematically trademarks its brands and main product names in France and other countries. This involves close cooperation with governmental authorities, customs officials and lawyers specializing in these matters in the countries concerned, as well as with market participants in the digital world, whom the Group also ensures are made aware of the adverse consequences of counterfeiting. • The Group plays a role in all of the trade bodies representing the major names in the luxury goods industry, in order to promote cooperation and a consistent global message. • The Group and several Internet companies work together to better protect the Group's intellectual property rights and combat the online advertising and sale of counterfeit products. • In addition, the Group fights the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels. In 2019, anti-counterfeiting measures generated internal and external costs for the Group of around 43 million euros.

1.2.2 Risks arising from regulations adversely affecting the Group

Risk description	Risk management
Unfavorable changes to customs tariffs or import bans on luxury goods products (e.g., as a result of uncertainties arising from the trade tariffs introduced by the United States on French wines and Scotch whiskies), unfavorable changes to the tax laws applicable to the Group's activities and unfavorable changes to competition law liable to impede the full exercise of the selective retail distribution policy could be prejudicial to the Group.	• The Group has established a regulatory monitoring system in each of the regions where it operates in order to prevent and protect itself from the risks associated with an inadvertent failure to comply with changes in regulations. • The Group is an active participant in current global discussions in support of a new generation of free-trade agreements between the European Union and non-EU countries, which involves not only access to external markets, but also the signing of agreements facilitating access by tourists from non-EU countries to the European Union. • Commission Regulation (EC) No. 2790-1999, which authorizes selective retail distribution systems, including for online sales, provides legal protection for the Group and its customers, and gives the Group additional resources to combat counterfeiting and the parallel distribution of its products, both offline and online.

1.2.3 Risks arising from the political, public-health and economic environment

Risk description	Risk management
Geopolitical and security-related instability as well as the occurrence of public-health crises disrupting tourism can have a negative impact on the travel retail activities within Selective Retailing, as well as the Fashion and Leather Goods business group, whose stores are frequented by tourists.	The Group maintains very few operations in politically unstable regions. It is important to Note that the Group's activity is spread for the most part between three geographic regions – Asia, Western Europe and the United States – favoring a geographic balance between its businesses and regions that offset one another.

1.2.4 Climate change-related risks

Risk description	Risk management
Environmental risks, and climate change chief among them, may impact ecosystems, causing depletion of the natural resources essential for the manufacture of the Group's products and pose a threat to the continued operation of its supply chains.	• The Group is conducting a review of the various issues involved in adapting to climate change. In the medium term, changing winegrowing practices is the main component of the Group's adaptation strategy, such as by altering harvest dates and developing different methods of vineyard management (widening rows, increasing the size of grapevine stocks, employing irrigation in certain countries and more generally considering the key issue of water availability). • The Group's heavy dependence on natural resources prompted the Group to put in place a sustainable sourcing and raw material preservation policy a number of years ago. To promote this approach, a number of projects are underway to develop new, responsible supply chains for the Perfumes and Cosmetics, Fashion and Leather Goods, and Watches and Jewelry business groups (see the Management Report of the Board of Directors – "Environment and sustainability", §3).

1.2.5 Risks arising from the occurrence of serious adverse events

Risk description	Risk management
In its production and storage activities, the Group is exposed to the risk of losses from events such as fires, water damage or natural disasters.	• To identify, analyze and provide protection against industrial and environmental risks, the Group relies on a combination of independent experts and qualified professionals within the Group (in particular safety, quality and environmental managers). • Protecting the Group's assets is part of an industrial risk prevention policy that meets the highest safety standards (FM Global and NFPA fire safety standards). • Working with its insurers, the Group has adopted HPR (Highly Protected Risk) standards, in order to significantly reduce fire risk and associated operating losses. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates. This approach is combined with an industrial and environmental risk-monitoring program (see the Management Report of the Board of Directors – "Environment and sustainability", §5). • In addition, prevention and protection plans include contingency planning to ensure business continuity.

1.3 FINANCIAL RISKS

1.3.1 Foreign exchange, interest rate and liquidity risks

The Group applies a foreign exchange and interest rate risk management strategy mainly aimed at reducing the negative impact of any foreign currency or interest rate fluctuations related to its business, financing and investments. The Group has implemented a stringent policy and rigorous management guidelines to measure, manage and monitor these market risks. These activities are organized based on a segregation of duties between risk measurement, hedging (treasury and front office), administration (back office), and financial control. The backbone of this organization is an integrated information system that allows transactions to be monitored very quickly.

The Group's hedging strategy is presented to the Board of Directors.

Hedging decisions are made according to a clearly established process and are covered in regular presentations to the management bodies concerned and detailed documentation.

Foreign exchange risk

Risk description	Risk management
• Exchange rate fluctuations between the euro (the currency in which most of the Group's production expenses are denominated) and the main currencies in which the Group's sales are denominated (in particular the US dollar, pound sterling, Hong Kong dollar, Chinese renminbi and Japanese yen) can significantly impact its revenue and earnings reported in euros. See Note 23.5 to the consolidated financial statements for the analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed. • The Group is exposed to foreign exchange risk with respect to the Group's net assets, as it owns substantial assets denominated in currencies other than the euro. See the analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved in Note 23.5 to the consolidated financial statements.	• Exposure to foreign exchange risk is actively managed in order to reduce sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options. See Note 23.5 to the consolidated financial statements on the extent of forecast cash flow hedging for 2020 relating to the main invoicing currencies. • This foreign exchange risk may be hedged either partially or in full using borrowings or financial futures denominated in the same currency as the underlying asset.

Liquidity risks and risks linked to fluctuations in interest rates

Risk description	Risk management
• The Group could have difficulty accessing the liquidity it needs to meet the Group's financial obligations; see Note 23.7 to the consolidated financial statements for the breakdown of financial liabilities by contractual maturity. • The Group could have to pay higher borrowing costs as a result of a rise in interest rates. See Notes 19.4 and 19.6 to the consolidated financial statements for the analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates.	• The amount of short-term borrowings excluding derivatives, i.e. 8.6 billion euros, is close to the 6.4 billion euro balance of cash and cash equivalents. • In addition to the credit lines recently set up in connection with the acquisition of Tiffany (see the Management Report of the Board of Directors – "Business and financial review", §3.1), the Group has access to undrawn confirmed credit lines totaling 8.6 billion euros. • The Group has access to a diversified investor base (bonds and private short-term investments), long-term financing and strong banking relationships, whether evidenced or not by confirmed credit lines. Lastly, LVMH has a high level of credit quality, as reflected by its credit ratings (A1/P1 by Moody's and A+/A1 by Standard & Poor's), both of which were confirmed following the announcement of the Group's acquisition of Tiffany. • Interest rate risk is managed using swaps or by purchasing options (protection against an increase in interest rates) designed to limit the adverse impact of unfavorable interest rate fluctuations. Contracts for loans and borrowings do not include any specific clauses likely to significantly modify their terms and conditions.

1.3.2 Risks arising from tax policy

Risk description	Risk management
Failure by the Group to comply with its tax obligations.	The Group's tax policy reflects its real activities and the Group's development, while preserving its competitiveness. Through its activities, the Group plays a key role in local and regional development in the areas where it operates, in particular by means of its tax payments. Apart from corporate income tax, the Group pays and collects a number of other taxes and contributions, including taxes on revenue, customs duties, excise taxes, payroll taxes, land taxes, and other local taxes specific to each country, which are all part of the Group's economic contribution to the regions where it operates. The Group adopts an attitude of transparency in its relations with tax authorities and undertakes to consistently provide them with relevant information enabling them to successfully carry out their duties. The Group complies with country-by-country reporting obligations and sends the required information to the tax authorities in accordance with applicable provisions.

2. Insurance policy

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

- systematic identification and documentation of risks;
- risk prevention and mitigation procedures for both human risk and industrial assets;
- implementation of international business continuity and contingency plans;
- a comprehensive risk financing program to limit the consequences of major events on the Group's financial position;
- optimization and coordination of global "master" insurance programs.

The Group's overall approach is primarily based on transferring its risks to the insurance markets at reasonable financial terms, and under conditions available in those markets both in terms of scope of coverage and limits. The extent of insurance coverage is directly related either to a quantification of the maximum possible loss, or to the constraints of the insurance market.

Compared with the Group's financial capacity, its level of self-insurance is not significant. The deductibles payable by Group companies in the event of a claim reflect an optimal balance between coverage and the total cost of risk. Insurance costs borne by Group companies are around 0.14% of consolidated revenue.

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

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

2.1 PROPERTY AND BUSINESS INTERRUPTION INSURANCE

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and resulting business interruption.

Property damage insurance limits are in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. The coverage limit of this program is 2 billion euros per claim, an amount determined based on an analysis of the Group's maximum possible losses.

Coverage for "natural events" provided under the Group's international property insurance program was doubled in 2018 and now totals 150 million euros per claim and per year. As a result of a Japanese earthquake risk modeling study performed in 2014, as well as an update of the major risk areas in 2016 and 2018, specific coverage in the amount of 20 billion yen has been taken out for this risk. A second similar study was carried out in 2018 for earthquake risk in California, following which coverage in the amount of 75 million US dollars was taken out, representing a considerable increase from 2017. These coverage levels are in line with Group companies' exposure to such risks.

2.2 TRANSPORTATION INSURANCE

The Group's operating entities are covered by an international cargo and transportation (goods in transit) insurance contract. The coverage limit of this program is 50 million euros, which corresponds to the maximum possible transport loss arising as a result of transportation in progress at a given moment.

2.3 THIRD-PARTY LIABILITY

The Group has established a third-party liability insurance program for all its subsidiaries throughout the world. This program is designed to provide the most comprehensive coverage for the Group's risks, given the insurance capacity and coverage available internationally. Coverage levels are in line with those of companies with comparable business operations.

Accidental and gradual environmental damage (Directive 2004/35/EC) is covered under this program.

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

2.4 COVERAGE FOR SPECIAL RISKS

Insurance coverage for political risks, company officers' liability, fraud and malicious intent, trade credit risk, acts of terrorism and political violence, loss or corruption of computer data and, more broadly, all cyber risks, real estate construction project risks and environmental risks is obtained through specific worldwide or local policies.

3. Assessment and control procedures in place

3.1 ORGANIZATION

3.1.1 Risk management and control activities within Financière Agache

Control environment

Given the fact that it belongs to a group with the necessary administrative skills, Financière Agache uses the specialized services of Groupe Arnault SEDCS, which mainly relate to legal, financial and accounting matters. A service agreement has been entered into with Groupe Arnault SEDCS for this purpose.

Regarding the Group's external services, the Shareholders' Meeting of Financière Agache appointed two first-tier accounting firms as Statutory Auditors, which also serve in the same capacity on behalf of Christian Dior and LVMH.

Key elements of internal control procedures

Risk management is based first and foremost on a regular review of the risks incurred by the Company so that internal control procedures can be adapted. Given the nature of the Company's activity, the primary objective of internal control systems is to mitigate risks of error and fraud in accounting and finance. The following principles form the basis of the Company's organization:

- very limited, very precise delegations of power, which are known by the counterparties involved, with sub-delegations reduced to a minimum;

- upstream legal control before signing agreements;
- separation of the expense and payment functions;
- secure payments;
- procedural rules known by potential users;
- integrated databases (single entry for all users);
- frequent audits (internal and external).

Internal controls relating to the preparation of the parent company's financial and accounting information

The individual company and consolidated financial statements are subject to a detailed set of instructions and a specially adapted data submission system designed to facilitate complete and accurate data processing within suitable timeframes. The exhaustive controls performed at the Christian Dior and LVMH sub-consolidation level ensure that information is integrated.

Legal control

Securities held by the subsidiaries are subject to reconciliation between the Company's Accounting Department and the Group's Securities Department on a regular basis.

3.1.2 Organization of the risk management and internal control system at LVMH

LVMH comprises five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. "Other activities" mainly consists of the media business unit, luxury yacht building and marketing, hotel and real estate activities, and holding companies. These business groups consist of entities of various sizes that own prestigious brands, established on every continent. The autonomy of the brands, decentralization, and the responsibilities of senior executives are among the fundamental principles underlying the Group's organization.

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

- Group companies – including LVMH SE – are responsible for their own risk management and internal control systems. LVMH SE also helps lead and coordinate the entire LVMH group in this area by providing guidelines, methods and a risk assessment and internal control application platform. In addition, initiatives to raise awareness of internal control-related matters are held throughout the year.
- The President of each Maison is responsible for risk management and internal control at all subsidiaries that contribute to brand development worldwide; each subsidiary's President is similarly responsible for that subsidiary's own operations.

3.1.3 Financial and accounting information: Organization and parties involved

At Financière Agache level

As of December 31, 2019 Financière Agache had two main consolidated assets: Christian Dior (with a 95% ownership interest) and LVMH (with a 41% ownership interest). The Group's Finance Department oversees the production of Financière Agache's parent company and consolidated financial statements.

At Christian Dior level

Christian Dior is a holding company that directly and indirectly owns a 41% equity stake in LVMH. LVMH is a listed company with a governance structure that checks the integrity and relevance of its own financial information. Its organization is described in detail below. At the Christian Dior SE level, financial information intended for the financial markets (financial analysts, investors, individual shareholders, market authorities) is provided under the supervision of the Company's **Finance Department**, which also oversees the production of the parent company and consolidated financial statements as well as the publication of the Annual Report and the Interim Financial Report. This information is strictly defined by current market rules, specifically the principle of equal treatment of investors.

At LVMH level

Risk management and internal controls of accounting and financial information are the responsibility of the following departments, which are all part of the LVMH group's **Finance Department**: Accounting & Consolidation, Management Control, Information Systems, Corporate Finance & Treasury, Tax, and Financial Communications.

Accounting & Consolidation is responsible for preparing and producing the individual company accounts of LVMH SE and the holding companies that control the Group's equity holdings, the consolidated financial statements, and interim and annual results publications, in particular the Interim Financial Report and the Universal Registration Document. To this end, the Accounting Standards & Practices team defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any necessary training. The Consolidation Department also coordinates the LVMH group's Statutory Auditors.

Management Control is responsible for coordinating the budget process, updating budget estimates during the year and the five-year strategic plan, as well as impairment testing of fixed assets. Management Control produces the monthly operating report and all reviews required by Executive Management; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators. By virtue of its responsibilities and the structure of the reports it produces, Management Control plays a key role in internal control and financial risk management.

These two functions are placed under the responsibility of the **Deputy CFO**.

The **Information Systems Department** designs and implements information systems needed by the central functions. It disseminates the LVMH group's technical standards, which are indispensable given the decentralized structure of the LVMH group's equipment, applications, networks, etc., and identifies any potential synergies between businesses, while respecting brand independence. It develops and maintains a telecommunications system, IT hosting platforms, and cross-functional applications shared by all entities in the Group. In cooperation with the subsidiaries, it supervises the creation of three-year plans for all information systems by business group and by entity. It defines strategic orientations in terms of cybersecurity, draws up and circulates internal policies and shared action plans, and helps brands implement systems to detect and respond to incidents, and develop contingency plans.

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

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

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

Strict procedures and a management policy have been established to measure, manage and consolidate these market risks. Within this department, the separation of front office and back office activities, combined with an independent control team reporting to the Deputy CFO, help ensure proper segregation of duties.

The backbone of this organization is an integrated information system that allows hedging transactions to be monitored in real time. The hedging mechanism is presented regularly to the LVMH group's Executive Committee as well as the Performance Audit Committee and is supported by detailed documentation.

The **Tax Department** ensures compliance with applicable laws and regulations, advises the various business groups and companies, and proposes tax solutions appropriate to the LVMH group's operational requirements. It organizes relevant training to adapt to major changes in tax law and ensures uniform reporting of tax data.

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

Each of these departments is responsible for ensuring the quality of internal control in its own area of activity **via the finance departments of business groups, companies and subsidiaries**, which are in turn responsible for similar functions within their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (Controller, Head of Accounting, Consolidation Manager, Treasurer, etc.). The finance departments of the main companies of the Group and the departments of LVMH SE, described above, periodically hold joint finance committee meetings. Run and coordinated by the central departments, these committee meetings deal particularly with applicable standards and procedures, financial performance and any corrective action needed, together with internal control relating to accounting and management data.

3.2 INTERNAL STANDARDS AND PROCEDURES

Via **LVMH's Ethics & Compliance Intranet**, which may be accessed by all Group employees, the Group disseminates a set of codes, charters and principles intended to guide the holding companies and the Maisons in conducting their activities. These primarily include the Group's Code of Conduct, internal guidelines, Supplier Code of Conduct and various charters (Board of Directors' Charter, Charter on Working Relations with Fashion Models and their Well-Being, Competition Law Compliance Charter, Environmental Charter, IT Systems Security Charter, Privacy Charter, etc.).

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

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

- the LVMH internal control framework, which covers the general control environment as well as 11 key business processes shared by all of the Group's activities (Sales, Retail Sales, Purchases, Travel, Inventory, Cash Management, Fixed Assets, Human Resources, Information Systems and Accounting Period-End Procedures, Cybersecurity and Personal Data Protection) as well as business-specific processes (Insurance, Licenses, Production, Product End of Life, Environment and Concessions);
- the minimum basis for internal control, known as IC Base, made up of 68 key controls taken from LVMH guidelines, supporting annual self-assessment; IC Base is reviewed and updated annually to include new standards and new regulatory requirements;
- business line guidelines developed to reflect the specific characteristics of our activities (Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry and Selective Retailing).

The **"Major Risks" section of the Finance Intranet** brings together procedures and tools for assessing, preventing and protecting against such risks. Best practices for the operational risk families selected are also available on the site. This material is available to everyone involved in risk management.

Lastly, the **Group Legal Department** prepares tools for the Maisons that aim to allow them to comply with (i) various regulations, in particular those relating to combating money laundering, limits on cash payments in force in the main markets in which the Group operates, embargoes and economic sanctions imposed by certain countries, and (ii) the European Union's new General Data Protection Regulation (GDPR).

3.3 INFORMATION AND COMMUNICATION SYSTEMS

Strategic plans for developing the Group's information and communication systems are coordinated by the Information Systems Department, which ensures that solutions are implemented consistently across the Group and do not disrupt operations. Aspects of internal control (segregation of duties, access rights, etc.) are integrated when implementing new information systems and then regularly reviewed.

Information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are covered by special procedures: a "Business Continuity Plan" methodology toolkit has been disseminated within the Group to define, for each significant entity, the broad outline of a Business Continuity Plan as well as a Disaster Recovery Plan. A Business Continuity Plan and a Disaster Recovery Plan have been developed and tested at the level of the French holding companies.

All major entities have appointed a Chief Information & Security Officer (CISO). The entity-level CISOs are coordinated by the Group CISO, forming a network to monitor the development of IT risks and implement appropriate preventive measures according to the likelihood of a given risk and its potential impact.

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

In April 2015, LVMH set up an operations center to monitor and assess information systems security for all of the Group's Maisons.

3.4 INTERNAL AND EXTERNAL ACCOUNTING CONTROL PROCEDURES

3.4.1 Accounting and management policies

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

3.4.2 Consolidation process

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

Sub-consolidations are carried out at the level of each Maison and business group, which act as primary control filters and help ensure consistency.

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

The quality of financial information, and its compliance with standards, are also guaranteed through ongoing exchanges with the Statutory Auditors whenever circumstances are complex and open to interpretation.

3.4.3 Management reporting

Each year, the Group's consolidated companies produce a strategic plan, a full budget and annual forecasts. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget and prior year data, and to foster ongoing communication between the subsidiaries and LVMH – an essential feature of the financial internal control mechanism.

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

Specific meetings to close out the interim and annual financial statements are attended by the departments concerned and the LVMH Finance Department; during those meetings the Statutory Auditors present their conclusions with regard to the quality of financial and accounting information and the internal control environment of LVMH's different companies.

3.5 FORMALIZATION AND MONITORING OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

3.5.1 The Enterprise Risk and Internal Control Assessment (ERICA) approach

In line with EU directives, the Group has implemented an approach known as ERICA (Enterprise Risk and Internal Control Assessment), a comprehensive process for improving and integrating systems for managing major risks and internal control related to its day-to-day activities.

Since 2015, this approach has been rolled out across all of the Group's brands. It includes annual mapping of the major risks for each brand and self-assessment of 68 key controls taken from the internal control framework by all Group entities at least every three years. During this three-year period, the Group applies self-assessment across a limited scope of entities that is reviewed every year, with the Maisons having free rein to extend the process to a wider scope as they see fit. A full self-assessment was completed by all LVMH group entities generating over 10 million euros in revenue in the period to June 30, 2019 (during the 2018-2019 campaign).

Recently acquired entities are allowed two years to implement this approach once the integration process has been completed.

The Maisons and business groups acknowledge their responsibility in relation to this process each year by signing two letters of representation:

- An ERICA letter of representation concerning risk management and internal control systems, signed on June 30. By signing this letter, the President, CFO and/or members of the Management Committee at each entity confirm their responsibility for these systems, and give their assessment of them, identifying major weaknesses and the corresponding remediation plans. These letters are analyzed, followed up on and "consolidated" at each higher level of the Group's organizational structure (region, Maison and business group); they are forwarded to the Group's Finance Department and to its Audit & Internal Control Department. They are also made available to the Statutory Auditors.
- The annual letter of representation on financial reporting, which includes a paragraph devoted to internal control.

Since 2013, depending on the circumstances, Presidents of Maisons have been required to present the Performance Audit Committee with an update on achievements, action plans in progress, and the outlook for their area of responsibility, in terms of internal control and risk management.

3.5.2 Monitoring of major risks and internal control

Major risks relating to the Group's brands and businesses are managed at the level of each business group and Maison. As part of the budget cycle and in connection with the preparation of the three-year plan, major risks affecting strategic, operational and financial objectives are identified and evaluated, and formalized in specific chapters.

Once an acceptable risk level has been determined and validated, risks are handled via preventive and protective measures; the latter include business continuity plans (BCP) and crisis management plans in order to organize the best response to risks once they have occurred. Lastly, depending on the types of risk to which a particular brand or entity is exposed and the amount of residual risk, the entity may decide, in collaboration with the Group, to use the insurance market to transfer part or all of the residual risk and/or assume this risk.

A full-day session dedicated to business continuity planning was held in 2019 and was attended by all the relevant staff members from the Maisons. All the Group's Maisons were then provided with a decision-making toolkit for implementing a business continuity plan (BCP).

Ongoing monitoring of the internal control system and periodic reviews of its functioning take place on a number of levels:

- Managers and operational staff at the Maisons, with support from internal control staff, are given responsibility for assessing the level of internal control on the basis of key controls, identifying weaknesses, and taking corrective action. Exception reports allow for the enhancement of detective controls in addition to preventive measures.
- A formal annual self-assessment process, based on a list of key controls taken from the internal control framework, integrated into the ERICA system.
- The Statutory Auditors are kept informed of this approach, as is the Performance Audit Committee, by means of regular briefings.
- Reviews are carried out by Group Internal Audit and the Statutory Auditors, the findings and recommendations of which are passed on to entities' management and Group Executive Management.
- A review of the ERICA system and the quality of self-assessment is an integral part of the work of the Internal Audit team at all audited entities.

3.6 FRAUD PREVENTION AND DETECTION

Over the past few years, fraud risk has dramatically transformed, with an upsurge in fraud through identity theft and an increase in attacks using social engineering to gain access and steal data. The Group and its Maisons have stepped up their vigilance, adapting internal procedures, awareness campaigns and training programs to the changing scenarios encountered or that might reasonably be predicted.

Given the large number of controls intended to prevent and detect this risk, the internal control framework is the backbone of the Group's fraud prevention mechanism.

Another essential component of this system is the obligation for each entity to report any instances of actual or attempted fraud to LVMH's Audit & Internal Control Director: as well as supervising actions and decisions in response to each reported case, the Director endeavors to draw lessons from incidents so as to relay them, once anonymized, to the chief financial officers of all the Maisons.

LVMH's Audit & Internal Control Department has therefore introduced a program to raise awareness of the risk of fraud through periodic newsletters identifying scenarios of actual and attempted fraud within the Group. A prevention plan is presented for each scenario. The Maisons and subsidiaries are responsible for verifying whether or not these scenarios apply to their operations. These communiqués are widely circulated within the Group to ensure heightened awareness among staff most exposed to this risk.

Measures raising awareness throughout the internal control community about the risk of fraudulent bank transfers were conducted throughout 2019.

Lastly, a specific fraud module has been added that forms part of the LVMH Internal Control Academy's "The Fundamentals" training program.

Management Report of the Board of Directors – Financière Agache SA

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1. Results of Financière Agache SA

1.1 COMMENTS ON THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

The balance sheet, income statement and notes to the financial statements of Financière Agache SA for the year ended December 31, 2019 have been prepared in accordance with French legal requirements, following the same accounting principles and methods as those used for the previous fiscal year, with a new presentation format for the income statement (see Note 1.2).

1.2 CHANGE IN THE PRESENTATION OF THE INCOME STATEMENT

The presentation of the income statement has been modified in order to provide readers with a better understanding of the components of net profit, in particular by highlighting holding company activities.

The new presentation of the income statement includes three main components of profit or loss: "Net financial income/(expense)", "Operating profit/(loss)", and "Net exceptional income/(expense)". The total of "Net financial income/(expense)" and "Operating profit/(loss)" corresponds to "Recurring profit before tax".

"Net financial income/(expense)" includes net income from the management of subsidiaries and other investments; the cost of net financial debt; and other items mainly related to investments and foreign exchange gains and losses.

"Operating profit/(loss)" includes services provided and other income, personnel costs and other operating expenses.

"Net exceptional income/(expense)" comprises only those transactions that, due to their nature, may not be included in "Net financial income/(expense)" or "Operating profit/(loss)".

1.3 APPROPRIATION OF NET PROFIT

During the fiscal year, Financière Agache increased its direct and indirect ownership interest in its subsidiary LVMH, including via Semyrhamis and Financière Jean Goujon.

Financial income from subsidiaries and investments received in 2019 came to 618.0 million euros, compared with 129.6 million euros in 2018. This 488.3 million euro increase was mainly due to the distribution by Christian Dior SE, in December 2019, of an exceptional interim dividend, which contributed 467.1 million euros to this increase for Financière Agache.

Net financial income was 688.8 million euros, compared with 159.1 million euros in 2018.

Net profit was 662.7 million euros, compared with 150.1 million euros in 2018.

The shareholders at the Shareholders' Meeting are asked to allocate and appropriate the distributable profit for the fiscal year ended December 31, 2019 as follows:

Amount available for distribution *(EUR)*

Net profit	662,718,012.31
Retained earnings	2,744,758,339.04
DISTRIBUTABLE EARNINGS	**3,407,476,351.35**
Proposed appropriation	
Distribution of a gross dividend of 52.50 euros per share	166,600,980.00
Retained earnings	3,240,875,371.35
TOTAL	**3,407,476,351.35**

Should this appropriation be approved, the gross cash dividend distributed would be 52.50 euros per share. As an interim cash dividend of 52.50 euros per share was paid on December 16, 2019, no further dividend payments will be made in respect of fiscal year 2019.

As of January 1, 2020, based on the tax legislation applicable to securities income, these dividends carry the entitlement to a tax deduction of 40% for French tax residents who have opted for all their eligible income from securities to be taxed at a progressive rate.

Lastly, should the Company hold, at the time of payment of the final dividend, any treasury shares under authorizations granted, the corresponding amount of unpaid dividends will be allocated to retained earnings.

Distribution of dividends

As required by law, the following table presents the gross cash dividends per share paid out in respect of the past three fiscal years:

Fiscal year	Type	Payment date	Gross dividend [(a)] *(EUR)*
December 31, 2018	Interim	December 20, 2018	70.00
	Final	-	-
	TOTAL		**70.00**
December 31, 2017	Interim	December 14, 2017	100.00
	Final	-	-
	TOTAL		**100.00**
December 31, 2016	Interim	December 13, 2016	26.00
	Final	-	-
	TOTAL		**26.00**

(a) Excluding the impact of tax regulations applicable to recipients.

Information relating to payment terms

Pursuant to the provisions of Article D. 441-4 of the French Commercial Code, we hereby inform you that as of December 31, 2019, there were no overdue trade accounts payable or trade accounts receivable.

2. Information regarding the Company's share capital

As of December 31, 2019, the share capital totaled 50,773,632 euros, divided into 3,173,352 shares with a par value of 16 euros each. As of December 31, 2019, 3,619 of these shares (0.11% of the share capital) were held by the Company, with a total market value of 448,396 euros.

Since 1996, the Company's shares have not been traded on a regulated market. As required by law, they therefore have the mandatory status of registered shares.

Financière Agache is happy to assist its shareholders with the procedures and formalities involved in the event they wish to trade their shares and, where applicable, to help them find a suitable counterparty.

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we hereby inform you that no employee of the Company, or of any affiliated company, holds shares in the Company through the types of mutual funds referred to in this legislation.

3. Matters to be voted upon

3.1 MEMBERSHIP OF THE BOARD OF DIRECTORS

You are asked to renew the terms of office as Directors of GA Placements SA and Groupe Arnault SE for three-year terms, as stipulated in the Bylaws.

3.2 AMENDMENT OF THE BYLAWS, IN PARTICULAR TO BRING THEM INTO COMPLIANCE WITH THE LATEST LEGAL AND REGULATORY REQUIREMENTS IN FORCE, INCLUDING THE PACTE LAW OF MAY 22, 2019

France's PACTE law of May 22, 2019 and the corporate law simplification law of July 19, 2019 made many changes to the French Commercial Code, which governs commercial companies.

The main amendments to be made to the Bylaws concern the following matters:

- the new definition of the powers of the Board of Directors, which sets guidelines for the Company's activities in accordance with its corporate interest and taking into account its social and environmental considerations (Article XII);
- the option for the Board of Directors to cast votes in writing on the following items: co-optation; authorization of sureties, endorsements and guarantees; transfer of the registered office within its current French administrative department; amendment of the Bylaws to bring them into compliance with applicable laws in the event of a delegation of authority by the shareholders at the Shareholders' Meeting; and convening of Shareholders' Meetings (Article XII);
- the removal of the term "directors' fees" to refer to the compensation allocated to Directors and Advisory Board members in respect of their service (Articles XIII and XV bis).

We also propose that you (i) expand Article XI to include conditions for the provisional appointment of a Director by the Board of Directors, and Article XII to include the use of videoconferencing or other means of telecommunication authorized for meetings of the Board of Directors; and (ii) raise the maximum age for Group Managing Directors to 75 (Article XV II-2).

We would like to use this Annual Shareholders' Meeting as an opportunity to submit these changes for your approval, and as such are providing you with the draft amended Bylaws.

Board of Directors' report on corporate governance

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This report, which was drawn up in accordance with the provisions of Article L. 225-37 et seq. of the French Commercial Code, was approved by the Board of Directors at its meeting of April 22, 2020, and will be submitted for shareholder approval at the Shareholders' Meeting of May 27, 2020.

1. List of all corporate offices and positions held by company officers

1.1 CURRENTLY SERVING DIRECTORS

Florian OLLIVIER, Chairman and Chief Executive Officer

Agache Développement SA	Permanent Representative of Financière Agache, Director
Escorial Development SA	Director
Europatweb SA	Chairman and Chief Executive Officer
Financière Agache SA	Chairman and Chief Executive Officer
Financière Jean Goujon SAS	Chairman
FJG Patrimoine SAS	Chairman
GA Placements SA	Permanent Representative of Invry, Director
GMPI	Director
Groupe Arnault SEDCS	Chief Executive Officer – Member of the Executive Board
Hermiole SAS	Chairman
Invry SAS	Chairman
JGPG SAS	Chairman
Kléber Participations SARL	Managing Director
Le Peigné SA	Director
Montaigne Services SNC	Managing Director
Semyrhamis SA	Managing Director (non-Director) Permanent Representative of Financière Agache, Director
Semyrh-Europe SA	Director
Sevrilux SNC	Legal Representative of Financière Agache, Managing Director

Lord POWELL of BAYSWATER

Financière Agache SA	Director
Hong Kong Land Holdings	Director
Jardine Strategic Holdings	Director
LVMH Moët Hennessy - Louis Vuitton SE	Director
LVMH Services Limited	Chairman of the Board of Directors
Matheson & Co. Ltd	Director
Northern Trust Corporation	Director

INVRY SAS

Financière Agache SA	Director
GA Placements SA	Director

Pierre DE ANDREA, Permanent Representative

Agache Développement SA	Chairman and Chief Executive Officer
CD Investissements SAS	Chairman
CPV Investissement SARL	Managing Director
Delcia SA	Director
Europimmo SNC	Managing Director
Fimeris SA	Director
Financière Agache SA	Permanent Representative of Invry, Director
Foncière du Nord SCI	Managing Director
GA Placements SA	Permanent Representative of Groupe Arnault, Director
Goujon Holding SAS	Chairman
Goujon Participations SAS	Chairman
Mandarine SARL	Managing Director
Métropole 1850 SNC	Managing Director
Sadifa SA	Chairman and Chief Executive Officer
Sanderson International SA	Director
Société de Gestion Financière et de Patrimoine SARL	Managing Director
Société en Nom Collectif Jardin Bleu	Managing Director
Sophiz SA	Director
Westley International SA	Director

1.2 REAPPOINTMENTS PROPOSED AT THE SHAREHOLDERS' MEETING

GA PLACEMENTS SA

Financière Agache SA	Director

Pierre DEHEN, Permanent Representative

Agache Développement SA	Permanent Representative of Groupe Arnault, Director
Asopis SAS	Chairman
Financière Agache SA	Permanent Representative of GA Placements, Director
GA Placements SA	Chairman and Chief Executive Officer
LC Investissements SAS	Member of the Management Committee
Union +	Permanent Representative of LVMH Moët Hennessy - Louis Vuitton, Director

GROUPE ARNAULT SEDCS

Agache Développement SA	Director
Europatweb SA	Director
Financière Agache SA	Director
GA Placements SA	Director
Semyrhamis SA	Director

Nicolas BAZIRE, Permanent Representative and Group Managing Director

Agache Développement SA	Director
Atos SE	Director
Carrefour SA	Director
Christian Dior SE	Director
Europatweb SA	Director
Financière Agache SA	Managing Director and Permanent Representative of Groupe Arnault, Director
Groupe Arnault SEDCS	Chief Executive Officer – Member of the Executive Board
Groupe Les Echos SA	Director
Jean Patou SAS	Member of the Advisory Committee
Les Echos SAS	Vice-Chairman of the Supervisory Board
LVMH Moët Hennessy - Louis Vuitton SE	Director
Louis Vuitton, Fondation d'Entreprise	Director
Louis Vuitton Malletier SAS	Permanent Representative of Ufipar, Member of the Steering Committee
LV Group SA	Director
Madrigall SA	Director
Semyrhamis SA	Managing Director (non-Director) and Permanent Representative of Groupe Arnault, Director
Société des Bains de Mer de Monaco SA	Permanent Representative of Ufipar, Director
Suez SA	Director

2. Summary of existing delegations and financial authorizations and use made of them

Authorizations to increase the share capital

(L. 225-129, L. 225-129-2 and L. 228-92 of the French Commercial Code)

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of Dec. 31, 2019
Through the capitalization of profit, reserves, additional paid-in capital or other items (L. 225-129-2 and L. 225-130)	SM 05/22/2019 (7th resolution)	07/21/2021 (26 months)	32 million euros (a) (b)	Not applicable	None
With preferential subscription rights – Ordinary shares and securities giving access to the share capital	SM 05/22/2019 (8th resolution)	07/21/2021 (26 months)	32 million euros (a) (b)	Free	None

(a) Maximum nominal amount. Overall cap set by the Shareholders' Meeting of May 22, 2019 for any issues decided upon pursuant to the 7th and 8th resolutions (10th resolution).
(b) As a guide, this equates to 2,000,000 shares on the basis of the par value per unit as of December 31, 2019.

3. Information on the related-party agreements covered by Article L. 225-37-4 2° of the French Commercial Code

Pursuant to the provisions of Article L. 225-37-4 2° of the French Commercial Code, as amended by the French Law of May 22, 2019 on business growth and transformation, known as the PACTE law, any agreements covered by said article that were entered into during fiscal year 2019 and brought to the Company's attention are stated below.

An indirect subsidiary of Groupe Arnault SEDCS acquired an office complex located in Paris on September 26, 2019. Louis Vuitton Malletier, a subsidiary of LVMH, leased this complex for a period of 12 years, including six on a non-cancellable basis. The annual rental cost stands at 1,649,100 euros before taxes and service charges, after a rent-free period of 18 months.

In addition, on September 11 and 26, 2019, two indirect subsidiaries of LVMH acquired several housing units and parking spaces in a real estate complex in Courchevel. Société d'Exploitation de l'Hôtel Cheval Blanc (Courchevel), an indirect subsidiary of Groupe Arnault SEDCS, leased some of these properties for a one-year period in return for an annual rental payment of 410,000 euros excluding taxes and service charges.

The assistance agreement relating to various services – mainly in the fields of legal assistance and financial engineering, business and real estate law – signed by LVMH SE and Groupe Arnault SEDCS, which has a number of employees who are specialists in these fields, was subject to an amendment setting the compensation stipulated in this contract at 1,500,000 euros excluding taxes.

Consolidated financial statements

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As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component figures.

1. Consolidated income statement

(EUR millions, except for earnings per share)	*Notes*	2019	2018 [(a)]	2017 [(a)]
Revenue	*24-25*	**53,671**	**46,831**	**43,667**
Cost of sales		(18,126)	(15,630)	(15,106)
Gross margin		**35,545**	**31,201**	**28,561**
Marketing and selling expenses		(20,206)	(17,752)	(16,958)
General and administrative expenses		(3,880)	(3,472)	(3,254)
Income/(loss) from commercial joint ventures and associates	*8*	28	23	-
Profit from recurring operations	*24-25*	**11,487**	**10,000**	**8,349**
Other operating income and expenses	*26*	(231)	(126)	(179)
Operating profit		**11,255**	**9,874**	**8,170**
Cost of net financial debt		(180)	(204)	(186)
Interest on lease liabilities		(290)	-	-
Income/(loss) from non-operating joint ventures and associates	*8*	41	24	20
Other financial income and expenses		(186)	(261)	26
Net financial income/(expense)	*27*	**(615)**	**(441)**	**(140)**
Income taxes	*28*	(2,966)	(2,528)	(2,266)
Net profit before minority interests		**7,674**	**6,905**	**5,764**
Minority interests	*18*	4,888	4,406	3,774
Net profit, Group share		**2,786**	**2,499**	**1,990**
Basic Group share of net earnings per share *(EUR)*	*29*	**878.90**	**788.39**	**627.81**
Diluted Group share of net earnings per share *(EUR)*	*29*	**877.64**	**785.87**	**623.40**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

2. Consolidated statement of comprehensive gains and losses

(EUR millions)	*Notes*	2019	2018 [(a)]	2017 [(a)]
Net profit before minority interests		***7,674***	**6,905**	**5,764**
Translation adjustments		299	270	(991)
Amounts transferred to income statement		1	(1)	25
Tax impact		11	15	(49)
	16.5, 18	**311**	**284**	**(1,015)**
Change in value of hedges of future foreign currency cash flows		(17)	1	369
Amounts transferred to income statement		28	(280)	(104)
Tax impact		(4)	80	(76)
		7	**(199)**	**189**
Change in value of the ineffective portion of hedging instruments		(211)	(271)	(91)
Amounts transferred to income statement		241	148	210
Tax impact		(7)	31	(35)
		23	**(92)**	**84**
Gains and losses recognized in equity, transferable to income statement		**342**	**(7)**	**(742)**
Change in value of vineyard land	*6*	42	8	(35)
Amounts transferred to consolidated reserves		-	-	-
Tax impact		(11)	(2)	82
		31	**6**	**47**
Employee benefit obligations: Change in value resulting from actuarial gains and losses		(167)	28	57
Tax impact		39	(5)	(24)
		(128)	**23**	**33**
Change in value of available for sale financial assets	*8-9, 14*	1,084	-	821
Tax impact		(59)	(8)	32
		1,025	**(8)**	**853**
Gains and losses recognized in equity, not transferable to income statement		**928**	**21**	**933**
Gains and losses recognized in equity		**1,269**	**14**	**191**
Comprehensive income		**8,943**	**6,919**	**5,955**
Minority interests		5,034	4,434	3,332
COMPREHENSIVE INCOME, GROUP SHARE		**3,909**	**2,485**	**2,623**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

3. Consolidated balance sheet

Assets *(EUR millions)*	*Notes*	**Dec. 31, 2019**	**Dec. 31, 2018** [a]	**Dec. 31, 2017** [a]
Brands and other intangible assets	*3*	16,169	16,211	15,913
Goodwill	*4*	14,857	12,550	12,660
Property, plant and equipment	*6*	17,929	14,475	13,229
Right-of-use assets	*7*	12,409	-	-
Investments in joint ventures and associates	*8*	2,903	1,724	1,657
Non-current available for sale financial assets	*9*	1,281	1,356	1,038
Other non-current assets	*10*	1,564	985	1,373
Deferred tax	*28*	2,278	1,937	1,747
Non-current assets		**69,390**	**49,238**	**47,617**
Inventories and work in progress	*11*	13,910	12,660	11,045
Trade accounts receivable	*12*	3,450	3,222	2,736
Income taxes		412	465	789
Other current assets	*13*	4,392	5,794	6,163
Cash and cash equivalents	*15*	6,351	9,135	7,951
Current assets		**28,515**	**31,276**	**28,684**
TOTAL ASSETS		**97,905**	**80,514**	**76,301**

Liabilities and equity *(EUR millions)*	*Notes*	**Dec. 31, 2019**	**Dec. 31, 2018** [a]	**Dec. 31, 2017** [a]
Equity, Group share	*16*	11,883	8,439	6,652
Minority interests	*18*	24,787	22,397	20,241
Equity		**36,670**	**30,836**	**26,893**
Long-term borrowings	*19*	7,525	9,301	12,295
Non-current lease liabilities	*7*	10,373	-	-
Non-current provisions and other liabilities	*20*	3,809	3,266	3,275
Deferred tax	*28*	5,124	4,603	4,549
Purchase commitments for minority interests' shares	*21*	10,735	9,281	9,177
Non-current liabilities		**37,566**	**26,451**	**29,296**
Short-term borrowings	*19*	8,555	11,396	9,555
Current lease liabilities	*7*	2,172	-	-
Trade accounts payable	*22*	5,815	5,315	4,541
Income taxes		811	549	853
Current provisions and other liabilities	*22*	6,316	5,967	5,163
Current liabilities		**23,669**	**23,227**	**20,112**
TOTAL LIABILITIES AND EQUITY		**97,905**	**80,514**	**76,301**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

4. Consolidated statement of changes in equity

(EUR millions)	Number of shares	Share capital	Share premium account	Financière Agache Treasury shares	Cumulative translation adjustment	Revaluation reserves: Available for sale financial assets	Revaluation reserves: Hedges of future foreign currency cash flows and cost of hedging	Revaluation reserves: Vineyard land	Revaluation reserves: Employee benefit commit-ments	Net profit and other reserves	Total equity: Group share	Total equity: Minority interests	Total equity: Total
Notes		*16.1*	*16.1*	*16.3*	*16.5*							*18*	
As of Dec. 31, 2016	**3,173,352**	**51**	**442**	**(6)**	**394**	**2,875**	**(36)**	**341**	**(54)**	**8,564**	**12,571**	**21,254**	**33,825**
Gains and losses recognized in equity					(322)	(1,368)	77	14	11	2,221	633	(442)	191
Net profit					-	-	-	-	-	1,990	1,990	3,774	5,764
Comprehensive income					**(322)**	**(1,368)**	**77**	**14**	**11**	**4,211**	**2,623**	**3,332**	**5,955**
Expenses related to bonus share and similar plans										29	29	44	73
(Acquisition)/disposal of treasury shares				-						-	-	-	-
Capital increase in subsidiaries										-	-	31	31
Interim and final dividends paid										(317)	(317)	(1,556)	(1,873)
Changes in control of consolidated entities										(2)	(2)	101	99
Impact of the sale of Christian Dior Couture to LVMH										(464)	(464)	316	(148)
Impact of the public offer for Christian Dior shares					64	-	9	90	(11)	(6,972)	(6,820)	(2,515)	(9,335)
Acquisition and disposal of minority interests' shares					3	-	2	9	1	(943)	(928)	(386)	(1,314)
Purchase commitments for minority interests' shares										(40)	(40)	(380)	(420)
As of Dec. 31, 2017	**3,173,352**	**51**	**442**	**(6)**	**139**	**1,507**	**52**	**454**	**(53)**	**4,066**	**6,652**	**20,241**	**26,893**
Gains and losses recognized in equity					93	(244)	(108)	1	8	236	(14)	28	14
Net profit					-	-	-	-	-	2,499	2,499	4,406	6,905
Comprehensive income					**93**	**(244)**	**(108)**	**1**	**8**	**2,735**	**2,485**	**4,434**	**6,919**
Expenses related to bonus share and similar plans										40	40	47	87
(Acquisition)/disposal of treasury shares				-						-	-	-	-
Capital increase in subsidiaries										-	-	50	50
Interim and final dividends paid										(222)	(222)	(1,942)	(2,164)
Changes in control of consolidated entities										(4)	(4)	36	32
Acquisition and disposal of minority interests' shares					1	-	-	2	-	(470)	(467)	(247)	(714)
Purchase commitments for minority interests' shares										(45)	(45)	(222)	(267)
As of Dec. 31, 2018	**3,173,352**	**51**	**442**	**(6)**	**233**	**1,263**	**(56)**	**457**	**(45)**	**6,100**	**8,439**	**22,397**	**30,836**
Impact of changes in accounting standards [(a)]										(12)	(12)	(17)	(29)
As of January 1, 2019	**3,173,352**	**51**	**442**	**(6)**	**233**	**1,263**	**(56)**	**457**	**(45)**	**6,088**	**8,427**	**22,380**	**30,807**
Gains and losses recognized in equity					121	993	11	11	(45)	32	1,123	146	1,269
Net profit					-	-	-	-	-	2,786	2,786	4,888	7,674
Comprehensive income					**121**	**993**	**11**	**11**	**(45)**	**2,818**	**3,909**	**5,034**	**8,943**
Expenses related to bonus share and similar plans									-	33	33	42	75
(Acquisition)/disposal of treasury shares				-					-	-	-	-	-
Capital increase in subsidiaries									-	-	-	70	70
Interim and final dividends paid (see Note 16.4)									-	(166)	(166)	(2,511)	(2,677)
Changes in control of consolidated entities									-	1	1	26	27
Acquisition and disposal of minority interests' shares					-	-	-	(1)	-	(318)	(319)	(48)	(367)
Purchase commitments for minority interests' shares										(2)	(2)	(206)	(208)
AS OF DEC. 31, 2019	**3,173,352**	**51**	**442**	**(6)**	**354**	**2,256**	**(45)**	**467**	**(90)**	**8,454**	**11,883**	**24,787**	**36,670**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.

5. Consolidated cash flow statement

(EUR millions)	*Notes*	Dec. 31, 2019	Dec. 31, 2018 [(a)]	Dec. 31, 2017 [(a)]
I - OPERATING ACTIVITIES				
Operating profit		11,255	9,874	8,170
Adjustment for income/(loss) and dividends from commercial joint ventures and associates	*8*	(10)	5	22
Net increase in depreciation, amortization and provisions		2,700	2,278	2,495
Depreciation of right-of-use assets		2,408	-	-
Other adjustments and computed expenses		(268)	(217)	(144)
Cash from operations before changes in working capital		**16,085**	**11,940**	**10,543**
Cost of net financial debt: Interest paid		(198)	(191)	(161)
Lease liabilities: Interest paid	*7.1*	(239)	-	-
Tax paid on operating activities		(2,851)	(2,301)	(2,858)
Change in working capital	*15.2*	(1,173)	(1,105)	(521)
Net cash from operating activities		**11,624**	**8,343**	**7,003**
II - INVESTING ACTIVITIES				
Operating investments	*15.3*	(3,332)	(3,038)	(2,516)
Purchase and proceeds from sale of consolidated investments	*2.4*	(2,478)	(17)	(524)
Dividends received		8	38	47
Tax paid related to non-current available for sale financial assets and consolidated investments		(1)	(145)	(9)
Purchase and proceeds from sale of non-current available for sale financial assets	*9*	(157)	(413)	17
Net cash from/(used in) investing activities		**(5,960)**	**(3,575)**	**(2,985)**
III - FINANCING ACTIVITIES				
Interim and final dividends paid	*15.4*	(2,840)	(2,226)	(1,399)
Purchase and proceeds from sale of minority interests	*2.4*	(390)	(921)	(7,607)
Other equity-related transactions	*15.4*	57	41	31
Proceeds from borrowings	*19*	2,840	1,554	14,069
Repayment of borrowings	*19*	(8,155)	(2,676)	(2,981)
Loans to and receivables from affiliated companies	*19*	241	151	211
Repayment of lease liabilities	*7.2*	(2,187)	-	-
Purchase and proceeds from sale of current available for sale financial assets	*14*	1,969	348	(1,839)
Net cash from/(used in) financing activities		**(8,466)**	**(3,729)**	**485**
IV - EFFECT OF EXCHANGE RATE CHANGES		**39**	**67**	**(261)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(2,762)**	**1,106**	**4,242**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	*15.1*	**8,937**	**7,831**	**3,589**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*15.1*	**6,175**	**8,937**	**7,831**
TOTAL TAX PAID		**(3,019)**	**(2,514)**	**(2,392)**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Alternative performance measure

The following table presents the reconciliation between “Net cash from operating activities” and “Operating free cash flow” for the fiscal years presented:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018 [(a)]	Dec. 31, 2017 [(a)]
Net cash from operating activities	11,624	8,343	7,003
Operating investments	(3,332)	(3,038)	(2,516)
Repayment of lease liabilities	(2,187)	-	-
OPERATING FREE CASH FLOW [(a)]	**6,105**	**5,305**	**4,487**

(a) Under IFRS 16, fixed lease payments are treated partly as interest payments and partly as principal repayments. For its own operational management purposes, the Group treats all lease payments as components of its “Operating free cash flow”, whether the lease payments made are fixed or variable. In addition, for its own operational management purposes, the Group treats operating investments as components of its “Operating free cash flow”.

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6. Notes to the consolidated financial statements

NOTE 1 – ACCOUNTING POLICIES

1.1 General framework and environment

The consolidated financial statements for fiscal year 2019 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable as of December 31, 2019. These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for fiscal year 2019 were approved by the Board of Directors on April 22, 2020.

1.2 Changes in the accounting framework applicable to the Group

Standards, amendments and interpretations applied as of January 1, 2019

The Group applies IFRS 16 Leases as of January 1, 2019.

When entering into a lease, this standard requires that a liability be recognized in the balance sheet, measured at the discounted present value of future payments of the fixed portion of lease payments and offset against a right-of-use asset depreciated over the lease term.

The Group applied what is known as the "modified retrospective" transition method, under which a liability is recognized at the transition date for an amount equal to the present value of the residual lease payments alone, offset against a right-of-use asset adjusted for the amount of prepaid lease payments or amounts recognized within accrued expenses; all the impacts of the transition were deducted from equity. The standard provided for various simplification measures during the transition phase: in particular, the Group opted to apply the measures allowing it to exclude leases with a residual term of less than twelve months and leases of low-value assets, to continue applying the same treatment to leases that qualified as finance leases under IAS 17, and not to capitalize costs directly related to signing leases.

The amount of the liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, the discount rate. The Group's extensive geographic coverage means it encounters a wide range of different legal conditions when entering into contracts. The lease term generally used to calculate the liability is the term of the initially negotiated lease, not taking into account any early termination or extension options, except in special circumstances.

The IFRS Interpretations Committee (IFRS IC) has issued an opinion on the procedure for determining the lease term to be used in accounting for lease liabilities when the underlying assets are capitalized when the obligation to make lease payments covers a period of less than 12 months; most often, this involves leases for retail locations that are automatically renewable on an annual basis. In these circumstances, the Group recognizes a lease liability over a term consistent with the anticipated period of use of the invested assets.

The standard requires that the discount rate be determined for each lease using the incremental borrowing rate of the subsidiary entering into the lease. In practice, given the structure of the Group's financing – virtually all of which is held or guaranteed by LVMH SE – this incremental borrowing rate is generally the total of the risk-free rate for the lease currency, with respect to the duration, and the Group's credit risk for this same reference currency and term.

Leasehold rights, previously recognized within "Intangible assets", as well as "Property, plant and equipment" related to restoration obligations for leased facilities, are now presented within "Right-of-use assets" and subject to depreciation according to consistent principles.

The Group has implemented a dedicated IT solution to gather lease data and run the calculations required by the standard.

Most leases are related to the Group's retail premises (see Note *7* for details). Such leases are actively managed and directly linked to the conduct of Maisons' business and their distribution strategy.

The following table presents the impact of the application of IFRS 16 on the opening balance sheet:

(EUR millions)	As of Dec. 31, 2018	Impact of the transition to IFRS 16	As of Jan. 1, 2019
Brands, goodwill and intangible assets	28,761	(379)	28,382
Property, plant and equipment	14,475	(355)	14,120
Right-of-use assets	-	11,867	11,867
Other non-current assets	6,002	(13)	5,989
Current assets	31,276	(53)	31,223
TOTAL ASSETS	**80,514**	**11,067**	**91,581**
Equity, Group share	8,439	(12)	8,427
Minority interests	22,397	(17)	22,380
Non-current lease liabilities	-	9,679	9,679
Provisions and other non-current liabilities	26,451	(343)	26,108
Current lease liabilities	-	2,149	2,149
Other current liabilities	23,227	(389)	22,838
TOTAL LIABILITIES AND EQUITY	**80,514**	**11,067**	**91,581**

"Lease liabilities" totaled 11.8 billion euros as of January 1, 2019 and comprised:

- lease liabilities newly recognized in respect of operating leases in effect as of January 1, 2019 for 11.5 billion euros, including 9.4 billion euros for long-term leases;
- finance lease liabilities for 0.3 billion euros, recognized under "Borrowings" as of December 31, 2018.

The average discount rate for lease liabilities at the transition date was 2.2%.

"Right-of-use assets" totaled 11.9 billion euros as of January 1, 2019 and comprised:

- assets corresponding to newly recognized lease liabilities for 11.5 billion euros;
- the carrying amount of property, plant and equipment covered by finance leases for 0.3 billion euros, recognized within "Property, plant and equipment" as of December 31, 2018;
- the carrying amount of leasehold rights for 0.4 billion euros, recognized within "Intangible assets" as of December 31, 2018;
- various lease-related assets and liabilities recognized as of December 31, 2018 and reclassified within "Right-of-use assets" representing a net liability of 0.3 billion euros, in particular liabilities related to the recognition of leases on a straight-line basis.

The following table provides details on the difference between lease commitments presented in accordance with IAS 17 as of December 31, 2018, and lease liabilities measured according to IFRS 16 as of January 1, 2019:

(EUR millions)	
Commitments given for operating leases and concessions as of December 31, 2018	**12,573**
Minimum payments on finance leases as of December 31, 2018	830
Impact of discounting	(1,953)
Other	378
LEASE LIABILITIES AS OF JANUARY 1, 2019 UNDER IFRS 16	**11,828**

"Other" mainly comprises the recognition of optional periods that were not covered by the definition of off-balance sheet commitments presented in accordance with IAS 17.

Under the modified retrospective transition method, the standard prohibits the restatement of comparative fiscal years, which affects the comparability of fiscal year 2019 with fiscal years 2018 and 2017.

The application of IFRS 16 had the following impact on the Group's financial statements as of December 31, 2019:

Income statement

- Profit from recurring operations was boosted by the positive 155 million euro impact of the difference between the lease expense that would have been recognized under IAS 17 and the depreciation of right-of-use assets under IFRS 16. Depreciation of right-of-use assets is lower than lease expenses due to the discounting effect included in the valuation of right-of-use assets.
- Net financial income/(expense) recorded a negative 290 million euro impact of interest on lease liabilities (including interest on finance leases, previously included in borrowing costs). This was higher than the favorable impact on profit from recurring operations as a result of its reducing balance over the lease term, comparable to the interest on a loan with fixed annuities.
- There was a positive 96 million euro tax impact on profit and on minority interests, yielding a negative 39 million euro impact on the Group share of net profit.

Balance sheet

- The recognition of right-of-use assets increased non-current assets by 12.0 billion euros.
- The recognition of lease liabilities increased total liabilities by 12.0 billion euros, including 10.0 billion euros in non-current lease liabilities and 2.0 billion euros in current lease liabilities.

The liability for capitalized leases is excluded from the definition of net financial debt.

Cash flow statement

- There was a favorable 2,169 million euro impact on net cash from operating activities, resulting from the positive 2,408 million euro impact of the depreciation of right-of-use assets (with no impact on cash) and the negative 239 million euro impact of interest paid on lease liabilities.
- Net cash from/(used in) financing activities was negatively affected by the repayment of lease liabilities for 2,187 million euros.

Since the application of IFRS 16 had a significant impact on the cash flow statement given the importance of fixed lease payments to the Group's activities, specific indicators are used for internal performance monitoring requirements and financial communication purposes in order to present consistent performance indicators, independently of the fixed or variable nature of lease payments. One such alternative performance measure is "Operating free cash flow", which is calculated by deducting capitalized fixed lease payments in their entirety from cash flow. The reconciliation between "Net cash from operating activities" and "Operating free cash flow" as of December 31, 2019, 2018 and 2017 is presented in the cash flow statement.

The Group applies IFRIC 23 Uncertainty over Income Tax Treatments as of January 1, 2019. It did not have any significant impact on the Group's financial statements.

The Group has opted for early application of the amendment to IFRS 9, IAS 39 and IFRS 7 on financial instruments published by the IASB in September 2019 as part of the reform of benchmark interest rates. This amendment provides relief from the uncertainty surrounding future benchmark rates, and allows companies to maintain interest rate risk hedging relationships until this uncertainty is removed. Interest rate risk hedging derivatives are presented in Note 23. An analysis of the impact of the upcoming change to benchmark indices is underway.

As a result of the application of new standards that took effect on January 1, 2019 – IFRS 16 in particular – the presentation of the balance sheet and cash flow statement was modified and simplified in order to make these statements easier to understand. This included separating "Purchase commitments for minority interests' shares" from other balance sheet liabilities, while other items were grouped together, with detailed breakdowns inserted in additional notes.

1.3 First-time adoption of IFRS

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

- Business combinations: The exemption from retrospective application was not applied. The Financière Agache group retrospectively restated acquisitions made since 1988, the date of the initial consolidation of LVMH, and all subsequent acquisitions were restated in accordance with IFRS 3. IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of that date.
- Foreign currency translation of the financial statements of subsidiaries outside the eurozone: Translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

1.4 Presentation of the financial statements

Definitions of "Profit from recurring operations" and "Other operating income and expenses"

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

"Other operating income and expenses" comprises income statement items, which – due to their nature, amount or frequency – may not be considered inherent to the Group's recurring operations or its profit from recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation, the impairment of goodwill and the impairment and amortization of brands and trade names.

It also includes any significant amounts relating to the impact of certain unusual transactions, such as gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non-recurring income or expense that may otherwise affect the comparability of profit from recurring operations from one period to the next.

Cash flow statement

Net cash from operating activities is determined on the basis of operating profit, adjusted for non-cash transactions. In addition:

- dividends received are presented according to the nature of the underlying investments; thus, dividends from commercial joint ventures and associates are presented in "Net cash from operating activities", while dividends from non-operating joint ventures and associates and from unconsolidated entities are presented in "Net cash from/(used in) investing activities";
- tax paid is presented according to the nature of the transaction from which it arises: in "Net cash from operating activities" for the portion attributable to operating transactions; in "Net cash from/(used in) investing activities" for the portion attributable to transactions in available for sale financial assets, notably tax paid on gains from their sale; or in "Net cash from/(used in) financing activities" for the portion attributable to transactions in equity, notably distribution taxes arising on the payment of dividends.

1.5 Use of estimates

For the purpose of preparing the consolidated financial statements, the measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets (see Note 5), the measurement of leases (see Note 7) and purchase commitments for minority interests' shares (see Notes 1.12 and 21), and the determination of the amount of provisions for contingencies and losses, and uncertain tax positions (see Note 20) or for impairment of inventories (see Notes 1.17 and 11) and, if applicable, deferred tax assets (see Note 28). Such hypotheses, estimates or other forms of judgment made on the basis of the information available or the situation prevailing at the date at which the financial statements are prepared may subsequently prove different from actual events.

1.6 Methods of consolidation

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

Jointly controlled companies and companies where the Group has significant influence but no controlling interest are accounted for using the equity method. Although jointly controlled, those entities are fully integrated within the Group's operating activities if their businesses are related to those of the Group. Financière Agache discloses their net profit – as well as that of entities using the equity method (see Note 8) – on a separate line, which forms part of profit from recurring operations.

Net profit for non-operating joint ventures and associates is disclosed on a specific line within "Net financial income/(expense)".

When an investment in a joint venture or associate accounted for using the equity method involves a payment tied to meeting specific performance targets, known as an earn-out payment, the estimated amount of this payment is included in the initial purchase price recorded in the balance sheet, with an offsetting entry under financial liabilities. Any difference between the initial estimate and the actual payment made is recorded as part of the value of investments in joint ventures and associates, without any impact on the income statement.

The assets, liabilities, income and expenses of the Wines and Spirits distribution subsidiaries held jointly with the Diageo group are consolidated only in proportion to the Group's share of operations (see Note 1.26).

The consolidation on an individual or collective basis of companies that are not consolidated (see "Companies not included in the scope of consolidation") would not have a significant impact on the Group's main aggregates.

1.7 Foreign currency translation of the financial statements of entities outside the eurozone

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

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

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

1.8 Foreign currency transactions and hedging of exchange rate risks

Transactions of consolidated companies denominated in a currency other than their functional currencies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the fiscal year-end. Unrealized gains and losses resulting from this translation are recognized:

- within "Cost of sales" for commercial transactions;
- within "Net financial income/(expense)" for financial transactions.

Foreign exchange gains and losses arising from the translation or elimination of intra-Group transactions or receivables and payables denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long-term intra-Group financing transactions, which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment".

Derivatives used to hedge commercial, financial or investment transactions are recognized in the balance sheet at their market value (see Note 1.9) at the balance sheet date. Changes in the value of the effective portions of these derivatives are recognized as follows:

- For hedges that are commercial in nature:
  - within "Cost of sales" for hedges of receivables and payables recognized in the balance sheet at the end of the period;
  - within equity under "Revaluation reserves" for hedges of future cash flows; this amount is transferred to cost of sales upon recognition of the hedged assets and liabilities.
- For hedges that are tied to the Group's investment portfolio (hedging the net worth of subsidiaries whose functional currency is not the euro), within equity under "Cumulative translation adjustment"; this amount is transferred to the income statement upon the sale or liquidation (whether partial or total) of the subsidiary whose net worth is hedged.
- For hedges that are financial in nature, within "Net financial income/(expense)", under "Other financial income and expenses".

Changes in the value of these derivatives related to forward points associated with forward contracts, as well as in the time value component of options, are recognized as follows:

- For hedges that are commercial in nature, within equity under "Revaluation reserves". The cost of the forward contracts (forward points) and of the options (premiums) is transferred to "Other financial income and expenses" upon realization of the hedged transaction.
- For hedges that are tied to the Group's investment portfolio or financial in nature, expenses and income arising from discounts or premiums are recognized in "Borrowing costs" on a pro rata basis over the term of the hedging instruments. The difference between the amounts recognized in "Net financial income/(expense)" and the change in the value of forward points is recognized in equity under "Revaluation reserves".

Market value changes of derivatives not designated as hedges are recorded within "Net financial income/(expense)".

See also Note 1.21 for the definition of the concepts of effective and ineffective portions.

1.9 Fair value measurement

Fair value (or market value) is the price that would be obtained from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants.

The assets and liabilities measured at fair value in the balance sheet are as follows:

	Approaches to determining fair value	**Amounts recorded at balance sheet date**
Vineyard land	Based on recent transactions in similar assets. See Note 1.13.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.17.	Note 11
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.22.	Note 23
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.21.	Note 19
Liabilities in respect of purchase commitments for minority interests' shares priced according to fair value	Generally based on the market multiples of comparable companies. See Note 1.12.	Note 21
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Unquoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.16.	Note 9, Note 14
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.19.	Note 15

No other assets or liabilities have been remeasured at market value at the balance sheet date.

1.10 Brands and other intangible assets

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

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

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

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

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

Amortizable lives of brands and trade names with definite useful lives range from 5 to 20 years, depending on their estimated period of use.

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.15.

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

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

- rights attached to sponsorship agreements and media partnerships: Over the life of the agreements, depending on how the rights are used;
- development expenditure: Three years at most;
- software, websites: One to five years.

1.11 Changes in ownership interests in consolidated entities

When the Group takes de jure or de facto control of a business, its assets, liabilities and contingent liabilities are estimated at their market value as of the date when control is obtained; the difference between the cost of taking control and the Group's share of the market value of those assets, liabilities and contingent liabilities is recognized as goodwill.

The cost of taking control is the price paid by the Group in the context of an acquisition, or an estimate of this price if the transaction is carried out without any payment of cash, excluding acquisition costs, which are disclosed under "Other operating income and expenses".

The difference between the carrying amount of minority interests purchased after control is obtained and the price paid for their acquisition is deducted from equity.

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

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.15. Any impairment expense recognized is included within "Other operating income and expenses".

1.12 Purchase commitments for minority interests' shares

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

Pending specific guidance from IFRSs regarding this issue, the Group recognizes these commitments as follows:

- The value of the commitment at the balance sheet date appears in "Purchase commitments for minority interests' shares", as a liability on its balance sheet.
- The corresponding minority interests are canceled.
- For commitments granted prior to January 1, 2010, the difference between the amount of the commitments and canceled minority interests is maintained as an asset on the balance sheet under goodwill, as are subsequent changes in this difference. For commitments granted as from January 1, 2010, the difference between the amount of the commitments and minority interests is deducted from equity, under "Other reserves".

This recognition method has no effect on the presentation of minority interests within the income statement.

1.13 Property, plant and equipment

With the exception of vineyard land, the gross value of property, plant and equipment is stated at acquisition cost.

Any borrowing costs incurred prior to the placed-in-service date or during the construction period of assets are capitalized.

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

Buildings mostly occupied by third parties are reported as investment property, at acquisition cost. Investment property is thus not remeasured at market value.

The depreciable amount of property, plant and equipment comprises the acquisition cost of their components less residual value, which corresponds to the estimated disposal price of the asset at the end of its useful life.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives; the following useful lives are applied:

- buildings including investment property: 20 to 100 years;
- machinery and equipment: 3 to 25 years;
- leasehold improvements: 3 to 10 years;
- producing vineyards: 18 to 25 years.

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

1.14 Leases

See Note 1.2 relating to the terms of the initial application, since January 1, 2019, of IFRS 16 Leases.

1.15 Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired (particularly following major changes in the asset's operating conditions), and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of assets with indefinite useful lives is greater than the higher of their value in use or market value, the resulting impairment loss is recognized within "Other operating income and expenses", allocated on a priority basis to any existing goodwill.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Market value is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts for the purposes of a disposal transaction.

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

The data used in the forecast discounted cash flow method comes from annual budgets and multi-year business plans prepared by the management of the business segments concerned. Detailed forecasts cover a five-year period, which may be extended for brands undergoing strategic repositioning or whose production cycle exceeds five years. An estimated terminal value is added to the value resulting from discounted forecast cash flows, which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. Discount rates are set for each business group with reference to companies engaged in comparable businesses. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and an assessment of the risk premium associated with that business. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed.

1.16 Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their nature.

Non-current available for sale financial assets comprise strategic and non-strategic investments whose estimated period and form of ownership justify such classification.

Current available for sale financial assets (presented in "Other current assets"; see Note 12) include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of day-to-day cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.19).

Available for sale financial assets are measured at their listed value at the fiscal year-end date in the case of quoted investments, and in the case of unquoted investments at their estimated net realizable value, assessed either according to formulas based on market quotations or based on private quotations at the fiscal year-end date.

Positive or negative changes in value are recognized by the LVMH group under "Net financial income/(expense)" (within "Other financial income and expenses") for all shares held in the portfolio during the reported periods.

At its level, Financière Agache integrates data from the LVMH group without restatement. As it is authorized to do under IFRS 9, Financière Agache has opted to present the available for sale financial assets of consolidated subsidiaries outside the LVMH scope within equity (under "Revaluation reserves" for available for sale financial assets). Nevertheless, Financière Agache reserves the right to choose, for each accounting item, the method for

recognizing their change in market value: either within "Net financial income/(expense)" or directly in equity for its future available for sale financial assets.

1.17 Inventories and work in progress

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

Wine produced by the Group, including champagne, is measured on the basis of the applicable harvest market value, which is determined by reference to the average purchase price of equivalent grapes, as if the grapes harvested had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated on a pro rata basis, in line with the estimated yield and market value.

Inventories are valued using either the weighted average cost or the FIFO method, depending on the type of business.

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

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

1.18 Trade accounts receivable, loans and other receivables

Trade accounts receivable, loans and other receivables are recorded at amortized cost, which corresponds to their face value. Impairment is recognized for the portion of loans and receivables not covered by credit insurance when such receivables are recorded, in the amount of the losses expected upon maturity. This reflects the probability of counterparty default and the expected loss rate, measured using historical statistical data, information provided by credit bureaus, or ratings by credit rating agencies, depending on the specific case.

The amount of long-term loans and receivables (i.e. those falling due in more than one year) is subject to discounting, the effects of which are recognized under "Net financial income/(expense)", using the effective interest method.

1.19 Cash and cash equivalents

"Cash and cash equivalents" comprise cash and highly liquid money-market investments subject to an insignificant risk of changes in value over time.

Money-market investments are measured at their market value, based on price quotations at the close of trading and on the exchange rate prevailing at the fiscal year-end date, with any changes in value recognized as part of "Net financial income/(expense)".

1.20 Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated. See also Notes 1.24 and 20.

If the date at which this obligation is to be discharged is in more than one year, the provision amount is discounted, the effects of which are recognized in "Net financial income/(expense)" using the effective interest method.

1.21 Borrowings

Borrowings are measured at amortized cost, i.e. nominal value net of issue premiums and issuance costs, which are charged over time to "Net financial income/(expense)" using the effective interest method.

In the case of hedging against fluctuations in the value of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedging instruments are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/(expense), under "Fair value adjustment of borrowings and interest rate hedges". See Note 1.9 on the measurement of hedged borrowings at market value. Interest income and expenses related to hedging instruments are recognized within "Net financial income/(expense)" under "Borrowing costs".

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

Changes in value of non-hedging derivatives, and of the ineffective portions of hedges, are recognized within "Net financial income/(expense)".

Net financial debt comprises short- and long-term borrowings, the market value at the balance sheet date of interest rate derivatives, less the amount at the balance sheet date of non-current available for sale financial assets used to hedge financial debt, current available for sale financial assets, cash and cash equivalents, in addition to the market value at that date of foreign exchange derivatives related to any of the aforementioned items.

1.22 Derivatives

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

To hedge against commercial, financial and investment foreign exchange risk, the Group uses options, forward contracts, foreign exchange swaps and cross-currency swaps. The time value of options, the forward point component of forward contracts and foreign exchange swaps, as well as the foreign currency basis spread component of cross-currency swaps are systematically excluded from the hedge relation. Consequently, only the intrinsic value of the instruments is considered a hedging instrument. Regarding hedged items (future foreign currency cash flows, commercial or financial liabilities and accounts receivable in foreign currencies, subsidiaries' equity denominated in a functional currency other than the euro), only their change in value in respect of foreign exchange risk is considered a hedged item. As such, aligning the hedging instruments' main features (nominal values, currencies, maturities) with those of the hedged items makes it possible to perfectly offset changes in value.

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.8 in the case of foreign exchange hedges, and as described in Note 1.20 in the case of interest rate hedges.

Market value is based on market data and commonly used valuation models.

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

1.23 Financière Agache, Christian Dior and LVMH treasury shares

Financière Agache treasury shares

Financière Agache shares held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity, irrespective of the purpose for which they are held.

In the event of disposal, the cost of the shares disposed of is determined using the FIFO method. Gains and losses on disposal are taken directly to equity.

Christian Dior and LVMH treasury shares

Purchases and sales by Christian Dior and LVMH of their own shares, as well as LVMH SE capital increases reserved for recipients of share subscription options, resulting in changes in the ownership interests held by the Financière Agache group in Christian Dior and in LVMH, are accounted for in the consolidated financial statements of the Financière Agache group as changes in ownership interests in consolidated entities.

As from January 1, 2010, in accordance with the revised version of IFRS 3, changes in the Financière Agache group's ownership interests in Christian Dior and in LVMH have been taken to equity.

As this standard is applied prospectively, goodwill recognized until December 31, 2009 has been maintained as an asset on the balance sheet.

1.24 Pensions, contribution to medical costs and other employee benefit commitments

When plans related to retirement bonuses, pensions, contribution to medical costs and other commitments entail the payment by the Group of contributions to third-party organizations that assume sole responsibility for subsequently paying such retirement benefits, pensions or contributions to medical costs, these contributions are expensed in the fiscal year in which they fall due, with no liability recorded on the balance sheet.

When the payment of retirement bonuses, pensions, contributions to medical costs and other commitments is to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment. Changes in this provision are recognized as follows:

- the portion related to the cost of services rendered by employees and net interest for the fiscal year is recognized in profit from recurring operations for the fiscal year;
- the portion related to changes in actuarial assumptions and to differences between projected and actual data (experience adjustments) is recognized in gains and losses taken to equity.

If this commitment is partially or fully funded by payments made by the Group to external financial organizations, these dedicated funds are deducted from the actuarial commitment recorded in the balance sheet.

The actuarial commitment is calculated based on assessments that are specifically designed for the country and the Group company concerned. In particular, these assessments include assumptions regarding discount rates, salary increases, inflation, life expectancy and staff turnover.

1.25 Current and deferred tax

The tax expense comprises current tax payable by consolidated companies and deferred tax resulting from temporary differences as well as the change in uncertain tax positions.

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

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

Future tax savings from tax losses carried forward are recorded as deferred tax assets on the balance sheet and impaired if they are deemed not recoverable; only amounts for which future use is deemed probable are recognized.

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries give rise to provisions if distribution is deemed probable.

1.26 Revenue recognition

Definition of revenue

Revenue mainly comprises retail sale within the Group's store network (including e-commerce websites) and sales through agents and distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

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

Wholesale sales mainly concern the Wines and Spirits businesses, as well as certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third-party customers.

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

Sales of services, mainly involved in the Group's "Other activities" segment, are recognized as the services are provided.

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

Provisions for product returns

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

Where this practice is applied, revenue is reduced by the estimated amount of such returns, and a provision is recognized within "Other current liabilities" (see Note 22.2), along with a corresponding entry made to inventories. The estimated rate of returns is based on historical statistical data.

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo, generally taking the form of shared entities that sell and deliver both groups' products to customers; the income statement and balance sheet of these entities is apportioned between the Group and Diageo based on distribution agreements. According to those agreements, the assets, liabilities, income and expenses of such entities are consolidated only in proportion to the Group's share of operations.

1.27 Advertising and promotion expenses

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

Advertising and promotion expenses are recorded within marketing and selling expenses upon receipt or production of goods or upon completion of services rendered.

1.28 Bonus share and similar plans

For bonus share plans, the expected gain is calculated on the basis of the closing share price on the day before the Board of Directors' meeting at which the plan is instituted, less the amount of dividends expected to accrue during the vesting period.

A discount may be applied to the value of the bonus shares thus calculated to account for a period of non-transferability, where applicable.

For all plans, the amortization expense is apportioned on a straight-line basis in the income statement over the vesting period, with a corresponding impact on reserves in the balance sheet.

For any cash-settled compensation plans index-linked to the change in the LVMH share price, the gain over the vesting period is estimated at each balance sheet date based on the LVMH share price at that date, and is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions.

Between that date and the settlement date, the change in the expected gain resulting from the change in the LVMH share price is recorded in the income statement.

1.29 Earnings per share

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

Where necessary, diluted earnings per share are calculated based on the weighted average number of shares before dilution. Dilutive instruments issued by subsidiaries are also taken into consideration for the purposes of determining the Group's share of net profit after dilution.

NOTE 2 – CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

2.1 Fiscal year 2019

Belmond

On April 17, 2019, pursuant to the transaction agreement announced on December 14, 2018 and approved by Belmond's shareholders on February 14, 2019, LVMH acquired, for cash, all the Class A shares of Belmond Ltd at a unit price of 25 US dollars, for a total of 2.2 billion US dollars. After taking into account the shares acquired on the market in December 2018, the carrying amount of Belmond shares held came to 2.3 billion euros. Following this acquisition, Belmond's Class A shares were no longer listed on the New York Stock Exchange.

Belmond, which has locations in 24 countries, owns and operates an exceptional portfolio of very high-end hotels and travel experiences in the world's most desirable, prestigious destinations.

The following table details the provisional allocation of the purchase price paid by LVMH on April 17, 2019, the date of acquisition of the controlling interest:

(EUR millions)	**Provisional allocation as of June 30, 2019**	**Change**	**Provisional allocation as of Dec. 31, 2019**
Brand and other intangible assets	6	141	147
Property, plant and equipment	1,119	1,193	2,312
Other current and non-current assets	202	109	311
Net financial debt	(586)	(18)	(604)
Deferred tax	(80)	(354)	(434)
Current and non-current liabilities	(335)	(31)	(366)
Minority interests	(1)	-	(1)
Net assets acquired	**325**	**1,040**	**1,365**
Provisional goodwill	1,928	(1,040)	888
Carrying amount of shares held as of April 17, 2019	**2,253**	**-**	**2,253**

The amounts presented in the table above are taken from Belmond's unaudited financial statements at the date of acquisition of the controlling interest. A provisional allocation of the purchase price has been made. The main revaluations concern real estate assets, for 1,193 million euros, and the Belmond brand, for 140 million euros.

The carrying amount of shares held as of the date of acquisition of the controlling interest includes shares acquired in 2018 for 274 million euros.

During the fiscal year, the acquisition of Belmond shares and the payment of costs related to the acquisition generated an outflow of 2,006 million euros, net of cash acquired in the amount of 101 million euros. Following the acquisition of the controlling interest, Belmond's long-term bank borrowings were repaid in the amount of 560 million euros.

Belmond's revenue and profit from recurring operations consolidated since the date of acquisition of the controlling interest totaled 466 million euros and 94 million euros, respectively. For 2018 as a whole, Belmond had consolidated revenue of 577 million US dollars, and an operating profit of 12 million US dollars.

Stella McCartney

Under the agreement announced in July 2019 to speed up the Stella McCartney brand's expansion plans, LVMH acquired a 49% stake in this fashion house in November 2019, which is accounted for using the equity method (see Note 8).

Château du Galoupet

In June 2019, the Group acquired the entire share capital of Château du Galoupet, a Côtes de Provence estate awarded Cru Classé status in 1955. This property, located in La Londe-les-Maures (France), extends over 68 contiguous hectares and mainly produces rosé wines.

Château d'Esclans

In late November 2019, the Group acquired 55% of the share capital of Château d'Esclans. This property is located in La Motte (France) and exclusively produces world-renowned rosé wines, in particular the *Garrus* and *Whispering Angel* cuvées.

2.2 Fiscal year 2018

In the second half of 2018, LVMH acquired the 20% stake in the share capital of Fresh that it did not own; the price paid generated the recognition of a final goodwill, previously recorded under "Goodwill arising on purchase commitments for minority interests' shares".

2.3 Fiscal year 2017

2.3.1 *Fashion and Leather Goods*

Rimowa

On January 23, 2017, pursuant to the transaction agreement announced on October 4, 2016, LVMH acquired an 80% stake in Rimowa – the luggage and leather goods maker founded in Cologne in 1898 and known for its innovative, high-quality luggage – with effect from January 2, 2017 and for consideration of 640 million euros. The 20% of the share capital that has not been acquired is covered by a put option granted by LVMH, exercisable from 2020. The 71 million euro difference in value between the purchase commitment (recorded in "Purchase commitments for minority interests' shares"; see Note 21) and minority interests was deducted from consolidated reserves. Rimowa has been fully consolidated by LVMH within the Fashion and Leather Goods business group since January 2017.

The following table details the final allocation of the purchase price paid by LVMH:

(EUR millions)	**Final purchase price allocation**
Brand	475
Intangible assets and property, plant and equipment	145
Other non-current assets	5
Non-current provisions	(31)
Current assets	119
Current liabilities	(62)
Net financial debt	(57)
Deferred tax	(150)
Net assets acquired	**444**
Minority interests (20%)	(89)
Net assets, Group share at LVMH (80%)	**355**
Goodwill	285
Carrying amount of shares held as of January 2, 2017	**640**

In 2017, Rimowa had consolidated revenue of 417 million euros and profit from recurring operations of 9 million euros.

The Rimowa brand, amounting to 475 million euros, was valued using the relief from royalty method. Goodwill, recognized in the amount of 285 million euros, is representative of Rimowa's expertise and capacity to innovate, for which it is internationally renowned in the sector of high-quality luggage.

The acquisition costs for Rimowa were recognized in "Other operating income and expenses"; in 2017, these totaled 1 million euros, in addition to acquisition costs totaling 3 million euros recognized in 2016 (see Note 26).

In 2017, the Rimowa acquisition generated an outflow of 615 million euros, net of cash acquired in the amount of 25 million euros.

Loro Piana

In February 2017, following the partial exercise of the put option held by the Loro Piana family for Loro Piana shares, LVMH acquired an additional 5% stake in the company, bringing its ownership interest to 85%. The difference between the acquisition price and minority interests was deducted from equity.

Christian Dior Couture

On July 3, 2017, as part of the project aimed at simplifying the structures of the Christian Dior – LVMH group and in accordance with the terms of the memorandum of understanding signed with LVMH on April 24, 2017, Christian Dior SE sold 100% of the Christian Dior Couture segment to LVMH for 6.0 billion euros. As of that date, Christian Dior directly and indirectly held 41% of the share capital and 57% of the voting rights of LVMH.

The scope of the sale included Grandville (wholly owned by Christian Dior) and its subsidiary, Christian Dior Couture. The price paid was determined on the basis of an enterprise value of 6.5 billion euros, corresponding to 15.6 times the adjusted EBITDA for the 12-month period ended March 2017. As a result of this sale, the Financière Agache group's ownership interest in Christian Dior Couture fell from 72% in the first half of 2017 to 41% in the second half of 2017.

Since LVMH is fully consolidated within Financière Agache's consolidated financial statements, this sale had no impact on net profit.

The Financière Agache group's consolidated reserves were reduced by 464 million euros, an amount made up of:

- the portion of net assets transferred to minority interests in LVMH SE (324 million euros);
- the Group's share of transaction costs (4 million euros), which had a negative impact on equity of 5 million euros;
- the tax on the capital gain on the sale after taking into account tax loss carryforwards (which had a negative impact on equity of 143 million euros), the Group's share of which represented a 136 million euro reduction in consolidated reserves.

Information for Christian Dior Couture has been included in the figures for the Fashion and Leather Goods business group since the sale within the consolidated group of this segment by Christian Dior SE to LVMH SE on July 3, 2017 (see Note 24).

2.3.2 *Other activities*

Simplified public offer by Semyrhamis for Christian Dior shares

On May 22, 2017, Semyrhamis (a wholly owned subsidiary of Financière Agache) filed a draft public offer document with the Autorité des Marchés Financiers (AMF, the French financial markets regulator) relating to its simplified public offer for the entirety of the Christian Dior shares not owned by the Arnault Family Group. This filing followed the signing of a syndicated loan agreement to finance the offer. The AMF issued its clearance notice ("avis de conformité") for the offer on June 6, 2017, and the public offer ran from June 8 to 28, 2017 inclusive.

The main terms of this public offer were as follows:

- Primary mixed public offer: 172 euros and 0.192 Hermès International shares for each Christian Dior share tendered;
- Secondary cash offer (with reduction and transfer mechanism): 260 euros for each Christian Dior share tendered;
- Secondary exchange offer (with reduction and transfer mechanism): 0.566 Hermès International shares for each Christian Dior share tendered.

At the close of the simplified public offer, whose results were announced on July 4, 2017 by the AMF, Semyrhamis had acquired a total of 36,363,863 Christian Dior shares.

The settlement and delivery of the Christian Dior shares in exchange for Hermès International shares and the cash payment occurred on July 12. The settlement and delivery was comprised of (i) 6,254 million euros paid in cash and (ii) 6,980,933 Hermès shares tendered to the exchange offer and valued at 3,065 million euros, on the basis of the opening share price on July 12 (439 euros).

The impact of the public offer for Christian Dior shares on the consolidated financial statements as of December 31, 2017 was as follows:

	Impact of the mixed public offer		
(EUR millions)	**Equity, Group share – Consolidated reserves**	**Other reserves, minority interests**	**Total equity**
Amount of the public offer	(9,318)		(9,318)
Offer costs	(18)		(18)
Portion of net assets acquired under the public offer	2,515	(2,515)	-
TOTAL	**(6,821)**	**(2,515)**	**(9,336)**

With respect to the Group's share of equity, the difference between the purchase price of the shares (9,318 million euros) and the portion of net assets acquired from minority interests (2,515 million euros) was deducted from the Group's share of consolidated reserves. The offer costs were also deducted from the Group's share of consolidated reserves.

At the close of the public offer period, the remaining stake held by the Group in Hermès International, corresponding to the shares not exchanged, came to 840 million euros. It was reclassified under "Current available for sale financial assets" (see Note 8 regarding "Non-current available for sale financial assets" and Note 13 regarding "Current available for sale financial assets").

In the consolidated financial statements for the fiscal year ended December 31, 2017, the revaluation adjustment (2.1 billion euros, before the tax impact) relating to the Hermès International shares exchanged – corresponding to the difference between the value of Hermès shares tendered (3.1 billion euros) and the cost price of these shares for consolidated accounting purposes (1.0 billion euros) – was recycled to consolidated reserves, without any impact on total equity.

Between the closing of the public offer and December 31, 2017, Semyrhamis acquired 4,097,750 Christian Dior shares, representing 2.27% of Christian Dior SE's share capital.

2.4 Impact on net cash and cash equivalents of changes in ownership interests in consolidated entities

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Purchase price of consolidated investments and of minority interests' shares	(3,165)	(1,279)	(8,634)
Positive cash balance/(net overdraft) of companies acquired	128	4	32
Proceeds from sale of consolidated investments	171	337	290
(Positive cash balance)/net overdraft of companies sold	(2)	-	181
IMPACT OF CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES ON NET CASH AND CASH EQUIVALENTS	**(2,868)**	**(938)**	**(8,131)**
Of which:			
Purchase and proceeds from sale of consolidated investments	*(2,478)*	*(17)*	*(524)*
Purchase and proceeds from sale of minority interests	*(390)*	*(921)*	*(7,607)*

In 2019, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the acquisition of Belmond, the acquisition of Christian Dior and LVMH shares by Group companies, and the acquisition of a 49% stake in Stella McCartney and a 55% stake in Château d'Esclans. Conversely, it included LVMH SE's capital increases reserved for recipients of share subscription options, the impact of the LVMH liquidity contract and payments made by the recipients of Christian Dior share purchase options upon the exercise of their options.

In 2018, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the acquisition of Christian Dior and LVMH shares by Group companies, and the purchase of minority interests in Fresh and in various distribution subsidiaries, particularly in the Middle East. It also included LVMH SE's capital increases reserved for recipients of share subscription options, the impact of the LVMH liquidity contract and payments made by the recipients of Christian Dior share purchase options upon the exercise of their options.

In 2017, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities was mainly due to the cash impact (6,254 million euros; see Note 2) of the public offer by Semyrhamis for Christian Dior shares, subsequent purchases of said shares, capital increases by LVMH SE reserved for recipients of share subscription options, and the impact of the LVMH liquidity contract. Purchases of consolidated investments mainly arose from the acquisition of Rimowa for 615 million euros.

NOTE 3 – BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

	December 31, 2019			Dec. 31, 2018 [a]	Dec. 31, 2017 [a]
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Brands	13,337	(627)	12,710	12,570	12,489
Trade names	3,920	(1,617)	2,303	2,265	2,176
License rights	63	(29)	34	-	-
Software, websites	2,258	(1,608)	650	544	459
Other	1,044	(571)	473	832	789
TOTAL	**20,621**	**(4,452)**	**16,169**	**16,211**	**15,913**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

3.1 Changes during the fiscal year

As of December 31, 2017 and 2018, "Other intangible assets" included leasehold rights. As from January 1, 2019, in accordance with IFRS 16, leasehold rights are now presented within "Right-of-use assets" (see Note 7).

The net amounts of brands, trade names and other intangible assets changed as follows during the fiscal year ended December 31, 2019:

Gross value *(EUR millions)*	Brands	Trade names	Software, websites	Other intangible assets	Total
As of December 31, 2018	**13,119**	**3,851**	**1,903**	**1,895**	**20,768**
Impact of changes in accounting standards [a]	-	-	-	(770)	(770)
As of January 1, 2019, after restatement	**13,119**	**3,851**	**1,903**	**1,125**	**19,998**
Acquisitions	-	-	225	303	528
Disposals and retirements	-	-	(31)	(210)	(241)
Changes in the scope of consolidation	140	-	1	54	195
Translation adjustment	78	69	14	13	174
Reclassifications	-	-	146	(177)	(31)
AS OF DECEMBER 31, 2019	**13,336**	**3,920**	**2,258**	**1,107**	**20,621**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2.

Amortization and impairment *(EUR millions)*	Brands	Trade names	Software, websites	Other intangible assets	Total
As of December 31, 2018	**(549)**	**(1,586)**	**(1,359)**	**(1,063)**	**(4,557)**
Impact of changes in accounting standards [(a)]	-	-	-	391	391
As of January 1, 2019, after restatement	**(549)**	**(1,586)**	**(1,359)**	**(672)**	**(4,166)**
Amortization expense	(17)	(1)	(267)	(137)	(421)
Impairment expense	(54)	-	-	4	(50)
Disposals and retirements	-	-	29	210	239
Changes in the scope of consolidation	-	-	-	(10)	(10)
Translation adjustment	(8)	(30)	(9)	(7)	(55)
Reclassifications	-	-	(2)	12	10
AS OF DECEMBER 31, 2019	**(627)**	**(1,617)**	**(1,608)**	**(600)**	**(4,452)**
CARRYING AMOUNT AS OF DECEMBER 31, 2019	**12,710**	**2,303**	**650**	**507**	**16,169**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2.

Changes in the scope of consolidation related to the acquisition of Belmond. See Note 2.

3.2 Changes during prior fiscal years

Carrying amount *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2016	**12,247**	**2,440**	**375**	**416**	**421**	**15,899**
Acquisitions	-	-	180	31	248	459
Disposals and retirements	-	-	(1)	(3)	-	(4)
Changes in the scope of consolidation	481	-	1	5	1	488
Amortization expense	(26)	(1)	(179)	(51)	(150)	(407)
Impairment expense	(50)	-	(2)	-	(1)	(53)
Translation adjustment	(163)	(263)	(23)	(8)	(18)	(475)
Reclassifications	-	-	108	2	(104)	6
As of December 31, 2017	**12,489**	**2,176**	**459**	**392**	**397**	**15,913**
Acquisitions	-	-	177	88	272	537
Disposals and retirements	-	-	(2)	-	-	(2)
Changes in the scope of consolidation	40	-	-	1	-	41
Amortization expense	(18)	(1)	(221)	(60)	(147)	(447)
Impairment expense	-	-	-	(2)	(7)	(9)
Translation adjustment	59	90	8	2	7	166
Reclassifications	-	-	123	17	(128)	12
AS OF DECEMBER 31, 2018	**12,570**	**2,265**	**544**	**438**	**394**	**16,211**

3.3 Brands and trade names

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

	December 31, 2019			Dec. 31, 2018	Dec. 31, 2017
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Wines and Spirits	2,834	(143)	2,691	2,677	2,674
Fashion and Leather Goods	5,043	(222)	4,821	4,826	4,787
Perfumes and Cosmetics	1,354	(63)	1,291	1,297	1,311
Watches and Jewelry	3,691	(91)	3,599	3,560	3,507
Selective Retailing	3,872	(1,570)	2,303	2,265	2,176
Other activities	462	(155)	308	210	210
BRANDS AND TRADE NAMES	**17,257**	**(2,244)**	**15,013**	**14,835**	**14,665**

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2019, the principal acquired brands and trade names were:

- Wines and Spirits: Hennessy, Moët & Chandon, Veuve Clicquot, Krug, Château d'Yquem, Belvedere, Glenmorangie, Newton Vineyards and Numanthia Termes;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Celine, Loewe, Givenchy, Kenzo, Pink Shirtmaker, Berluti, Pucci, Loro Piana and Rimowa;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up For Ever, Benefit Cosmetics, Fresh, Acqua di Parma, KVD Vegan Beauty, Fenty, Ole Henriksen and Maison Francis Kurkdjian;
- Watches and Jewelry: Bvlgari, TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora, Le Bon Marché and Ile de Beauté;
- Other activities: The publications of the media group Les Échos-Investir, the daily newspaper Le Parisien-Aujourd'hui en France, the Royal Van Lent-Feadship brand, La Samaritaine, the hotel group Belmond and the Cova pastry shop brand.

These brands and trade names are recognized in the balance sheet at their value determined as of the date of their acquisition by the Group, which may be much less than their value in use or their market value as of the closing date for the Group's consolidated financial statements. This is notably the case for the brands Louis Vuitton, Christian Dior Couture, Veuve Clicquot and Parfums Christian Dior, and the trade name Sephora, with the understanding that this list must not be considered exhaustive.

At the initial consolidation of LVMH in 1988, all brands then owned by LVMH were revalued in the consolidated financial statements of the Financière Agache group. In the Financière Agache consolidated financial statements, LVMH's accounts are restated to account for valuation differences in brands recorded prior to 1988 as well as intra-Group transactions in the consolidated accounts of each of these companies. See Note 1.3.

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

NOTE 4 – GOODWILL

	December 31, 2019			Dec. 31, 2018	Dec. 31, 2017
(EUR millions)	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	10,226	(1,680)	8,545	7,477	7,361
Goodwill arising on purchase commitments for minority interests' shares	6,312	-	6,312	5,073	5,299
TOTAL	**16,538**	**(1,680)**	**14,857**	**12,550**	**12,660**

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

	December 31, 2019			Dec. 31, 2018	Dec. 31, 2017
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
As of January 1	**14,193**	**(1,643)**	**12,550**	**12,660**	**11,402**
Changes in the scope of consolidation (see Note 2)	1,033	(1)	1,032	45	426
Changes in purchase commitments for minority interests' shares	1,247	-	1,247	(126)	1,008
Changes in impairment	-	(22)	(22)	(100)	(52)
Translation adjustment	65	(14)	50	71	(125)
Reclassifications	-	-	-	-	1
AS OF DECEMBER 31	**16,538**	**(1,680)**	**14,857**	**12,550**	**12,660**

Changes in the scope of consolidation mainly resulted from the acquisition of Belmond. See Note 2.

See also Note 21 for goodwill arising on purchase commitments for minority interests' shares.

Changes in the scope of consolidation during fiscal year 2017 were mainly attributable to the acquisition of Rimowa.

NOTE 5 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition are tested for impairment at least once a year. No significant impairment expense was recognized in respect of these items during the course of fiscal year 2019. As described in Note 1.15, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans drawn up each fiscal year.

The main assumptions used to determine these forecast cash flows for multi-year plans are as follows:

	December 31, 2019				December 31, 2018			December 31, 2017		
	Discount rate									
Business group *(as %)*	**Post-tax**	**Pre-tax**	**Annual growth rate for revenue during the plan period**	**Growth rate for the period after the plan**	**Post-tax discount rate**	**Annual growth rate for revenue during the plan period**	**Growth rate for the period after the plan**	**Post-tax discount rate**	**Annual growth rate for revenue during the plan period**	**Growth rate for the period after the plan**
Wines and Spirits	6.0 to 10.8	8.1 to 14.6	5.8	2.0	6.5 to 11.0	5.7	2.0	6.5 to 11.0	5.9	2.0
Fashion and Leather Goods	7.1 to 9.6	9.6 to 13.0	10.4	2.0	8.0 to 10.5	9.7	2.0	8.0 to 10.5	6.6	2.0
Perfumes and Cosmetics	6.5 to 9.2	8.8 to 12.4	9.1	2.0	7.4 to 10.1	8.9	2.0	7.4 to 10.1	9.3	2.0
Watches and Jewelry	7.5 to 8.9	10.1 to 12.0	9.2	2.0	9.0 to 10.4	8.3	2.0	9.0 to 10.4	6.9	2.0
Selective Retailing	7.0 to 8.8	9.5 to 11.9	8.2	2.0	7.3 to 9.4	9.8	2.0	7.3 to 8.3	8.2	2.0
Other	6.0 to 7.5	8.1 to 10.1	2.3	2.0	6.5 to 9.3	4.5	2.0	6.5 to 7.3	8.4	2.0

Plans generally cover a five-year period, but may be prolonged up to ten years in the case of brands for which the production cycle exceeds five years or brands undergoing strategic repositioning. The annual growth rate for revenue and the improvement in profit margins over plan periods are comparable to the growth achieved in the previous four years, except for brands undergoing strategic repositioning, for which the improvements projected are greater than historical performance due to the expected effects of the repositioning measures implemented.

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

The decrease in the discount rate in 2019 was due to the drop in interest rates.

As of December 31, 2019, the intangible assets with indefinite useful lives that are the most significant in terms of their carrying amounts and the criteria used for impairment testing are as follows:

(EUR millions)	Brands and trade names	Goodwill	Total	Post-tax discount rate *(as %)*	Growth rate for the period after the plan *(as %)*	Period covered by the forecast cash flows
Louis Vuitton	2,059	405	2,464	7.1	2.0	5 years
Loro Piana [(a)]	1,300	1,048	2,348	N/A	N/A	N/A
Fendi	713	405	1,118	8.4	2.0	5 years
Bvlgari	2,100	1,547	3,647	7.5	2.0	5 years
TAG Heuer	1,143	217	1,360	7.5	2.0	5 years
DFS Galleria	2,037	-	2,037	8.8	2.0	5 years
Hennessy	1,067	55	1,122	6.0	2.0	5 years

(a) For impairment testing purposes, the fair value of Loro Piana was determined by applying the share price multiples of comparable companies to Loro Piana's consolidated operating results. The change in multiples resulting from a 10% decrease in the market capitalization of comparable companies or the operating profit of Loro Piana would not generate an impairment risk for Loro Piana's intangible assets.
N/A: Not applicable.

As of December 31, 2019, for the business segments listed above (with the exception of Loro Piana – see Note (a) above), a 0.5-point change in the post-tax discount rate or in the growth rate for the period not covered by the plans, compared to rates used as of December 31, 2019, or a 2-point reduction in the annual growth rate for revenue over the period covered by the plans, would not result in the recognition of any impairment losses for these intangible assets. The Group considers that changes in excess of the limits mentioned above would entail assumptions at a level not deemed relevant in view of the current economic environment and medium- to long-term growth prospects for the business segments concerned. With respect to the other business segments, three have disclosed intangible assets with a carrying amount close to their recoverable amount. Impairment tests relating to intangible assets with indefinite useful lives in these business segments have been carried out based on value in use.

The amount of these intangible assets as of December 31, 2019 and the impairment loss that would result from a 0.5-point change in the post-tax discount rate or in the growth rate for the period not covered by the plans, or from a 2-point decrease in the compound annual growth rate for revenue compared to rates used as of December 31, 2019, break down as follows:

		Amount of impairment if:		
(EUR millions)	Amount of intangible assets concerned as of December 31, 2019	Post-tax discount rate increases by 0.5 points	Annual growth rate for revenue decreases by 2 points	Growth rate for the period after the plan decreases by 0.5 points
Selective Retailing	87	(19)	(19)	(15)
Other business groups	516	(44)	(36)	(36)
TOTAL	**603**	**(63)**	**(55)**	**(51)**

As of December 31, 2019, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or impairment charges in 2019 were 325 million euros and 37 million euros, respectively (644 million and 467 million euros as of December 31, 2018). See Note 26 regarding the amortization and impairment expense recorded during the fiscal year.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019			Dec. 31, 2018 (a)	Dec. 31, 2017 (a)
(EUR millions)	Gross	Depreciation and impairment	Net	Net	Net
Land	3,882	(18)	3,863	2,265	1,704
Vineyard land and producing vineyards (b)	2,655	(118)	2,537	2,473	2,432
Buildings	5,248	(2,128)	3,120	2,189	2,052
Investment property	375	(39)	336	617	777
Leasehold improvements, machinery and equipment	14,243	(9,527)	4,717	4,078	3,971
Assets in progress	1,652	(2)	1,650	1,237	784
Other property, plant and equipment	2,229	(524)	1,706	1,616	1,509
TOTAL	**30,284**	**(12,355)**	**17,929**	**14,475**	**13,229**
Of which: Historical cost of vineyard land	*587*	*-*	*587*	*576*	*543*

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) Almost all of the carrying amount of "Vineyard land and producing vineyards" corresponds to vineyard land.

6.1 Changes during the fiscal year

Changes in property, plant and equipment during the fiscal year broke down as follows:

				Leasehold improvements, machinery and equipment					
Gross value *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Stores and hotels	Production, logistics	Other	Assets in progress	Other property, plant and equipment	Total
As of December 31, 2018	**2,584**	**6,375**	**653**	**8,632**	**2,756**	**1,351**	**1,238**	**2,098**	**25,687**
Impact of changes in accounting standards (a)	-	(395)	-	(149)	(50)	(32)	(3)	(1)	(630)
As of January 1, 2019, after restatement	**2,584**	**5,980**	**653**	**8,483**	**2,706**	**1,319**	**1,235**	**2,097**	**25,057**
Acquisitions	11	260	15	806	165	143	1,375	124	2,899
Change in the market value of vineyard land	42	-	-	-	-	-	-	-	42
Disposals and retirements	(1)	(84)	(23)	(604)	(55)	(77)	(23)	(21)	(890)
Changes in the scope of consolidation	17	2,339	-	454	12	-	22	10	2,853
Translation adjustment	2	86	8	153	15	15	8	10	295
Other movements, including transfers	1	549	(277)	509	121	79	(964)	9	27
AS OF DECEMBER 31, 2019	**2,655**	**9,130**	**375**	**9,801**	**2,964**	**1,478**	**1,652**	**2,229**	**30,284**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.

Depreciation and impairment *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other property, plant and equipment	Total
				Stores and hotels	Production, logistics	Other			
As of December 31, 2018	**(111)**	**(1,921)**	**(36)**	**(5,907)**	**(1,810)**	**(944)**	**(1)**	**(482)**	**(11,212)**
Impact of changes in accounting standards [(a)]	-	135	-	88	28	23	(1)	2	275
As of January 1, 2019, after restatement	**(111)**	**(1,786)**	**(36)**	**(5,819)**	**(1,782)**	**(921)**	**(2)**	**(480)**	**(10,937)**
Depreciation expense	(6)	(213)	(5)	(1,030)	(189)	(144)	-	(68)	(1,655)
Impairment expense	-	62	(1)	(5)	(2)	-	(16)	-	38
Disposals and retirements	1	77	1	603	54	75	16	29	855
Changes in the scope of consolidation	(2)	(222)	-	(236)	(4)	-	-	(2)	(466)
Translation adjustment	-	(22)	-	(100)	(10)	(11)	-	(6)	(149)
Other movements, including transfers	-	(43)	3	3	(15)	9	-	4	(40)
AS OF DECEMBER 31, 2019	**(118)**	**(2,146)**	**(39)**	**(6,585)**	**(1,949)**	**(992)**	**(2)**	**(524)**	**(12,355)**
CARRYING AMOUNT AS OF DECEMBER 31, 2019	**2,537**	**6,984**	**336**	**3,216**	**1,015**	**486**	**1,650**	**1,706**	**17,929**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.

"Other property, plant and equipment" includes in particular the works of art owned by the Group.

Purchases of property, plant and equipment mainly include investments by the Group's brands – notably Louis Vuitton, Sephora, DFS, Christian Dior Couture and Celine – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses, Hennessy, Parfums Christian Dior and Louis Vuitton in their production equipment.

Changes in the scope of consolidation mainly resulted from the acquisition of Belmond. See Note 2.

The impact of marking vineyard land to market was 1,836 million euros as of December 31, 2019 (1,793 million euros as of December 31, 2018 and 1,785 million euros as of December 31, 2017). See Notes 1.9 and 1.13 on the measurement method for vineyard land.

The market value of investment property, according to appraisals by independent third parties, was at least 0.6 billion euros as of December 31, 2019, at the level of LVMH. The valuation methods used are based on market data.

6.2 Changes during prior fiscal years

Carrying amount *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other property, plant and equipment	Total
				Stores	Production, logistics	Other			
As of December 31, 2016	**2,474**	**3,358**	**869**	**2,737**	**687**	**375**	**1,007**	**1,467**	**12,974**
Acquisitions	9	331	-	572	158	85	842	132	2,129
Disposals and retirements	-	(3)	-	(3)	(3)	(2)	(11)	-	(22)
Depreciation expense	(7)	(174)	(5)	(920)	(180)	(136)	-	(66)	(1,488)
Impairment expense	1	(1)	-	(4)	-	-	(1)	-	(5)
Change in the market value of vineyard land	(35)	-	-	-	-	-	-	-	(35)
Changes in the scope of consolidation	-	57	-	17	49	3	22	10	158
Translation adjustment	(16)	(146)	(57)	(192)	(17)	(18)	(35)	(22)	(503)
Other, including transfers	6	334	(30)	475	189	99	(1,040)	(12)	21
As of December 31, 2017	**2,432**	**3,756**	**777**	**2,682**	**883**	**406**	**784**	**1,509**	**13,229**
Acquisitions	25	473	70	604	162	82	1,074	114	2,604
Disposals and retirements	-	-	-	(3)	(3)	(1)	(1)	3	(5)
Depreciation expense	(6)	(192)	(2)	(946)	(172)	(127)	-	(67)	(1,512)
Impairment expense	-	(2)	-	2	(1)	-	-	(2)	(3)
Change in the market value of vineyard land	8	-	-	-	-	-	-	-	8
Changes in the scope of consolidation	-	-	-	2	1	3	-	-	6
Translation adjustment	(1)	62	14	45	1	5	4	2	132
Other, including transfers	15	357	(242)	339	75	39	(624)	57	16
AS OF DECEMBER 31, 2018	**2,473**	**4,454**	**617**	**2,725**	**946**	**407**	**1,237**	**1,616**	**14,475**

Purchases of property, plant and equipment in fiscal years 2018 and 2017 mainly included investments by the Group's brands in their retail networks and investments by the champagne houses, Hennessy, Louis Vuitton and Parfums Christian Dior in their production equipment. They also included investments related to the La Samaritaine project as well as, in 2018, investments related to the Jardin d'Acclimatation, along with various real estate investments.

NOTE 7 – LEASES

7.1 Right-of-use assets

Right-of-use assets break down as follows, by type of underlying asset:

	December 31, 2019			Jan. 1, 2019
(EUR millions)	Gross	Depreciation and impairment	Net	Net
Stores	11,817	(1,956)	9,861	9,472
Offices	1,724	(288)	1,436	1,332
Other	860	(111)	749	718
Capitalized fixed lease payments	14,402	(2,355)	12,047	11,522
Leasehold rights	738	(376)	362	345
TOTAL	**15,140**	**(2,731)**	**12,409**	**11,867**

The net amounts of right-of-use assets changed as follows during the fiscal year:

Gross value	Capitalized fixed lease payments					
(EUR millions)	Stores	Offices	Other	Total	Leasehold rights	Total
As of January 1, 2019	**9,531**	**1,365**	**728**	**11,624**	**673**	**12,297**
New leases entered into	1,862	386	94	2,342	64	2,406
Changes in assumptions	411	13	2	426	-	426
Leases ended or canceled	(240)	(21)	(18)	(279)	(44)	(323)
Changes in the scope of consolidation	24	5	38	67	2	69
Translation adjustment	200	17	12	229	6	235
Other movements, including transfers	30	(39)	3	(6)	38	32
AS OF DECEMBER 31, 2019	**11,817**	**1,724**	**860**	**14,402**	**738**	**15,140**

Depreciation and impairment	Capitalized fixed lease payments					
(EUR millions)	Stores	Offices	Other	Total	Leasehold rights	Total
As of January 1, 2019	**(59)**	**(33)**	**(10)**	**(102)**	**(328)**	**(430)**
Depreciation expense	(1,970)	(274)	(108)	(2,352)	(53)	(2,405)
Impairment expense	-	(7)	-	(7)	5	(2)
Leases ended or canceled	102	15	9	125	33	158
Changes in the scope of consolidation	(2)	-	(2)	(3)	(5)	(8)
Translation adjustment	(6)	(1)	-	(7)	(2)	(9)
Other movements, including transfers	(21)	13	(1)	(9)	(24)	(33)
AS OF DECEMBER 31, 2019	**(1,956)**	**(288)**	**(111)**	**(2,355)**	**(376)**	**(2,731)**
CARRYING AMOUNT AS OF DECEMBER 31, 2019	**9,861**	**1,436**	**749**	**12,047**	**362**	**12,409**

"New leases entered into" mainly concern store leases, in particular for Sephora, Christian Dior Couture, Bvlgari, Louis Vuitton and DFS. They also include leases of office space, mainly for Parfums Christian Dior.

7.2 Lease liabilities

Lease liabilities break down as follows:

(EUR millions)	Dec. 31, 2019	Jan. 1, 2019
Non-current lease liabilities	10,373	9,679
Current lease liabilities	2,172	2,149
TOTAL	**12,545**	**11,828**

The change in lease liabilities during the fiscal year breaks down as follows:

(EUR millions)	Stores	Offices	Other	Total
As of January 1, 2019	**9,692**	**1,420**	**716**	**11,828**
New leases entered into	1,834	373	94	2,302
Principal repayments	(1,828)	(238)	(101)	(2,166)
Change in accrued interest	40	5	5	50
Leases ended or canceled	(138)	(6)	(8)	(152)
Changes in assumptions	403	11	2	415
Changes in the scope of consolidation	26	-	30	56
Translation adjustment	198	17	12	228
Other movements, including transfers	36	(50)	-	(13)
AS OF DECEMBER 31, 2019	**10,264**	**1,532**	**749**	**12,545**

The following table presents the contractual schedule of disbursements for lease liabilities as of December 31, 2019:

(EUR millions)		December 31, 2019 Total minimum future payments
Maturity:	2020	2,487
	2021	2,188
	2022	1,875
	2023	1,555
	2024	1,317
	Between 2025 and 2029	3,396
	Between 2030 and 2034	671
	Thereafter	1,107
TOTAL MINIMUM FUTURE PAYMENTS		**14,596**
Impact of discounting		(2,051)
TOTAL LEASE LIABILITY		**12,545**

7.3 Breakdown of lease expense

The lease expense for the fiscal year breaks down as follows:

(EUR millions)	2019
Depreciation and impairment of right-of-use assets	2,407
Interest on lease liabilities	290
Capitalized fixed lease expense	**2,697**
Variable lease payments	1,595
Short-term leases and/or low-value leases	376
Other lease expenses	**1,971**
TOTAL	**4,668**

In certain countries, leases for stores entail the payment of both minimum amounts and variable amounts, especially for stores with lease payments indexed to revenue. As required by IFRS 16, only the minimum fixed lease payments are capitalized.

For leases not required to be capitalized, there is little difference between the expense recognized and the payments made.

7.4 Off-balance sheet commitments

Off-balance sheet commitments relating to leases with fixed lease payments break down as follows:

(EUR millions)	2019
Contracts commencing after the balance sheet date	1,592
Low-value leases and short-term leases	195
TOTAL UNDISCOUNTED FUTURE PAYMENTS	**1,787**

As part of the active management of its retail network, the Group negotiates and enters into leases with commencement dates after the balance sheet date. Obligations to make payments under these leases are reported as off-balance sheet commitments rather than being recognized as lease liabilities. In addition, the Group may enter into leases or concession contracts that have variable guaranteed amounts, which are not reflected in the commitments above.

7.5 Discount rates

The average discount rate for lease liabilities as of January 1, 2019 was 2.2%. The average discount rate for new lease liabilities in fiscal year 2019 was 2.0%. These discount rates are equivalent to the average interest rates weighted by the amount of the corresponding lease liabilities.

7.6 Termination and renewal options

Lease liabilities result from the discounting of the fixed portion of contractually defined future lease payments. Lease liabilities are measured on the basis of the initially negotiated contractual lease term, not taking into account any early termination or extension options included in contracts, except in special circumstances.

As of December 31, 2019, 60% of lease liabilities arose from leases with contracts that did not include any early termination or renewal options. Lease liabilities arising from leases with contractually defined renewal options came to around 1 billion euros. The impact of early termination options not taken into consideration would represent a reduction in lease liabilities of approximately 1 billion euros; conversely, the impact of renewal options not taken into account would represent an increase in lease liabilities of approximately 2 billion euros.

NOTE 8 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	December 31, 2019			*Of which: Joint arrangements*	Dec. 31, 2018	*Of which: Joint arrangements*	Dec. 31, 2017	*Of which: Joint arrangements*
(EUR millions)	Gross	Impairment	Net		Net		Net	
Share of net assets of joint ventures and associates as of January 1	**1,724**	**-**	**1,724**	**117**	**1,657**	**112**	**1,450**	**195**
Share of net profit/(loss) for the fiscal year	69	-	69	11	47	12	20	3
Dividends paid	(20)	-	(20)	(9)	(28)	(9)	(22)	(8)
Changes in the scope of consolidation	415	-	415	163	(10)	2	(78)	(78)
Capital increases subscribed	5	-	5	2	3	1	5	3
Translation adjustment	5	-	5	-	7	-	(34)	(7)
Revaluation adjustments	702	-	702	-	44	-	313	-
Other, including transfers	3	-	3	3	4	(1)	3	4
SHARE OF NET ASSETS OF JOINT VENTURES AND ASSOCIATES AS OF DECEMBER 31	**2,903**	**-**	**2,903**	**287**	**1,724**	**117**	**1,657**	**112**

As of December 31, 2019, investments in joint ventures and associates consisted primarily of the following:

- For joint arrangements:
  - a 50% stake in the Château Cheval Blanc wine estate (Gironde, France), which produces the eponymous Saint-Émilion Grand Cru Classé A;
  - a 50% stake in hotel and rail transport activities operated by Belmond in Peru.
- For other companies:
  - a 40% stake in Mongoual SA, the real estate company that owns the office building in Paris (France) that serves as the headquarters of LVMH Moët Hennessy - Louis Vuitton;
  - a 45% stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports;
  - a 46% stake in JW Anderson, a London-based ready-to-wear brand;
  - a 40% stake in Le Peigné SA, whose registered office is in Brussels (Belgium);
  - a 40% stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton;
  - a 49% stake in Stella McCartney, a London-based ready-to-wear brand.

Changes in the scope of consolidation in fiscal year 2019 mainly resulted from the acquisition of a stake in Stella McCartney and the acquisition of Belmond. See Note 2.

The very substantial increase in revaluation adjustments mainly arose from the revaluation of Group (LVMH and Christian Dior) securities held by an equity-accounted subsidiary.

Repossi – an Italian jewelry brand in which the Group had taken a 41.7% stake in November 2015 and which was accounted for using the equity method until December 31, 2017 – has been fully consolidated since 2018, following the acquisition of an additional stake in the company, raising the Group's ownership interest from 41.7% to 68.9%.

Changes in the scope of consolidation in 2017 were mainly related to the disposal of the stake in De Beers Diamond Jewellers.

NOTE 9 – NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

(EUR millions)	2019	2018	2017
As of January 1	**1,356**	**1,038**	**4,623**
Acquisitions	216	490	127
Disposals at net realized value	(76)	(72)	(3,206)
Changes in market value [(a)]	56	(108)	431
Changes in the scope of consolidation	-	-	5
Translation adjustment	6	17	(44)
Reclassifications [(b)]	(276)	(9)	(898)
AS OF DECEMBER 31	**1,281**	**1,356**	**1,038**

(a) Recognized within "Net financial income/(expense)" for non-current available for sale financial assets held by the LVMH group, and within "Revaluation reserves" for the non-current available for sale financial assets of companies at the Financière Agache sub-consolidation level. See Note 1.2.
(b) In 2017, reclassifications mainly included the reclassification of the remaining stake in Hermès International corresponding to the shares not tendered in exchange for Christian Dior shares under the public offer initiated by Semyrhamis. See Notes 2 and 14.

Reclassifications resulted from the acquisition of a controlling interest in Belmond; the shares acquired in 2018 for 274 million euros are now included in the carrying amount of the investment held in Belmond. See Note 2.

Acquisitions in fiscal year 2019 included, for 126 million euros, the impact of subscription of securities in investment funds.

Acquisitions in fiscal year 2018 included in particular, for 274 million euros, the impact of the acquisition of Belmond shares, as well as, for 88 million euros, the impact of subscription of securities in investment funds and acquisitions of minority interests.

In fiscal year 2017, disposals mainly related to the Hermès International shares exchanged as consideration for Christian Dior shares under the mixed public offer (see Note 2). Acquisitions in 2017 included, for 66 million euros, the impact of subscription of securities in investment funds.

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.9; see also Note 23.2 for the breakdown of these assets according to the measurement methods used.

NOTE 10 – OTHER NON-CURRENT ASSETS

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018 [(a)]	Dec. 31, 2017 [(a)]
Warranty deposits	429	379	320
Derivatives (see Note 23)	782	257	246
Loans and receivables	308	303	770
Other	45	46	37
TOTAL	**1,564**	**985**	**1,373**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

NOTE 11 – INVENTORIES AND WORK IN PROGRESS

	December 31, 2019			Dec. 31, 2018	Dec. 31, 2017
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
Wines and eaux-de-vie in the process of aging	5,027	(10)	5,017	4,784	4,517
Other raw materials and work in progress	2,377	(476)	1,900	1,700	1,370
	7,404	**(487)**	**6,917**	**6,484**	**5,887**
Goods purchased for resale	2,599	(216)	2,382	2,266	1,924
Finished products	5,728	(1,117)	4,611	3,910	3,234
	8,326	**(1,333)**	**6,993**	**6,176**	**5,158**
TOTAL	**15,730**	**(1,820)**	**13,910**	**12,660**	**11,045**

See Note 1.17.

The change in net inventories for the fiscal years presented breaks down as follows:

	December 31, 2019			Dec. 31, 2018	Dec. 31, 2017
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
As of January 1	**14,244**	**(1,584)**	**12,660**	**11,045**	**11,079**
Change in gross inventories	1,622	-	1,622	1,739	1,045
Impact of provision for returns [(a)]	2	-	2	7	11
Impact of marking harvests to market	(6)	-	(6)	16	(21)
Changes in provision for impairment	-	(559)	(559)	(285)	(366)
Changes in the scope of consolidation	36	-	36	25	(135)
Translation adjustment	190	(36)	154	109	(565)
Other, including reclassifications	(358)	359	-	4	(3)
AS OF DECEMBER 31	**15,730**	**(1,820)**	**13,910**	**12,660**	**11,045**

(a) See Note 1.26.

The impact of marking harvests to market on Wines and Spirits' cost of sales and value of inventory is as follows:

(EUR millions)	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2017**
Impact of marking the fiscal year's harvest to market	14	41	5
Impact of inventory sold during the fiscal year	(20)	(25)	(26)
NET IMPACT ON COST OF SALES FOR THE FISCAL YEAR	**(6)**	**16**	**(21)**
NET IMPACT ON THE VALUE OF INVENTORY AS OF DECEMBER 31	**120**	**126**	**110**

See Notes 1.9 and 1.17 on the method of marking harvests to market.

NOTE 12 – TRADE ACCOUNTS RECEIVABLE

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Trade accounts receivable, nominal amount	3,539	3,300	3,079
Provision for impairment	(89)	(78)	(78)
Provision for product returns [(a)]	-	-	(265)
NET AMOUNT	**3,450**	**3,222**	**2,736**

(a) See Note 1.26.

The change in trade accounts receivable for the fiscal years presented breaks down as follows:

	December 31, 2019			Dec. 31, 2018	Dec. 31, 2017
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
As of January 1	**3,300**	**(78)**	**3,222**	**2,736**	**2,785**
Changes in gross receivables	121	-	121	179	137
Changes in provision for impairment	-	(10)	(10)	(1)	(11)
Changes in provision for product returns [(a)]	-	-	-	7	(43)
Changes in the scope of consolidation	51	(1)	50	5	41
Translation adjustment	73	(1)	72	24	(159)
Reclassifications	(5)	-	(5)	272	(14)
AS OF DECEMBER 31	**3,539**	**(89)**	**3,450**	**3,222**	**2,736**

(a) See Note 1.26.

The trade accounts receivable balance is comprised essentially of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains long-term relationships.

As of December 31, 2019, the breakdown of the nominal amount of trade accounts receivable and of provisions for impairment by age was as follows:

(EUR millions)	Nominal amount of receivables	Impairment	Net amount of receivables
Not due:			
- Less than 3 months	3,008	(21)	2,987
- More than 3 months	125	(8)	117
	3,133	**(29)**	**3,104**
Overdue:			
- Less than 3 months	263	(10)	253
- More than 3 months	143	(50)	93
	406	**(60)**	**346**
TOTAL	**3,539**	**(89)**	**3,450**

For each of the fiscal years presented, no single customer accounted for more than 10% of the Group's consolidated revenue.

The present value of trade accounts receivable is identical to their carrying amount.

NOTE 13 – OTHER CURRENT ASSETS

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018 [(a)]	Dec. 31, 2017 [(a)]
Current available for sale financial assets (see Note 14)	1,855	3,381	3,752
Derivatives (see Note 23)	180	123	498
Tax accounts receivable, excluding income taxes	1,057	895	747
Advances and payments on account to vendors	254	216	204
Prepaid expenses	455	430	396
Other receivables	591	749	566
TOTAL	**4,392**	**5,794**	**6,163**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

NOTE 14 – CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

The net value of current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	2019	2018	2017
As of January 1	**3,381**	**3,752**	**657**
Acquisitions and new term deposits	231	601	2,391
Disposals at net realized value and repayments of term deposits [(a)]	(2,199)	(958)	(516)
Changes in market value [(b)]	442	(13)	327
Changes in the scope of consolidation	-	-	-
Translation adjustment	-	(1)	(5)
Reclassifications [(c)]	-	-	898
AS OF DECEMBER 31	**1,855**	**3,381**	**3,752**
Of which: Historical cost of current available for sale financial assets	*1,094*	*3,024*	*3,061*

(a) Disposals at net realized value and repayments of term deposits in 2019 mainly consisted of term deposits with an initial maturity of more than three months. The same was true for acquisitions and new term deposits in 2017.
(b) Recognized within "Net financial income/(expense)" for current available for sale financial assets held by the LVMH group, and within "Revaluation reserves" for the current available for sale financial assets of companies at the Financière Agache sub-consolidation level.
(c) See Notes 2 and 9.

The market value of current available for sale financial assets is determined using the methods described in Note 1.9. See Note 23.2 for the breakdown of current available for sale financial assets according to the measurement methods used.

NOTE 15 – CASH AND CHANGE IN CASH

15.1 Cash and cash equivalents

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Term deposits (less than 3 months)	879	654	709
SICAV and FCP funds	413	3,061	2,684
Ordinary bank accounts	5,059	5,420	4,558
CASH AND CASH EQUIVALENTS PER BALANCE SHEET	**6,351**	**9,135**	**7,951**

The reconciliation between cash and cash equivalents as shown in the balance sheet and net cash and cash equivalents appearing in the cash flow statement is as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents	6,351	9,135	7,951
Bank overdrafts	(176)	(198)	(120)
NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	**6,175**	**8,937**	**7,831**

15.2 Change in working capital

The change in working capital breaks down as follows for the fiscal years presented:

(EUR millions)	*Notes*	2019	2018	2017
Change in inventories and work in progress	*11*	(1,622)	(1,739)	(1,045)
Change in trade accounts receivable	*12*	(121)	(179)	(137)
Change in balance of amounts owed to customers		9	8	4
Change in trade accounts payable	*22*	463	714	311
Change in other receivables and payables		98	91	346
CHANGE IN WORKING CAPITAL [(a)]		**(1,173)**	**(1,105)**	**(521)**

(a) Increase/(Decrease) in cash and cash equivalents.

15.3 Operating investments

Operating investments comprise the following elements for the fiscal years presented:

(EUR millions)	*Notes*	2019	2018 [(a)]	2017 [(a)]
Purchase of intangible assets	*3*	(528)	(537)	(459)
Purchase of property, plant and equipment	*6*	(2,899)	(2,590)	(2,123)
Change in accounts payable related to fixed asset purchases		163	137	44
Initial direct costs		(64)		
Net cash used in purchases of fixed assets		**(3,328)**	**(2,990)**	**(2,538)**
Net cash from fixed asset disposals		29	10	27
Guarantee deposits paid and other cash flows related to operating investments		(33)	(58)	(5)
OPERATING INVESTMENTS [(b)]		**(3,332)**	**(3,038)**	**(2,516)**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) Increase/(Decrease) in cash and cash equivalents.

15.4 Interim and final dividends paid and other transactions related to equity

Interim and final dividends paid comprise the following elements for the fiscal years presented:

(EUR millions)	2019	2018	2017
Interim and final dividends paid by Financière Agache SA	(166)	(222)	(317)
Interim and final dividends paid during the fiscal year to minority interests in consolidated subsidiaries	(2,507)	(1,936)	(1,557)
Tax paid related to interim and final dividends paid	(167)	(68)	475
INTERIM AND FINAL DIVIDENDS PAID	**(2,840)**	**(2,226)**	**(1399)**

Other transactions related to equity comprise the following elements for the fiscal years presented:

(EUR millions)	*Note*	2019	2018	2017
Capital increases of subsidiaries subscribed by minority interests		57	41	31
Acquisitions and disposals of Financière Agache treasury shares	*16.3*	-	-	-
OTHER EQUITY-RELATED TRANSACTIONS		**57**	**41**	**31**

NOTE 16 – EQUITY

16.1 Equity

(EUR millions)	*Notes*	Dec. 31, 2019	Dec. 31, 2018 [(a)]	Dec. 31, 2017 [(a)]
Share capital	*16.2*	51	51	51
Share premium account	*16.2*	442	442	442
Treasury shares and related derivatives	*16.3*	(6)	(6)	(6)
Cumulative translation adjustment	*16.5*	354	233	139
Revaluation reserves		2,588	1,619	1,960
Other reserves		5,668	3,601	2,076
Net profit		2,786	2,499	1,990
EQUITY, GROUP SHARE		**11,883**	**8,439**	**6,652**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

16.2 Share capital and share premium account

As of December 31, 2019, the share capital of Financière Agache SA consisted of 3,173,352 fully paid-up shares (3,173,352 as of both December 31, 2018 and December 31, 2017), with a par value of 16 euros per share, including 3,169,653 shares with double voting rights (3,169,549 as of December 31, 2018 and 3,169,463 as of December 31, 2017). Double voting rights are attached to registered shares held for more than two years.

16.3 Financière Agache treasury shares

The impact of Financière Agache treasury shares on the Group's net equity breaks down as follows for the fiscal years presented:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
FINANCIÈRE AGACHE TREASURY SHARES	**(6)**	**(6)**	**(6)**

16.4 Dividends paid by the parent company, Financière Agache SA

In accordance with French regulations, dividends are taken from the profit for the fiscal year and the distributable reserves of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares. As of December 31, 2019, the distributable amount was 4,222 million euros.

(EUR millions, except for data per share in EUR)	2019	2018	2017
Interim dividend(s) for the current fiscal year (2019: 52.5 euros; 2018: 70.0 euros; 2017: 100.0 euros)	166	222	317
Impact of treasury shares	-	-	-
	166	**222**	**317**
Final dividend for the previous fiscal year	-	-	-
Impact of treasury shares	-	-	-
	-	**-**	**-**
TOTAL GROSS AMOUNT DISBURSED DURING THE FISCAL YEAR [(a)]	**166**	**222**	**317**

(a) Excluding the impact of tax regulations applicable to the recipient.

No final dividend in respect of fiscal year 2019 will be proposed at the Shareholders' Meeting of June 4, 2020.

16.5 Cumulative translation adjustment

The change in "Cumulative translation adjustment" recognized within "Equity, Group share", net of hedging effects of net assets denominated in foreign currency, breaks down as follows by currency:

(EUR millions)	Dec. 31, 2019	Change	Dec. 31, 2018	Dec. 31, 2017
US dollar	145	31	114	46
Swiss franc	316	53	263	218
Japanese yen	51	5	46	30
Hong Kong dollar	160	15	145	129
Pound sterling	(31)	16	(47)	(44)
Other currencies	(93)	10	(103)	(68)
Foreign currency net investment hedges [(a)]	(194)	(9)	(185)	(172)
TOTAL, GROUP SHARE	**354**	**121**	**233**	**139**

(a) Including -60 million euros with respect to the US dollar (-58 million euros as of December 31, 2018 and -53 million euros as of December 31, 2017), -48 million euros with respect to the Hong Kong dollar (-48 million euros as of December 31, 2018 and -48 million euros as of December 31, 2017), and -86 million euros with respect to the Swiss franc (-79 million euros as of December 31, 2018 and -73 million euros as of December 31, 2017). These amounts include the tax impact.

16.6 Strategy relating to the Group's financial structure

The Group believes that the management of its financial structure, together with the development of the companies it owns and the management of its brand portfolio, helps create value for its shareholders. Maintaining a suitable-quality credit rating is a core objective for the Group, ensuring good access to markets under favorable conditions, allowing it to seize opportunities and procure the resources it needs to develop its business.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt (see Note 19) to equity;
- cash from operations before changes in working capital to net financial debt;
- net cash from operating activities;
- operating free cash flow (see the consolidated cash flow statement);
- long-term resources to fixed assets;
- proportion of long-term debt in net financial debt.

Long-term resources are understood to correspond to the sum of equity and non-current liabilities.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through frequent recourse to several negotiable debt markets (both short- and long-term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts of undrawn confirmed credit lines, intended to largely exceed the outstanding portion of its short-term negotiable debt securities programs, while continuing to represent a reasonable cost for the Group.

NOTE 17 – BONUS SHARE AND SIMILAR PLANS

There were no stock option plans, bonus share plans or similar plans set up by Financière Agache SA as of December 31, 2019 nor in any of the other fiscal years presented.

Expense for the fiscal year

(EUR millions)	2019	2018	2017
Expense for the fiscal year recorded by Christian Dior SE for share purchase option and bonus and performance share plans	6	8	11
Expense for the fiscal year recorded by LVMH SE for share subscription option and bonus and performance share plans	69	79	62
EXPENSE FOR THE FISCAL YEAR	**75**	**87**	**73**

See Note 1.28 regarding the method used to determine the accounting expense.

For LVMH

The LVMH closing share price the day before the grant date of the plan was 375.00 euros for the plan dated October 24, 2019.

The average unit value of provisionally allocated bonus shares during the 2019 fiscal year was 353.68 euros.

For Christian Dior

No share purchase option or bonus and performance share plans involving Christian Dior shares were set up in fiscal year 2019.

NOTE 18 – MINORITY INTERESTS

(EUR millions)	2019	2018	2017
As of January 1	**22,397**	**20,241**	**21,254**
Impact of the application of IFRS 16	(17)	-	-
Minority interests' share of net profit	4,888	4,406	3,774
Dividends paid to minority interests	(2,511)	(1,942)	(1,556)
Impact of changes in control of consolidated entities:	26	36	101
Of which: Rimowa	*-*	*-*	*89*
Of which: Other	*26*	*36*	*12*
Impact of acquisition and disposal of minority interests' shares:	(48)	(247)	(2,585)
Of which: Movements in LVMH SE and Christian Dior SE share capital and treasury shares	*25*	*(103)*	*33*
Of which: Sale of the Christian Dior Couture segment to LVMH	*-*	*-*	*316*
Of which: Purchases of minority interests in Christian Dior SE and LVMH SE	*(64)*	*(112)*	*(2,814)* [(a)]
Of which: Loro Piana [(b)]	*-*	*-*	*(115)*
Of which: Other	*(9)*	*(32)*	*(5)*
Total impact of changes in ownership interests in consolidated entities	**(22)**	**(211)**	**(2,484)**
Capital increases subscribed by minority interests	70	50	31
Minority interests' share in gains and losses recognized in equity	146	28	(442)
Minority interests' share in expenses for bonus share and similar plans	42	47	44
Impact of changes in minority interests with purchase commitments	(206)	(222)	(380)
AS OF DECEMBER 31	**24,787**	**22,397**	**20,241**

(a) Corresponds to the portion of the Christian Dior group's net assets acquired by Semyrhamis under the public offer and subsequent purchases of Christian Dior shares, excluding gains and losses recognized in equity. See Note 2.
(b) Including -58 million euros for minority interests in Loro Piana and -47 million euros for LVMH SE shareholders, excluding Christian Dior SE's controlling interest. See Note 2.

The change in minority interests' share in gains and losses recognized in equity, including the tax impact, breaks down as follows:

(EUR millions)	Cumulative translation adjustment	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Revaluation adjustments of employee benefits	Minority interests' share in translation adjustments and revaluation reserves
As of December 31, 2016	**1,030**	**(93)**	**983**	**(148)**	**1,772**
Changes during the fiscal year	(692)	196	31	24	(441)
Changes due to purchase and proceeds from sale of minority interests	(66)	(11)	(99)	12	(164)
As of December 31, 2017	**272**	**92**	**915**	**(112)**	**1,167**
Changes during the fiscal year	191	(183)	5	15	28
Changes due to purchase and proceeds from sale of minority interests	(1)	-	(2)	-	(3)
As of December 31, 2018	**462**	**(91)**	**918**	**(97)**	**1,192**
Changes during the fiscal year	190	18	20	(83)	146
Changes due to purchase and proceeds from sale of minority interests and reclassifications	-	-	(1)	-	(1)
AS OF DECEMBER 31, 2019	**652**	**(73)**	**937**	**(180)**	**1,337**

Minority interests mainly comprise the following:

- LVMH SE shareholders excluding the controlling interest (Financière Jean Goujon and Financière Agache), i.e. 57% of shares. They were paid a total of 1,778 million euros in dividends during the fiscal year.
- Christian Dior SE shareholders (5%) other than Financière Agache and Semyrhamis, the controlling shareholders. They were paid a total of 300 million euros in dividends during the fiscal year.
- Minority interests also include Diageo's 34% stake in Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") and the 39% stake held by Mari-Cha Group Ltd in DFS.

Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified at year-end within "Purchase commitments for minority interests' shares" under "Other non-current liabilities" and is therefore excluded from the total of "Minority interests" at the fiscal year-end date. See Notes 1.12 and 21.

Dividends paid to Diageo during fiscal year 2019 amounted to 177 million euros. Net profit attributable to Diageo for fiscal year 2019 was 366 million euros, and its share in minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,414 million euros as of December 31, 2019. As of that date, the condensed consolidated balance sheet of Moët Hennessy is as follows:

(EUR billions)	Dec. 31, 2019
Property, plant and equipment and intangible assets	4.6
Other non-current assets	0.4
Non-current assets	**5.0**
Inventories and work in progress	5.8
Other current assets	1.4
Cash and cash equivalents	2.4
Current assets	**9.5**
Total assets	**14.5**

(EUR billions)	Dec. 31, 2019
Equity	10.0
Non-current liabilities	1.4
Equity and non-current liabilities	**11.4**
Short-term borrowings	1.5
Other current liabilities	1.7
Current liabilities	**3.2**
Total liabilities and equity	**14.5**

With regard to DFS, dividends paid to Mari-Cha Group Ltd during fiscal year 2019 in respect of fiscal year 2018 amounted to 98 million euros. Net profit attributable to Mari-Cha Group Ltd for fiscal year 2019 was 132 million euros, and its share in accumulated minority interests as of December 31, 2019 came to 1,477 million euros.

NOTE 19 – BORROWINGS

19.1 Net financial debt

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018 [a]	Dec. 31, 2017 [a]
Long-term borrowings	7,525	9,301	12,295
Short-term borrowings	8,555	11,396	9,555
Gross borrowings	**16,080**	**20,697**	**21,850**
Interest rate risk derivatives	(15)	(13)	(29)
Foreign exchange risk derivatives	47	146	(25)
Gross borrowings after derivatives	**16,112**	**20,830**	**21,796**
Current available for sale financial assets [b]	(1,855)	(3,381)	(3,752)
Non-current available for sale financial assets used to hedge financial debt [c]	(130)	(125)	(117)
Cash and cash equivalents [d]	(6,351)	(9,135)	(7,951)
NET FINANCIAL DEBT	**7,775**	**8,189**	**9,976**
Belmond shares (presented within "Non-current available for sale financial assets")	-	(274)	-
ADJUSTED NET FINANCIAL DEBT (EXCLUDING THE ACQUISITION OF BELMOND SHARES)	**7,775**	**7,915**	**9,976**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) See Note 14.
(c) See Note 9.
(d) See Note 15.1.

The change in gross borrowings after derivatives during the fiscal year breaks down as follows:

(EUR millions)	Dec. 31, 2018	Impact of changes in accounting standards [a]	As of Jan. 1, 2019, after restatement	Impact on cash [b]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclassi-fications and other	Dec. 31, 2019
Long-term borrowings	9,301	(315)	8,986	(683)	51	7	733	(1,568)	7,525
Short-term borrowings	11,396	(26)	11,370	(4,470)	38	12	32	1,573	8,555
Gross borrowings	**20,697**	**(341)**	**20,356**	**(5,153)**	**88**	**19**	**764**	**5**	**16,080**
Derivatives	133	-	133	2	-	(104)	1	-	32
GROSS BORROWINGS AFTER DERIVATIVES	**20,830**	**(341)**	**20,489**	**(5,151)**	**88**	**(85)**	**765**	**5**	**16,112**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) Including a positive impact of 2,840 million euros in respect of proceeds from borrowings, a negative impact of 8,155 million euros in respect of repayment of borrowings, and a negative impact of 162 million euros in respect of the change in accounts payable to affiliated companies.

Changes in the scope of consolidation were related to the acquisition of Belmond. The bank borrowings on Belmond's balance sheet at the acquisition date were repaid in the amount of 560 million euros. See Note 2.

In 2017, as part of the simplified public offer for Christian Dior, Semyrhamis, a subsidiary of Financière Agache, subscribed 9.0 billion euros in syndicated loans, with initial maturities (before any extensions requested by the borrower) of between eighteen months and five years. Following the December 2019 distribution by Christian Dior of an exceptional interim dividend attributable to the net cash surplus resulting from the 2017 sale of the Christian Dior Couture segment, Semyrhamis made 4.8 billion euros in advance loan payments, in addition to the amounts due during the fiscal year, which came to 0.8 billion euros.

During the fiscal year, Christian Dior repaid the 500 million euro bond issued in 2014.

In February 2019, LVMH completed two fixed-rate bond issues totaling 1.0 billion euros, comprised of 300 million euros in bonds maturing in 2021 and 700 million euros in bonds maturing in 2023. During the fiscal year, LVMH repaid the 300 million euro bond issued in 2014, the 600 million euro bond issued in 2013, and the 150 million Australian dollar bond issued in 2014.

During the 2018 fiscal year, LVMH repaid the 500 million euro bond issued in 2011 and the 1,250 million euro bond issued in 2017.

Financière Agache issued a 50 million euro bond in August 2017 maturing in August 2022, which was followed by a 70 million euro tap issue in December 2017. These bonds pay a coupon of 1.20% and are redeemable at par.

During the 2017 fiscal year, Financière Agache also redeemed the 275 million euro bond issued in 2012.

In May 2017, LVMH carried out a bond issue divided into four tranches totaling 4.5 billion euros, comprised of 3.25 billion euros in fixed-rate bonds and 1.25 billion euros in floating-rate bonds. In addition, in June 2017, LVMH issued 400 million pounds sterling in fixed-rate bonds maturing in June 2022. At the time these bonds were issued, swaps were entered into that converted them into euro-denominated borrowings.

During the 2017 fiscal year, LVMH repaid the 850 million US dollar bond issued in 2012, the 150 million euro bond issued in 2009 and the 350 million pound sterling bond issued in 2014.

Net financial debt does not include purchase commitments for minority interests (see Note 21) or lease liabilities (see Note 7). The finance lease liability was reclassified to lease liabilities.

19.2 Breakdown of gross borrowings

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018 [(a)]	Dec. 31, 2017 [(a)]
Bonds and Euro Medium-Term Notes (EMTNs)	5,260	6,062	7,525
Finance leases	-	315	296
Bank borrowings	1,694	2,924	3,800
Other borrowings and credit facilities	571	-	674
LONG-TERM BORROWINGS	**7,525**	**9,301**	**12,295**
Bonds and Euro Medium-Term Notes (EMTNs)	1,854	1,496	1,753
Bank borrowings	478	4,720	4,469
Short-term negotiable debt securities [(b)]	5,576	3,987	2,709
Other borrowings and credit facilities	445	960	446
Bank overdrafts	176	198	120
Accrued interest	26	35	58
SHORT-TERM BORROWINGS	**8,555**	**11,396**	**9,555**
TOTAL GROSS BORROWINGS	**16,080**	**20,697**	**21,850**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) Euro- and US dollar-denominated commercial paper.

The market value of gross borrowings, based on market data and commonly used valuation models, was 16,143 million euros as of December 31, 2019 (20,745 million euros as of December 31, 2018 and 21,823 million euros as of December 31, 2017), including 8,563 million euros in short-term borrowings (11,403 million euros as of December 31, 2018 and 9,558 million euros as of December 31, 2017) and 7,579 million euros in long-term borrowings (9,343 million euros as of December 31, 2018 and 12,265 million euros as of December 31, 2017).

As of December 31, 2019, 2018 and 2017, no financial debt was recognized using the fair value option. See Note 1.21.

19.3 Bonds and EMTNs

Nominal amount *(in currency)*	**Year issued**	**Maturity**	**Initial effective interest rate** [(a)] *(%)*	**Dec. 31, 2019** *(EUR millions)*	**Dec. 31, 2018** *(EUR millions)*	**Dec. 31, 2017** *(EUR millions)*
EUR 300,000,000	2019	2021	0.03	300	-	-
EUR 700,000,000	2019	2023	0.26	697	-	-
EUR 1,200,000,000	2017	2024	0.82	1,203	1,197	1,192
EUR 120,000,000 [(b)]	2017	2022	1.16	120	121	121
EUR 800,000,000	2017	2022	0.46	800	799	796
GBP 400,000,000	2017	2022	1.09	469	439	445
EUR 1,250,000,000	2017	2020	0.13	1,249	1,248	1,246
EUR 1,250,000,000	2017	2018	Floating	-	-	1,253
USD 750,000,000 [(c)]	2016	2021	1.92	660	639	603
EUR 350,000,000	2016	2021	0.86	349	349	348
EUR 650,000,000	2014	2021	1.12	662	664	663
AUD 150,000,000	2014	2019	3.68	-	94	100
EUR 300,000,000	2014	2019	Floating	-	300	300
EUR 500,000,000	2014	2019	1.56	-	499	499
EUR 600,000,000	2013	2020	1.89	605	606	606
EUR 600,000,000 [(d)]	2013	2019	1.25	-	603	605
EUR 500,000,000	2011	2018	4.08	-	-	501
TOTAL BONDS AND EMTNS				**7,114**	**7,558**	**9,278**

(a) Before the impact of interest-rate hedges implemented when or after the bonds were issued.
(b) Cumulative amounts and weighted average initial effective interest rate based on a 50 million euro bond issued in August 2017 at an initial effective interest rate of 1.32% and a 70 million euro tap issue carried out in December 2017 at an initial effective interest rate of 1.05%.
(c) Cumulative amounts and weighted average initial effective interest rate based on a 600 million US dollar bond issued in February 2016 at an initial effective interest rate of 1.96% and a 150 million US dollar tap issue carried out in April 2016 at an effective interest rate of 1.74%. These yields were determined excluding the option component.
(d) Cumulative amounts and weighted average initial effective interest rate based on a 500 million euro bond issued in 2013 at an initial effective interest rate of 1.38% and a 100 million euro tap issue carried out in 2014 at an effective interest rate of 0.62%.

19.4 Breakdown of gross borrowings by maturity and type of interest rate after derivatives

(EUR millions)	Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:									
December 31, 2020	7,101	1,454	8,555	(220)	291	71	6,881	1,745	8,626
December 31, 2021	2,044	406	2,450	(551)	511	(40)	1,493	917	2,410
December 31, 2022	1,426	690	2,116	(605)	595	(10)	821	1,285	2,106
December 31, 2023	712	-	712	18	-	18	730	-	730
December 31, 2024	1,217	1,000	2,217	200	(207)	(7)	1,417	793	2,210
December 31, 2025	11	-	11	-	-	-	11	-	11
Thereafter	19	-	19	-	-	-	19	-	19
TOTAL	**12,530**	**3,550**	**16,080**	**(1,158)**	**1,190**	**32**	**11,372**	**4,740**	**16,112**

See Note 23.4 on the market value of interest rate risk derivatives.

The breakdown by quarter of gross borrowings falling due in 2020 is as follows:

(EUR millions)	Falling due in 2020
First quarter	5,234
Second quarter	3,073
Third quarter	11
Fourth quarter	237
TOTAL	**8,555**

19.5 Breakdown of gross borrowings by currency after derivatives

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Euro	10,934	15,671	16,321
US dollar	3,666	3,649	3,594
Swiss franc	48	46	188
Japanese yen	622	662	722
Other currencies	843	802	971
TOTAL	**16,112**	**20,830**	**21,796**

The purpose of foreign currency borrowings is to finance the development of the Group's activities outside the eurozone, as well as the Group's assets denominated in foreign currency.

19.6 Sensitivity

On the basis of debt as of December 31, 2019:

- an instantaneous 1-point increase in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 39 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 103 million euros after hedging;
- an instantaneous 1-point decrease in these same yield curves would lower the cost of net financial debt by 30 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 103 million euros after hedging;
- an instantaneous 1-point increase in these same yield curves would raise equity by around 10 million euros, as a result of the change in the market value of instruments used to hedge future interest payments;
- an instantaneous 1-point decrease in these same yield curves would reduce equity by around 10 million euros, as a result of the change in the market value of instruments used to hedge future interest payments.

19.7 Covenants

In connection with certain credit lines, the Group may undertake to maintain certain financial ratios or to hold specific percentages of ownership interest and/or voting rights in certain subsidiaries.

19.8 Undrawn confirmed credit lines

As of December 31, 2019, undrawn confirmed credit lines totaled 23.8 billion euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany.

19.9 Guarantees and collateral

As of December 31, 2019, borrowings secured by collateral were less than 2.0 billion euros.

NOTE 20 – PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Non-current provisions and other liabilities comprise the following:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018 [(a)]	Dec. 31, 2017 [(a)]
Non-current provisions	1,457	1,244	1,294
Uncertain tax positions	1,169	1,261	1,288
Derivatives [(b)]	713	286	229
Employee profit sharing	96	89	94
Other liabilities	374	386	370
Non-current provisions and other liabilities	**3,809**	**3,266**	**3,275**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) See Note 23.

Provisions concern the following types of contingencies and losses:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Provisions for pensions, medical costs and similar commitments	812	605	625
Provisions for contingencies and losses	646	639	669
Non-current provisions	**1,457**	**1,244**	**1,294**
Provisions for pensions, medical costs and similar commitments	8	7	4
Provisions for contingencies and losses	408	365	402
Current provisions	**416**	**372**	**406**
TOTAL	**1,873**	**1,616**	**1,700**

Provisions changed as follows during the fiscal year:

(EUR millions)	Dec. 31, 2018	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other [(a)]	Dec. 31, 2019
Provisions for pensions, medical costs and similar commitments	612	159	(124)	(1)	-	173	820
Provisions for contingencies and losses	1,004	374	(208)	(130)	13	-	1,054
TOTAL	**1,616**	**533**	**(332)**	**(130)**	**13**	**173**	**1,873**

(a) Including the impact of translation adjustment and change in revaluation reserves.

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes (see Note 32), or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.).

Non-current liabilities related to uncertain tax positions included an estimate of the risks, disputes and actual or probable litigation related to the income tax computation. The Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. A liability is recognized for these rectification claims, together with any uncertain tax positions that have been identified but not yet officially notified, the amount of which is regularly reviewed in accordance with the criteria of the application of IFRIC 23 Uncertainty over Income Tax Treatment.

NOTE 21 – PURCHASE COMMITMENTS FOR MINORITY INTERESTS' SHARES

As of December 31, 2019, purchase commitments for minority interests' shares mainly include the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy for 80% of the fair value of Moët Hennessy at the exercise date of the option. This option may be exercised at any time subject to a six-month notice period. The fair value of this commitment was calculated by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits businesses, with the exception of the equity investments in Château d'Yquem, Château Cheval Blanc, Clos des Lambrays and Colgin Cellars, and excluding certain champagne vineyards.

Purchase commitments for minority interests' shares also include commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%), and distribution subsidiaries in various countries, mainly in the Middle East.

NOTE 22 – TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

22.1 Trade accounts payable

The change in trade accounts payable for the fiscal years presented breaks down as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018 [a]	Dec. 31, 2017 [a]
As of December 31	**5,315**	**4,541**	**4,384**
Impact of changes in accounting standards	(108)	-	-
As of January 1, after restatement	**5,207**	**4,541**	**4,384**
Change in trade accounts payable	335	714	311
Change in amounts owed to customers	9	8	4
Changes in the scope of consolidation	216	7	52
Translation adjustment	56	50	(203)
Reclassifications	(8)	(5)	(7)
AS OF DECEMBER 31	**5,815**	**5,315**	**4,541**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

22.2 Current provisions and other liabilities

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018 [a]	Dec. 31, 2017 [a]
Current provisions [b]	416	372	406
Derivatives [c]	138	166	45
Employees and social security	1,788	1,670	1,530
Employee profit sharing	123	105	101
Taxes other than income taxes	753	687	636
Advances and payments on account from customers	559	398	354
Provision for product returns [d]	399	356	-
Deferred payment for non-current assets	770	646	548
Deferred income	275	274	256
Other liabilities	1,098	1,293	1,287
TOTAL	**6,316**	**5,967**	**5,163**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) See Note 20.
(c) See Note 23.
(d) See Note 1.26.

NOTE 23 – FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

Financial instruments are mainly used by the Group to hedge risks related to its activities and protect its assets. The management of foreign exchange and interest rate risk, in addition to transactions involving shares and financial instruments, is centralized at each sub-consolidation level.

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

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

This organization relies on information systems that allow hedging transactions to be checked quickly.

Hedging decisions are made according to a clearly established process that includes regular presentations to the management bodies concerned and detailed documentation.

Counterparties are selected based on their rating and in accordance with the Group's risk diversification strategy.

23.2 Financial assets and liabilities recognized at fair value by measurement method

	December 31, 2019			December 31, 2018			December 31, 2017		
(EUR millions)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money-market funds)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money-market funds)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money-market funds)
Valuation based on: [(a)]									
Published price quotations	2,084	-	6,351	3,900	-	9,135	4,019	-	7,951
Valuation model based on market data	467	962	-	389	380	-	453	744	-
Private quotations	585	-	-	448	-	-	318	-	-
ASSETS	**3,136**	**962**	**6,351**	**4,737**	**380**	**9,135**	**4,790**	**744**	**7,951**
Valuation based on: [(a)]									
Published price quotations	-	-	-	-	-	-	-	-	-
Valuation model based on market data	-	852	-	-	452	-	-	274	-
Private quotations	-	-	-	-	-	-	-	-	-
LIABILITIES	**-**	**852**	**-**	**-**	**452**	**-**	**-**	**274**	**-**

(a) See Note 1.9 for information on the valuation approaches used.

Derivatives used by the Group are measured at fair value according to commonly used valuation models and based on market data. The counterparty risk associated with these derivatives (i.e. the credit valuation adjustment) is assessed on the basis of credit spreads from observable market data, as well as on the basis of the derivatives' market value adjusted by flat-rate add-ons depending on the type of underlying and the maturity of the derivative. It was not significant as of December 31, 2019, 2018 and 2017.

The amount of financial assets valued on the basis of private quotations changed as follows in the fiscal year ended December 31, 2019:

(EUR millions)	Dec. 31, 2019
As of January 1	**448**
Acquisitions	135
Disposals (at net realized value)	(4)
Gains and losses recognized in the income statement	(28)
Gains and losses recognized in equity	67
Reclassifications	(34)
AS OF DECEMBER 31	**585**

23.3 Summary of derivatives

Derivatives are recorded in the balance sheet for the amounts and in the captions detailed as follows:

(EUR millions)		*Notes*	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Interest rate risk					
Assets:	Non-current		20	23	33
	Current		12	12	10
Liabilities:	Non-current		(4)	(10)	(8)
	Current		(14)	(12)	(6)
		23.4	**15**	**13**	**29**
Foreign exchange risk					
Assets:	Non-current		68	18	34
	Current		165	108	485
Liabilities:	Non-current		(15)	(60)	(42)
	Current		(124)	(154)	(39)
		23.5	**93**	**(88)**	**438**
Other risks					
Assets:	Non-current		694	216	179
	Current		3	3	3
Liabilities:	Non-current		(694)	(216)	(179)
	Current		-	-	-
		23.6	**3**	**3**	**3**
Total					
Assets:	Non-current	*10*	782	257	246
	Current	*13*	180	123	498
Liabilities:	Non-current	*20*	(713)	(286)	(229)
	Current	*22*	(138)	(166)	(45)
			110	**(72)**	**470**

The impact of financial instruments on the consolidated statement of comprehensive gains and losses for the fiscal year breaks down as follows:

	Foreign exchange risk [a]						Interest rate risk [b]			
	Revaluation of effective portions, of which:									
(EUR millions)	Hedges of future foreign currency cash flows	Fair value hedges	Foreign currency net investment hedges	Total	Revaluation of cost of hedging	Total	Revaluation of effective portions	Ineffective portion	Total	Total [c]
Changes in the income statement	-	(76)	-	(76)	-	(76)	3	(2)	1	(75)
Changes in consolidated gains and losses	14	-	(32)	(18)	29	11	2	2	4	15

(a) See Notes 1.8 and 1.22 on the principles of fair value adjustments to foreign exchange risk hedging instruments.
(b) See Notes 1.21 and 1.22 on the principles of fair value adjustments to interest rate risk hedging instruments.
(c) Gain/(Loss).

Since fair value adjustments to hedged items recognized in the balance sheet offset the effective portions of fair value hedging instruments (see Note 1.21), no ineffective portions of exchange rate hedges were recognized during the fiscal year.

23.4 Derivatives used to manage interest rate risk

The aim of the Group's debt management policy is to adapt the debt maturity profile to the characteristics of the assets held, to contain borrowing costs, and to protect net profit from the impact of significant changes in interest rates.

For these purposes, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of December 31, 2019 break down as follows:

	Nominal amounts by maturity				Market value [a] [b]			
(EUR millions)	Less than 1 year	1 to 5 years	More than 5 years	Total	Future cash flow hedges	Fair value hedges	Not allocated	Total
Interest rate swaps, floating-rate payer	400	1,620	-	2,020	-	27	-	27
Interest rate swaps, fixed-rate payer	113	1,589	-	1,702	(5)	-	(4)	(9)
Foreign currency swaps, euro-rate payer	-	470	-	470	-	1	-	1
Foreign currency swaps, euro-rate receiver	57	133	-	190	-	(4)	-	(4)
TOTAL					**(5)**	**24**	**(4)**	**15**

(a) Gain/(Loss).
(b) See Note 1.9 regarding the methodology used for market value measurement.

23.5 Derivatives used to manage foreign exchange risk

A significant portion of Group companies' sales to customers and to their own distribution subsidiaries as well as certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are intra-Group cash flows. Hedging instruments are used to reduce the risks arising from the fluctuations of currencies against the exporting and importing companies' functional currencies, and are allocated to either accounts receivable or accounts payable (fair value hedges) for the fiscal year, or to transactions anticipated for future periods (cash flow hedges).

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

The Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the eurozone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2019 break down as follows:

	Nominal amounts by fiscal year of allocation [a]				Market value [b] [c]				
(EUR millions)	**2019**	**2020**	**Thereafter**	**Total**	**Future cash flow hedges**	**Fair value hedges**	**Foreign currency net investment hedges**	**Not allocated**	**Total**
Options purchased									
Put USD	-	241	-	241	8	-	-	-	8
Put JPY	-	28	20	48	1	-	-	-	1
Put GBP	-	123	-	123	3	-	-	-	3
Other	-	84	-	84	2	-	-	-	2
	-	**476**	**20**	**496**	**14**	**-**	**-**	**-**	**14**
Collars									
Written USD	356	5,737	519	6,612	90	-	-	-	90
Written JPY	23	1,267	17	1,307	20	-	-	-	20
Written GBP	8	425	-	433	-	-	-	-	-
Written HKD	-	464	-	464	3	-	-	-	3
Written CNY	-	504	34	538	12	-	-	-	12
	387	**8,397**	**570**	**9,354**	**125**	**-**	**-**	**-**	**125**
Forward exchange contracts									
USD	239	(145)	-	94	1	2	-	-	3
HKD	-	-	-	-	-	-	-	-	-
JPY	35	-	-	35	-	-	-	-	-
CHF	(10)	-	-	(10)	-	1	-	-	1
RUB	39	-	-	39	-	(1)	-	-	(1)
CNY	-	-	-	-	-	-	-	-	-
GBP	36	9	-	45	-	-	-	-	-
Other	104	16	-	120	(1)	(2)	-	-	(3)
	443	**(120)**	**-**	**323**	**-**	**-**	**-**	**-**	**-**
Foreign exchange swaps									
USD	136	445	(534)	47	-	(37)	6	-	(31)
GBP	1,098	-	-	1,098	-	4	-	-	4
JPY	317	-	-	317	-	(9)	-	-	(9)
CNY	(325)	19	11	(295)	-	(2)	-	-	(2)
Other	92	-	-	92	-	(4)	(4)	-	(8)
	1,318	**464**	**(523)**	**1,259**	**-**	**(48)**	**2**	**-**	**(46)**
TOTAL	**2,148**	**9,217**	**67**	**11,432**	**139**	**(48)**	**2**	**-**	**93**

(a) Sale/(Purchase).
(b) See Note 1.9 regarding the methodology used for market value measurement.
(c) Gain/(Loss).

The impact on the income statement of gains and losses on hedges of future cash flows, as well as the future cash flows hedged using these instruments, will mainly be recognized in 2020; the amount will depend on exchange rates at that date.

The impact on net profit for fiscal year 2019 of a 10% change in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro, including impact of foreign exchange derivatives outstanding during the period, compared with the rates applying to transactions in 2019, would have been as follows:

	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
(EUR millions)	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Impact of:								
• change in exchange rates of cash receipts in respect of foreign currency-denominated sales	62	(231)	66	(48)	-	-	6	(19)
• conversion of net profit of entities outside the eurozone	110	(110)	36	(36)	27	(27)	27	(27)
Impact on net profit	**172**	**(341)**	**102**	**(84)**	**27**	**(27)**	**33**	**(46)**

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2019, mainly comprising options and collars.

As of December 31, 2019, forecast cash collections for 2020 in US dollars and Japanese yen are 80% hedged. For the hedged portion, the exchange rate upon sale will be at least 1.15 USD/EUR for the US dollar and at least 124 JPY/EUR for the Japanese yen.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2019 can be assessed by measuring the impact of a 10% change in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro compared to the rates applying as of the same date:

	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
(EUR millions)	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Conversion of foreign currency-denominated net assets	374	(374)	47	(47)	311	(311)	78	(78)
Change in market value of net investment hedges, after tax	(253)	306	(7)	66	(46)	38	(20)	21
Net impact on equity, excluding net profit	**121**	**(68)**	**40**	**19**	**265**	**(273)**	**58**	**(57)**

23.6 Financial instruments used to manage other risks

The Group's investment policy is designed to take advantage of a long-term investment horizon. Occasionally, the Group may invest in equity-based financial instruments with the aim of enhancing the dynamic management of its investment portfolio.

The Group is exposed to the risk of share price changes, either directly (as a result of its full or partial holding of subsidiaries and equity investments, and current available for sale financial assets) or indirectly (as a result of its holding of funds that are themselves fully or partially invested in shares).

The Group may also use equity-based derivatives to synthetically create an economic exposure to certain assets, to hedge cash-settled compensation plans index-linked to the LVMH share price, or to hedge certain risks related to changes in the LVMH share price. In connection with the convertible bonds issued in 2016 (see Note 18 to the consolidated financial statements as of December 31, 2016), LVMH subscribed to financial instruments enabling it to fully hedge the exposure to any positive or negative changes in the LVMH share price. As provided by applicable accounting policies, the optional components of convertible bonds and financial instruments subscribed for hedging purposes are recorded under "Derivatives". The change in market value of these options is index-linked to the change in the LVMH share price.

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers; or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. As of December 31, 2019, derivatives outstanding relating to the hedging of precious metal prices had a positive market value of 2 million euros. Considering nominal values of 199 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2019 would have a net impact on the Group's consolidated reserves in an amount of 1 million euros. These instruments mature in 2020.

23.7 Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Group's exposure to liquidity risk can be assessed on the basis of its short-term borrowings excluding derivatives (8.6 billion euros) with respect to the balance of cash and cash equivalents (6.4 billion euros), or on the basis of the outstanding amount of its short-term negotiable debt securities programs (5.6 billion euros). Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 23.8 billion euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany.

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

The following table presents the contractual schedule of disbursements for financial liabilities (excluding derivatives) recognized as of December 31, 2019, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2020	2021	2022	2023	2024	More than 5 years	Total
Bonds and EMTNs	1,889	1,993	1,409	710	1,209	-	7,211
Bank borrowings	502	481	166	23	1,021	32	2,226
Other borrowings and credit facilities	456	10	581	-	-	-	1,047
Short-term negotiable debt securities (a)	5,576	-	-	-	-	-	5,576
Bank overdrafts	176	-	-	-	-	-	176
Gross borrowings	**8,599**	**2,485**	**2,156**	**733**	**2,230**	**32**	**16,236**
Other current and non-current liabilities (b)	5,493	73	32	25	23	42	5,688
Trade accounts payable	5,815	-	-	-	-	-	5,815
Other financial liabilities	**11,308**	**73**	**32**	**25**	**23**	**42**	**11,503**
TOTAL FINANCIAL LIABILITIES	**19,907**	**2,558**	**2,188**	**758**	**2,253**	**74**	**27,739**

(a) Euro- and US dollar-denominated commercial paper.
(b) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 5,489 million euros and to "Other non-current liabilities" for 199 million euros (excluding derivatives, purchase commitments for minority interests' shares and deferred income of 272 million euros as of December 31, 2019).

See Note 7 for the schedule of lease payments.

See Note 31.2 regarding contractual maturity dates of collateral and other guarantee commitments, Notes 19.5 and 23.5 regarding foreign exchange derivatives, and Note 23.4 regarding interest rate risk derivatives.

NOTE 24 – SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari. The Selective Retailing business group comprises the Group's own-label retailing activities. The "Other and holding companies" business group comprises brands and businesses that are not associated with any of the above-mentioned business groups, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

24.1 Information by business group

Fiscal year 2019

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [b]	Total
Sales outside the Group	5,547	22,164	5,738	4,286	14,737	1,200	-	53,671
Intra-Group sales	28	73	1,097	120	54	16	(1,388)	-
TOTAL REVENUE	**5,576**	**22,237**	**6,835**	**4,405**	**14,791**	**1,215**	**(1,388)**	**53,671**
Profit from recurring operations	1,729	7,344	683	736	1,395	(369)	(32)	11,486
Other operating income and expenses	(7)	(20)	(27)	(28)	(15)	(135)	-	(231)
Depreciation, amortization and impairment expenses	(191)	(1,856)	(431)	(477)	(1,408)	(251)	98	(4,517)
Of which: Right-of-use assets	*(31)*	*(1,146)*	*(141)*	*(230)*	*(872)*	*(85)*	*98*	*(2,408)*
Other	*(160)*	*(710)*	*(290)*	*(247)*	*(536)*	*(166)*	-	*(2,109)*
Intangible assets and goodwill [c]	9,622	7,446	2,118	5,723	3,470	2,648	-	31,027
Right-of-use assets	116	5,239	487	1,196	5,012	824	(465)	12,409
Property, plant and equipment	3,142	3,627	773	610	1,919	7,865	(7)	17,929
Inventories	5,818	2,884	830	1,823	2,691	238	(375)	13,910
Other operating assets	1,547	2,028	1,518	740	895	1,319	14,583 [d]	22,630
TOTAL ASSETS	**20,245**	**21,224**	**5,726**	**10,092**	**13,987**	**12,894**	**13,736**	**97,905**
Equity							36,670	36,670
Lease liabilities	118	5,191	481	1,141	5,160	888	(434)	12,545
Other liabilities	1,727	4,719	2,321	1,046	2,938	1,691	34,248 [e]	48,690
TOTAL LIABILITIES AND EQUITY	**1,845**	**9,910**	**2,802**	**2,187**	**8,098**	**2,579**	**70,484**	**97,905**
Operating investments [f]	(325)	(1,199)	(378)	(296)	(659)	(475)	-	(3,332)

Fiscal year 2018 [g]

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations and not allocated [b]	Total
Sales outside the Group	5,115	18,389	5,015	4,012	13,599	701	-	46,831
Intra-Group sales	28	66	1,077	111	47	19	(1,348)	-
TOTAL REVENUE	**5,143**	**18,455**	**6,092**	**4,123**	**13,646**	**720**	**(1,348)**	**46,831**
Profit from recurring operations	1,629	5,943	676	703	1,382	(273)	(60)	10,000
Other operating income and expenses	(3)	(10)	(16)	(4)	(5)	(88)	-	(126)
Depreciation, amortization and impairment expenses	(162)	(764)	(275)	(239)	(463)	(168)	-	(2,071)
Of which: Right-of-use assets	-	-	-	-	-	-	-	-
Other	*(162)*	*(764)*	*(275)*	*(239)*	*(463)*	*(168)*	-	*(2,071)*
Intangible assets and goodwill [c]	8,195	7,573	2,123	5,791	3,430	1,649	-	28,761
Right-of-use assets	-	-	-	-	-	-	-	-
Property, plant and equipment	2,871	3,193	677	576	1,817	5,348	(7)	14,475
Inventories	5,471	2,364	842	1,609	2,532	198	(356)	12,660
Other operating assets	1,449	1,596	1,401	721	870	976	17,605 [d]	24,618
TOTAL ASSETS	**17,986**	**14,726**	**5,043**	**8,697**	**8,649**	**8,171**	**17,242**	**80,514**
Equity							30,836	30,836
Lease liabilities	-	-	-	-	-	-	-	-
Other liabilities	1,580	4,262	2,115	1,075	3,005	1,262	36,379 [e]	49,678
TOTAL LIABILITIES AND EQUITY	**1,580**	**4,262**	**2,115**	**1,075**	**3,005**	**1,262**	**67,215**	**80,514**
Operating investments [f]	(298)	(827)	(330)	(303)	(537)	(743)	-	(3,038)

Fiscal year 2017 [g]

(EUR millions)	Wines and Spirits	Fashion and Leather Goods [a]	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations and not allocated [b]	Total
Sales outside the Group	5,051	16,467	4,532	3,721	13,266	630	-	43,667
Intra-Group sales	33	52	1,028	84	45	35	(1,277)	-
TOTAL REVENUE	**5,084**	**16,519**	**5,560**	**3,805**	**13,311**	**665**	**(1,277)**	**43,667**
Profit from recurring operations	1,558	5,022	600	512	1,075	(370)	(48)	8,349
Other operating income and expenses	(18)	(31)	(8)	(78)	(42)	(2)	-	(179)
Depreciation, amortization and impairment expenses	(158)	(742)	(254)	(273)	(510)	(67)	-	(2,004)
Of which: Right-of-use assets	-	-	-	-	-	-	-	-
Other	*(158)*	*(742)*	*(254)*	*(273)*	*(510)*	*(67)*	-	*(2,004)*
Intangible assets and goodwill [c]	8,313	7,477	1,997	5,684	3,348	1,754	-	28,573
Right-of-use assets	-	-	-	-	-	-	-	-
Property, plant and equipment	2,740	3,058	607	537	1,701	4,593	(7)	13,229
Inventories	5,115	1,884	634	1,420	2,111	174	(293)	11,045
Other operating assets	1,449	1,234	1,108	598	845	1,284	16,936 [d]	23,454
TOTAL ASSETS	**17,617**	**13,653**	**4,346**	**8,239**	**8,005**	**7,805**	**16,636**	**76,301**
Equity							26,893	26,893
Lease liabilities	-	-	-	-	-	-	-	-
Other liabilities	1,544	3,539	1,706	895	2,839	1,255	37,630 [e]	49,408
TOTAL LIABILITIES AND EQUITY	**1,544**	**3,539**	**1,706**	**895**	**2,839**	**1,255**	**64,523**	**76,301**
Operating investments [f]	(292)	(804)	(286)	(269)	(570)	(296)	1	(2,516)

(a) Information for Christian Dior Couture was included in the figures for the Fashion and Leather Goods business group for fiscal year 2017, following the sale within the consolidated group of this segment by Christian Dior SE to LVMH SE on July 3, 2017.
(b) Eliminations correspond to sales between business groups; these generally consist of sales to Selective Retailing from other business groups. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(c) Intangible assets and goodwill correspond to the carrying amounts shown in Notes 3 and 4.
(d) Assets not allocated include available for sale financial assets, other financial assets, and current and deferred tax assets.
(e) Liabilities not allocated include financial debt, current and deferred tax liabilities, and liabilities related to purchase commitments for minority interests' shares.
(f) Increase/(Decrease) in cash and cash equivalents.
(g) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

24.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
France	4,726	4,496	4,293
Europe (excluding France)	10,203	8,731	8,215
United States	12,613	11,207	10,793
Japan	3,878	3,351	3,008
Asia (excluding Japan)	16,189	13,723	12,259
Other countries	6,062	5,323	5,099
REVENUE	**53,671**	**46,831**	**43,667**

Operating investments by geographic region are as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
France	1,277	1,054	934
Europe (excluding France)	687	539	459
United States	453	765	399
Japan	133	80	252
Asia (excluding Japan)	534	411	318
Other countries	248	189	154
OPERATING INVESTMENTS	**3,332**	**3,038**	**2,516**

No geographic breakdown of segment assets is provided since a significant portion of these assets consists of brands and goodwill, which must be analyzed on the basis of the revenue generated by these assets in each region, and not in relation to the region of their legal ownership.

24.3 Quarterly information

Quarterly revenue by business group breaks down as follows:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods [(a)]	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations	Total
First quarter	1,349	5,111	1,687	1,046	3,510	187	(352)	12,538
Second quarter	1,137	5,314	1,549	1,089	3,588	193	(326)	12,544
Third quarter	1,433	5,448	1,676	1,126	3,457	511 [(b)]	(335)	13,316
Fourth quarter	1,657	6,364	1,923	1,144	4,236	324	(375)	15,273
2019 TOTAL	**5,576**	**22,237**	**6,835**	**4,405**	**14,791**	**1,215**	**(1,388)**	**53,671**
First quarter	1,195	4,270	1,500	959	3,104	161	(335)	10,854
Second quarter	1,076	4,324	1,377	1,019	3,221	187	(307)	10,897
Third quarter	1,294	4,458	1,533	1,043	3,219	174	(341)	11,380
Fourth quarter	1,578	5,403	1,682	1,102	4,102	198	(365)	13,700
2018 TOTAL	**5,143**	**18,455**	**6,092**	**4,123**	**13,646**	**720**	**(1,348)**	**46,831**
First quarter	1,196	3,911	1,395	879	3,154	170	(324)	10,381
Second quarter	1,098	4,035 [(c)]	1,275	959	3,126	168	(297)	10,364
Third quarter	1,220	3,939	1,395	951	3,055	147	(326)	10,381
Fourth quarter	1,570	4,634	1,495	1,016	3,976	180	(330)	12,541
2017 TOTAL	**5,084**	**16,519**	**5,560**	**3,805**	**13,311**	**665**	**(1,277)**	**43,667**

(a) Information for Christian Dior Couture was included in the figures for the Fashion and Leather Goods business group for fiscal year 2017, following the sale within the consolidated group of this segment by Christian Dior SE to LVMH SE on July 3, 2017.
(b) Including the entire revenue of Belmond for the period from April to September 2019.
(c) Including the entire revenue of Rimowa for the first half of 2017.

NOTE 25 – REVENUE AND EXPENSES BY NATURE

25.1 Breakdown of revenue

Revenue consists of the following:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Revenue generated by brands and trade names	53,302	46,427	43,250
Royalties and license revenue	110	114	108
Income from investment property	20	23	18
Other revenue	239	267	291
TOTAL	**53,671**	**46,831**	**43,667**

The portion of total revenue generated by the Group at its own stores, including sales through e-commerce websites, was approximately 70% in fiscal year 2019 (69% in fiscal year 2018 and 70% in fiscal year 2017), i.e. 37,356 million euros in 2019 (32,081 million euros in 2018 and 30,512 million euros in 2017).

25.2 Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Advertising and promotion expenses	6,265	5,518	4,961
Personnel costs	9,423	8,295	7,925
Research and development expenses	140	130	130

See also Note 7 regarding the breakdown of lease expenses.

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising, and also include personnel costs dedicated to this function.

As of December 31, 2019, a total of 4,915 stores were operated by the Group worldwide (4,592 as of December 31, 2018; 4,374 as of December 31, 2017), particularly by Fashion and Leather Goods and Selective Retailing.

Personnel costs consist of the following elements:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Salaries and social security contributions	9,180	8,081	7,739
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans [(a)]	167	127	113
Bonus share and similar plans [(b)]	75	87	73
PERSONNEL COSTS	**9,423**	**8,295**	**7,925**

(a) See Note 30.
(b) See Note 17.4.

The average full-time equivalent workforce broke down as follows by professional category during the fiscal years presented:

(in number and as %)	Dec. 31, 2019	%	Dec. 31, 2018	%	Dec. 31, 2017	%
Executives and managers	30,883	21	27,924	21	25,898	20
Technicians and supervisors	14,774	10	14,057	10	13,455	10
Administrative and sales staff	81,376	55	76,772	56	72,981	57
Production workers	20,682	14	17,880	13	16,303	13
TOTAL	**147,715**	**100**	**136,633**	**100**	**128,637**	**100**

25.3 Statutory Auditors' fees

The amount of fees paid to the Statutory Auditors of Financière Agache and members of their networks recorded in the consolidated income statement for the 2019 fiscal year breaks down as follows:

			2019
(EUR millions, excluding VAT)	ERNST & YOUNG et Autres	MAZARS	Total
Audit-related fees	**10**	**8**	**18**
Tax services	3	NS	3
Other	2	NS	2
Total non-audit-related fees	**5**	**NS**	**5**
TOTAL	**15**	**8**	**23**

NS: Not significant.

Audit-related fees include other services related to the certification of the consolidated and parent company financial statements, for non-material amounts. In addition to tax services – which are mainly performed outside France to ensure that the Group's subsidiaries and expatriates meet their local tax filing obligations – non-audit-related services include various types of certifications, mainly those required by landlords concerning the revenue of certain stores, and specific checks run at the Group's request.

NOTE 26 – OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2019	2018	2017
Net gains/(losses) on disposals	-	(5)	(14)
Restructuring costs	(57)	1	(19)
Transaction costs relating to the acquisition of consolidated companies	(45)	(10)	(13)
Impairment or amortization of brands, trade names, goodwill and other fixed assets	(26)	(117)	(129)
Other items, net	(104)	5	(4)
OTHER OPERATING INCOME AND EXPENSES	**(231)**	**(126)**	**(179)**

Impairment and amortization expenses recorded are mostly for brands and goodwill.

"Other items, net" notably includes the donation of 100 million euros for the reconstruction of Notre-Dame de Paris.

NOTE 27 – NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	2019	2018 [a]	2017 [a]
Borrowing costs	(243)	(272)	(233)
Income from cash, cash equivalents, current available for sale financial assets, and receivables	65	71	48
Fair value adjustment of borrowings and interest rate hedges	(2)	(3)	(1)
Cost of net financial debt	**(180)**	**(204)**	**(186)**
Interest on lease liabilities	**(290)**	**-**	**-**
Income/(loss) from non-operating joint ventures and associates	**41**	**24**	**20**
Dividends received from non-current available for sale financial assets	9	39	47
Cost of foreign exchange derivatives	(235)	(175)	(169)
Fair value adjustment of available for sale financial assets	70	(99)	214
Other items, net	(29)	(26)	(66)
Other financial income and expenses	**(186)**	**(261)**	**26**
NET FINANCIAL INCOME/(EXPENSE)	**(615)**	**(441)**	**(140)**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

Income from cash, cash equivalents and current available for sale financial assets comprises the following items:

(EUR millions)	2019	2018	2017
Income from cash and cash equivalents	33	26	20
Income from loans and receivables and current available for sale financial assets	32	45	28
INCOME FROM CASH, CASH EQUIVALENTS, CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS, AND RECEIVABLES	**65**	**71**	**48**

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

(EUR millions)	2019	2018	2017
Hedged financial debt	(3)	1	28
Hedging instruments	3	(1)	(30)
Unallocated derivatives	(1)	(3)	1
FAIR VALUE ADJUSTMENT OF BORROWINGS AND INTEREST RATE HEDGES	**(2)**	**(3)**	**(1)**

The cost of foreign exchange derivatives breaks down as follows:

(EUR millions)	2019	2018	2017
Cost of commercial foreign exchange derivatives	(230)	(159)	(174)
Cost of foreign exchange derivatives related to net investments denominated in foreign currency	5	4	(3)
Cost and other items related to other foreign exchange derivatives	(11)	(20)	8
COST OF FOREIGN EXCHANGE DERIVATIVES	**(235)**	**(175)**	**(169)**

NOTE 28 – INCOME TAXES

28.1 Breakdown of the income tax expense

(EUR millions)	2019	2018	2017
Current income taxes for the fiscal year	(3,351)	(2,660)	(2,927)
Current income taxes relating to previous fiscal years	12	76	599
Current income taxes	**(3,339)**	**(2,584)**	**(2,328)**
Change in deferred income taxes	383	57	12
Impact of changes in tax rates on deferred income taxes	(10)	(1)	50
Deferred tax	**373**	**56**	**62**
TOTAL TAX EXPENSE PER INCOME STATEMENT	**(2,966)**	**(2,528)**	**(2,266)**
TAX ON ITEMS RECOGNIZED IN EQUITY	**(31)**	**111**	**(213)** [(a)]

(a) Including an expense of 143 million euros as of December 31, 2017, corresponding to the tax on the capital gain arising from the sale of the Christian Dior Couture segment to LVMH after taking into account tax loss carryforwards. See Note 2.

In October 2017, the French Constitutional Court struck down the French dividend tax introduced in 2012, which required French companies to pay a tax equal to 3% of dividends paid. In order to finance the corresponding reimbursement, an exceptional surtax was introduced, which raised the income tax payable by French companies in respect of fiscal year 2017 by 15% or 30%, depending on the company's revenue bracket. The reimbursement received, including interest on arrears and net of the exceptional surtax, represented income in the amount of 345 million euros.

In 2017, changes in tax rates had two opposing impacts on deferred tax. On the one hand, the 2018 Budget Act in France continued the gradual reduction of the corporate tax rate initiated by the 2017 Budget Act, lowering the tax rate to 25.83% from 2022; long-term deferred taxes of the Group's French entities – essentially relating to acquired brands – were thus revalued based on the rate applicable from 2022. On the other hand, the tax reform signed into law in the United States lowered the overall corporate income tax rate from 40% to 27% beginning in fiscal year 2018; deferred taxes (essentially deferred tax assets) of entities that are taxable in the United States were thus revalued.

28.2 Breakdown of the net deferred tax asset/(liability)

The net deferred tax asset/(liability) broke down as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Deferred tax assets	2,278	1,937	1,747
Deferred tax liabilities	(5,124)	(4,603)	(4,549)
NET DEFERRED TAX ASSET/(LIABILITY)	**(2,846)**	**(2,666)**	**(2,802)**

28.3 Breakdown of the difference between statutory and effective tax rates

The effective tax rate is as follows:

(EUR millions)	2019	2018	2017
Profit before tax	10,640	9,433	8,030
Of which: Joint ventures and associates subject to corporate income tax	*41*	*24*	*20*
Taxable profit before tax	**10,599**	**9,409**	**8,010**
Total income tax expense	(2,966)	(2,528)	(2,266)
EFFECTIVE TAX RATE	**28.0%**	**26.9%**	**28.3%**

The statutory tax rate – which is the rate applicable by law to the Group's French companies, including the 3.3% social security contribution – may be reconciled as follows to the effective tax rate disclosed in the consolidated financial statements:

(as % of income before tax)	2019	2018	2017
French statutory tax rate	**34.4**	**34.4**	**34.4**
Changes in tax rates [(a)]	(0.1)	-	(2.2)
Differences in tax rates for foreign companies	(8.9)	(8.9)	(6.5)
Tax losses, tax loss carryforwards and other changes in deferred tax	(0.2)	0.7	1.1
Differences between consolidated and taxable income, and income taxable at reduced rates	-	(1.0)	4.4
Tax on dividend payments applicable to French companies, net of the exceptional surtax on corporate income tax	-	-	(4.4)
Tax on distribution [(b)]	2.8	1.7	1.5
EFFECTIVE TAX RATE OF THE GROUP	**28.0**	**26.9**	**28.3**

(a) See Note 28.1.
(b) Tax on distribution is mainly related to intra-Group dividends.

28.4 Sources of deferred tax

In the income statement [(a)]

(EUR millions)	2019	2018	2017
Valuation of brands	32	(1)	199
Other revaluation adjustments	11	2	68
Gains and losses on available for sale financial assets	(15)	6	(51)
Gains and losses on hedges of future foreign currency cash flows	-	(3)	3
Provisions for contingencies and losses	182	(63)	(74)
Intra-Group margin included in inventories	118	85	(44)
Other consolidation adjustments	9	14	(15)
Losses carried forward	36	16	(24)
TOTAL	**373**	**56**	**62**

(a) Income/(Expenses).

In the statement of changes in equity [(a)]

(EUR millions)	2019	2018	2017
Fair value adjustment of vineyard land	(11)	(2)	82
Gains and losses on available for sale financial assets	(59)	23	31
Gains and losses on hedges of future foreign currency cash flows	(11)	112	(111)
Gains and losses on employee benefit commitments	39	(5)	(24)
TOTAL	**(41)**	**128**	**(22)**

(a) Gains/(Losses).

In the balance sheet [(a)]

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Valuation of brands	(3,640)	(3,629)	(3,599)
Fair value adjustment of vineyard land	(585)	(574)	(565)
Other revaluation adjustments	(720)	(280)	(282)
Gains and losses on available for sale financial assets	(139)	(65)	(61)
Gains and losses on hedges of future foreign currency cash flows	40	50	(53)
Provisions for contingencies and losses	693	551	596
Intra-Group margin included in inventories	921	795	707
Other consolidation adjustments	507	448	430
Losses carried forward	77	38	25
TOTAL	**(2,846)**	**(2,666)**	**(2,802)**

(a) Asset/(Liability).

28.5 Tax consolidation

- France's tax consolidation system allows virtually all of the Group's French companies to combine their taxable profits to calculate the overall tax expense, for which only the parent company is liable.

  Financière Agache and its French subsidiaries in which it has an ownership interest of more than 95% are part of a tax consolidation group, the parent company of which is Groupe Arnault SEDCS.

  In 2017 and prior fiscal years, Christian Dior and most of its French subsidiaries in which it had an ownership interest of more than 95% comprised a tax consolidation group, of which it was the parent company.

  As of January 1, 2018, Christian Dior SE and its French subsidiaries in which it has an ownership interest of more than 95% joined the tax consolidation group whose parent company is Groupe Arnault.

  LVMH SE and most of its French subsidiaries in which it has an ownership interest of more than 95% comprise another tax consolidation group, the parent company of which is LVMH SE. The estimated impact on the current tax expense of this tax consolidation group amounted to a 138 million euro decrease in the tax expense in the fiscal year ended December 31, 2019 (225 million euro decrease in the tax expense in 2018; 6 million euro increase in the tax expense in 2017).
- The other tax consolidation systems in place, particularly in the United States, generated current tax savings of 61 million euros in fiscal year 2019 (61 million euros in 2018; 85 million euros in 2017).

28.6 Losses carried forward

As of December 31, 2019, unused tax loss carryforwards and tax credits for which no deferred tax assets were recognized had a potential positive impact on the future tax expense of 623 million euros (677 million euros as of December 31, 2018 and 637 million euros as of December 31, 2017).

NOTE 29 – EARNINGS PER SHARE

	2019	2018 [(a)]	2017 [(a)]
Net profit, Group share *(EUR millions)*	**2,786**	**2,499**	**1,990**
Impact of dilutive instruments on the subsidiaries *(EUR millions)*	(4)	(8)	(14)
NET PROFIT, DILUTED GROUP SHARE *(EUR millions)*	**2,782**	**2,491**	**1,976**
Average number of shares outstanding during the fiscal year	3,173,352	3,173,352	3,173,352
Average number of Financière Agache treasury shares owned during the fiscal year	(3,619)	(3,619)	(3,619)
Average number of shares on which the calculation before dilution is based	**3,169,733**	**3,169,733**	**3,169,733**
BASIC GROUP SHARE OF NET EARNINGS PER SHARE *(EUR)*	**878.90**	**788.39**	**627.81**
Average number of shares outstanding on which the above calculation is based	3,169,733	3,169,733	3,169,733
Dilutive effect of stock option plans	-	-	-
AVERAGE NUMBER OF SHARES ON WHICH THE CALCULATION AFTER DILUTION IS BASED	**3,169,733**	**3,169,733**	**3,169,733**
DILUTED GROUP SHARE OF NET EARNINGS PER SHARE *(EUR)*	**877.64**	**785.87**	**623.40**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

As of December 31, 2019, all of the instruments that may dilute earnings per share were taken into consideration when determining the dilutive effect.

No events occurred between December 31, 2019 and April 22, 2020 (the date at which the financial statements were approved for publication) that would have significantly affected the number of shares outstanding or the potential number of shares.

NOTE 30 – PROVISIONS FOR PENSIONS, CONTRIBUTION TO MEDICAL COSTS, AND OTHER EMPLOYEE BENEFIT COMMITMENTS

30.1 Expense for the fiscal year

The expense recognized in the fiscal years presented for provisions for pensions, contribution to medical costs and other employee benefit commitments is as follows:

(EUR millions)	2019	2018	2017
Service cost	112	113	110
Net interest cost	12	12	13
Actuarial gains and losses	(2)	(1)	-
Changes in plans	46	3	(10)
TOTAL EXPENSE FOR THE FISCAL YEAR FOR DEFINED-BENEFIT PLANS	**167**	**127**	**113**

Changes in plans concern the impact of the lock-in of benefits in respect of supplementary pension plans covering the Group's Executive Committee members and senior executives, following the entry into force of the French PACTE law and the Order of July 3, 2019.

30.2 Net recognized commitment

(EUR millions)	*Notes*	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Benefits covered by plan assets		1,867	1,515	1,490
Benefits not covered by plan assets		250	189	179
Defined-benefit obligation		**2,117**	**1,704**	**1,669**
Market value of plan assets		**(1,340)**	**(1,137)**	**(1,077)**
NET RECOGNIZED COMMITMENT		**777**	**567**	**592**
Of which:				
Non-current provisions	*20*	812	605	625
Current provisions	*20*	8	7	4
Other assets		(43)	(45)	(37)
TOTAL		**777**	**567**	**592**

30.3 Breakdown of the change in the net recognized commitment

(EUR millions)	Defined-benefit obligation	Market value of plan assets	Net recognized commitment
As of December 31, 2018	**1,704**	**(1,137)**	**567**
Service cost	112	-	112
Net interest cost	35	(23)	12
Payments to recipients	(95)	66	(29)
Contributions to plan assets	-	(104)	(104)
Employee contributions	9	(9)	-
Changes in scope and reclassifications	22	(22)	-
Changes in plans	46	-	46
Actuarial gains and losses	252	(82)	170
Of which: Experience adjustments [(a)]	31	(82)	(51)
Changes in demographic assumptions [(a)]	(2)	-	(2)
Changes in financial assumptions [(a)]	223	-	223
Translation adjustment	32	(29)	3
AS OF DECEMBER 31, 2019	**2,117**	**(1,340)**	**777**

(a) (Gains)/Losses.

Actuarial gains and losses resulting from experience adjustments related to the four previous fiscal years were as follows:

(EUR millions)	2015	2016	2017	2018
Experience adjustments on the defined-benefit obligation	(11)	(1)	4	4
Experience adjustments on the market value of plan assets	(12)	(25)	(49)	(41)
ACTUARIAL GAINS AND LOSSES RESULTING FROM EXPERIENCE ADJUSTMENTS [(a)]	**(23)**	**(26)**	**(45)**	**(37)**

(a) (Gains)/Losses.

The actuarial assumptions applied to estimate commitments as of December 31 of the fiscal years presented in the main countries concerned were as follows:

	December 31, 2019					December 31, 2018					December 31, 2017				
(as %)	France	United States	United Kingdom	Japan	Switzer-land	France	United States	United Kingdom	Japan	Switzer-land	France	United States	United Kingdom	Japan	Switzer-land
Discount rate [(a)]	0.46	2.99	2.05	0.50	0.10	1.50	4.43	2.90	0.50	0.83	1.50	3.70	2.60	0.50	0.65
Future salary increase rate	2.75	4.39	N/A	1.87	1.79	2.75	4.59	N/A	1.99	1.74	2.68	1.70	N/A	2.00	1.69

(a) Discount rates were determined with reference to market yields of AA-rated corporate bonds at the year-end in the countries concerned. Bonds with maturities comparable to those of the commitments were used.
N/A: Not applicable.

The assumed rate of increase of medical expenses in the United States is 6.50% for 2020, after which it is assumed to decline progressively to reach 4.50% in 2037.

A 0.5-point increase in the discount rate would result in a 139 million euro reduction in the amount of the defined-benefit obligation as of December 31, 2019; a 0.5-point decrease in the discount rate would result in a 152 million euro increase.

30.4 Breakdown of benefit obligations

The breakdown of the defined-benefit obligation by type of benefit plan is as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Supplementary pensions	1,597	1,300	1,279
Retirement bonuses and similar benefits	427	326	311
Medical costs of retirees	54	42	45
Long-service awards	32	27	25
Other	7	9	9
DEFINED-BENEFIT OBLIGATION	**2,117**	**1,704**	**1,669**

The geographic breakdown of the defined-benefit obligation is as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
France	887	615	579
Europe (excluding France)	581	556	569
United States	454	347	344
Japan	144	136	125
Asia (excluding Japan)	44	41	44
Other countries	7	9	8
DEFINED-BENEFIT OBLIGATION	**2,117**	**1,704**	**1,669**

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2019 are as follows:

- In France, these commitments include the commitment to certain members of the Group's management bodies who are covered by a supplementary pension plan after a certain number of years of service, the amount of which is determined on the basis of the average of their three highest amounts of annual compensation; they also include end-of-career bonuses and long-service awards, the payment of which is determined by French law and collective bargaining agreements, respectively upon retirement or after a certain number of years of service.
- In Europe (excluding France), commitments concern defined-benefit pension plans set up in the United Kingdom by certain Group companies; participation by Group companies in Switzerland in the mandatory Swiss occupational pension plan, the LPP (Loi pour la Prévoyance Professionnelle); and in Italy the TFR (Trattamento di Fine Rapporto), a legally required end-of-service allowance, paid regardless of the reason for the employee's departure from the company.
- In the United States, the commitment relates to defined-benefit pension plans or retiree healthcare coverage set up by certain Group companies.

30.5 Breakdown of related plan assets

The breakdown of the market value of plan assets by type of investment is as follows:

(as % of market value of related plan assets)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Shares	19	23	25
Bonds:			
- Private issues	35	36	36
- Public issues	8	5	6
Cash, investment funds, real estate and other assets	38	36	33
TOTAL	**100**	**100**	**100**

These assets do not include any debt securities issued by Group companies, nor any LVMH or Christian Dior shares for significant amounts. The Group plans to increase the related plan assets in 2020 by paying in approximately 122 million euros.

NOTE 31 – OFF-BALANCE SHEET COMMITMENTS

31.1 Purchase commitments

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Grapes, wines and eaux-de-vie	2,840	2,040	1,925
Other purchase commitments for raw materials	211	215	123
Industrial and commercial fixed assets	674	721	525
Investments in joint venture shares and non-current available for sale financial assets	14,763	2,153	208

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and eaux-de-vie. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known fiscal year-end prices and estimated production yields.

As of December 31, 2019, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co. ("Tiffany") at a unit price of 135 US dollars, for a total of 16.2 billion US dollars. The transaction, recommended by Tiffany's Board of Directors and approved on February 4, 2020 at its Shareholders' Meeting, is expected to close in mid-2020, subject to customary approval by regulatory authorities.

As of December 31, 2018, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the Class A shares of Belmond Ltd at a unit price of 25 US dollars, for a total of 2.3 billion US dollars, after deducting the shares previously acquired on the market in December 2018. This transaction took place in April 2019; see Note 2.

As of December 31, 2019, the maturity dates of these commitments break down as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and eaux-de-vie	742	2,058	40	2,840
Other purchase commitments for raw materials	152	59	-	211
Industrial and commercial fixed assets	576	100	(2)	674
Investments in joint venture shares and non-current available for sale financial assets	14,603	159	-	14,763

31.2 Collateral and other guarantees

As of December 31, 2019, these commitments broke down as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Securities and deposits	371	342	379
Other guarantees	163	160	726
GUARANTEES GIVEN	**534**	**502**	**1,105**
GUARANTEES RECEIVED	**(53)**	**(70)**	**(40)**

The maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	156	210	5	371
Other guarantees	69	81	13	163
GUARANTEES GIVEN	**225**	**291**	**18**	**534**
GUARANTEES RECEIVED	**(22)**	**(27)**	**(4)**	**(53)**

Since fiscal year 2011, in connection with the Group's overall financing and cash management, two affiliated companies have authorized Financière Agache to acquire a total of 6,300,000 LVMH shares and 2,500,000 Christian Dior shares, at a unit price that will correspond, upon the exercise of this right, to the market price of the shares in question upon their acquisition by Financière Agache.

31.3 Other commitments

The Group is not aware of any significant off-balance sheet commitments other than those described above.

NOTE 32 – EXCEPTIONAL EVENTS AND LITIGATION

As part of its day-to-day management, the Group may be party to various legal proceedings concerning trademark rights, the protection of intellectual property rights, the protection of selective retailing networks, licensing agreements, employee relations, tax audits, and any other matters inherent to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation proceedings and disputes that are in progress and any others of which it is aware at the year-end, are sufficient to avoid its consolidated financial position being materially impacted in the event of an unfavorable outcome.

In September 2017, Hurricanes Harvey, Irma and Maria battered the Caribbean and the southern United States, causing major damage to two of the Group's hotels in St. Barthélemy and affecting, to a lesser extent, the stores in the areas where the storms made landfall. After taking into account insurance payments received in 2018 for property damage and business interruption, the remaining financial impact on the 2017 and 2018 financial statements was not material.

At the end of October 2017, having discovered that a subcontractor had delivered product batches not meeting its quality standards, Benefit ordered a worldwide recall of these products and launched a communications campaign. As a significant portion of the costs related to this incident were covered by the Group's civil liability insurance policy, the remaining financial impact on the financial statements for the fiscal year ended December 31, 2018 was not material. This insurance claim was settled in 2019.

There were no significant developments in fiscal year 2019 with regard to exceptional events or litigation. To the best of the Company's knowledge, there are no pending or impending administrative, judicial or arbitration procedures that are likely to have, or have had over the twelve-month period under review, any significant impact on the Group's financial position or profitability.

NOTE 33 – RELATED-PARTY TRANSACTIONS

33.1 Relations of the Financière Agache group with Groupe Arnault

The Financière Agache group is consolidated in the accounts of Groupe Arnault SEDCS. Groupe Arnault SEDCS provides assistance to the Financière Agache group in the areas of development, financial engineering and corporate and real estate law. Groupe Arnault also leases office space to the Financière Agache group. Groupe Arnault leases office space from the Financière Agache group, and the Financière Agache group also provides Groupe Arnault with various forms of administrative assistance.

Routine transactions between the Financière Agache group and Groupe Arnault may be summarized as follows:

(EUR millions)	2019	2018	2017
• Services billed by Groupe Arnault to the Financière Agache group (a)	(7)	(8)	(12)
Amount payable outstanding as of December 31 (b)	-	-	(2)
• Interest billed by Groupe Arnault to the Financière Agache group (a)	(15)	(21)	(6)
Balance of loans granted to the Financière Agache group and accrued interest not yet due (b)	(572)	(524)	(675)
• Tax consolidation expense (a)	(117)	(29)	(4)
Balance of tax consolidation accounts (b)	(90)	85	9
• Amounts billed by the Financière Agache group to Groupe Arnault (a)	6	6	5
Amount receivable outstanding as of December 31 (b)	-	-	1
• Interest billed by the Financière Agache group to Groupe Arnault (a)	4	17	13
Balance of loans granted by the Financière Agache group and accrued interest not yet due (b)	4	204	508

(a) Income/(Expense).
(b) Asset/(Liability).

33.2 Relations of the Financière Agache group with Diageo

Moët Hennessy SAS and Moët Hennessy International SAS (hereinafter referred to as "Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits business group, with the exception of Château d'Yquem, Château Cheval Blanc, Domaine du Clos des Lambrays, Colgin Cellars and certain champagne vineyards. Diageo holds a 34% stake in Moët Hennessy. When that holding was acquired in 1994, an agreement was entered into between Diageo and LVMH for the apportionment of shared holding company costs between Moët Hennessy and the other holding companies of the LVMH group. Under this agreement, Moët Hennessy assumed 14% of shared costs in 2019 (15% in 2018 and 16% in 2017), and accordingly re-invoiced the excess costs incurred to LVMH SE. After re-invoicing, the amount of shared costs assumed by Moët Hennessy came to 25 million euros for 2019 (17 million euros in 2018 and 19 million euros in 2017).

33.3 Relations with the Fondation Louis Vuitton

In October 2014, the Fondation Louis Vuitton opened a modern and contemporary art museum in Paris. The LVMH group finances the Fondation as part of its corporate giving initiatives. Its net contributions to this project are included in "Property, plant and equipment" and are depreciated from the time the museum opened (October 2014) over the remaining duration of the public property use agreement awarded by the City of Paris. The Fondation Louis Vuitton also obtains external financing guaranteed by LVMH. These guarantees are part of LVMH's off-balance sheet commitments (see Note 31.2).

33.4 Executive bodies

The total compensation paid to the members of the Board of Directors in respect of their functions within the Group breaks down as follows:

(EUR millions)	2019	2018	2017
Gross compensation, employer social security contributions and benefits in kind	6	7	7
Post-employment benefits	10	4	4
Other long-term benefits	-	-	-
End-of-contract bonuses	-	-	-
Cost of bonus share and similar plans	5	6	4
TOTAL	**21**	**17**	**15**

The commitment recognized as of December 31, 2019 for post-employment benefits net of related financial assets was 17 million euros (11 million euros as of December 31, 2018 and 12 million euros as of December 31, 2017).

NOTE 34 – SUBSEQUENT EVENTS

On February 4, 2020, at an Extraordinary Shareholders' Meeting, the shareholders of Tiffany & Co. (NYSE: TIF) voted with a very large majority in favor of the agreement announced on November 25, 2019 on the proposed acquisition of Tiffany by LVMH. Several bonds were issued by LVMH in February and April 2020 for a total amount of 10.8 billion euros, in order to finance this acquisition.

In the first quarter of 2020, LVMH generated revenue of 10.6 billion euros, down 15% relative to the same period in 2019, and 17% at constant consolidation scope and exchange rates.

The Group has demonstrated its resilience in an economic environment disrupted by a severe public health crisis that has resulted in stores and production facilities being closed in most countries over the past few weeks and international travel coming to a halt. The Group's priority is to ensure the safety of its employees and customers. In a very turbulent environment, the Group will maintain a strategy focused on the preservation of the value of its brands, supported by the exceptional quality of its products and responsiveness of its teams. Under these circumstances, the Group will further tighten its cost management policy and investment selection criteria.

Closures of the Group's production facilities and stores in most countries during the first half of the year will have an impact on full-year revenue and results. That impact cannot be accurately evaluated at this time without knowing the timing of a return to normal conditions in the various regions in which the Group operates. It is hoped that the situation will begin to gradually recover starting in May or June, following a second quarter that is expected to still be heavily affected by the crisis, particularly in Europe and the United States. The Group will rely on the talent and motivation of its teams, the diversity of its business activities and the good geographical balance of its revenue to reinforce once again in 2020 its global leadership position in high-quality products.

List of consolidated companies

Company	Registered office	Ownership interest
Financière Agache SA	Paris, France	Parent company
Christian Dior SE and its subsidiaries	Paris, France	95%
LVMH SE and its subsidiaries	Paris, France	41%
Semyrhamis SA	Paris, France	100%
Coromandel SAS	Paris, France	100%
Montaigne Services SNC	Paris, France	100%
Agache Développement SA	Paris, France	100%
Transept SAS	Paris, France	100%
Markas Holding BV	Baarn, Netherlands	100%
Westley International SA and its subsidiaries	Luxembourg City, Luxembourg	100%
Le Peigné SA and its subsidiaries [(a)]	Brussels, Belgium	40%

(a) Joint venture or associate.

Companies not included in the scope of consolidation

Company	Registered office	Ownership interest
Sévrilux SNC	Paris, France	100%
JGPG SAS	Paris, France	100%
CD Investissements	Paris, France	95%
FJG Patrimoine	Paris, France	95%
Société d'Exploitation Hôtelière de Saint-Tropez	Paris, France	41%
Société Nouvelle de Libraire et de l'Édition	Paris, France	41%
Samos 1850	Paris, France	41%
BRN Invest NV	Baarn, Netherlands	41%
Toiltech	La Chapelle-devant-Bruyères, France	37%
Bulgari Austria Ltd	Vienna, Austria	41%
Sephora Macau Limited	Macao, China	41%
Les Beaux Monts	Couternon, France	37%
Sofpar 116	Paris, France	41%
Sofpar 125	Paris, France	41%
Sofpar 127	Paris, France	41%
Sofpar 131	Paris, France	41%
Sofpar 132	Paris, France	41%
Sofpar 133	Paris, France	41%
Sofpar 134	Paris, France	41%
Sofpar 136	Paris, France	41%

Company	Registered office	Ownership interest
Sofpar 137	Paris, France	41%
Sofpar 138	Paris, France	41%
Sofpar 139	Paris, France	41%
Sofpar 140	Paris, France	41%
Sofpar 141	Paris, France	41%
Sofpar 142	Paris, France	41%
Prolepsis	Brussels, Belgium	41%
Prolepsis Investment Ltd	London, United Kingdom	41%
Innovación en Marcas de Prestigio SA	Mexico City, Mexico	27%
Moët Hennessy Nigeria	Lagos, Nigeria	27%
MS 33 Expansion	Paris, France	41%
Shinsegae International Co. Ltd LLC	Seoul, South Korea	21%
Crystal Pumpkin	Luxembourg City, Luxembourg	41%
Loewe Nederland BV	Amsterdam, Netherlands	41%
Groupement Forestier des Bois de la Celle	Cognac, France	27%
Augesco	Paris, France	21%
Hugo	Neuilly-sur-Seine, France	41%
Folio St. Barths	New York, USA	41%

These companies are not included in the scope of consolidation due to their inactivity or low level of activity; the individual or collective consolidation of these companies would not have a significant impact on the Group’s main aggregates.

7. Statutory Auditors' report on the consolidated financial statements

To the Shareholders' Meeting of Financière Agache SA,

I. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Financière Agache SA for the fiscal year ended December 31, 2019. These financial statements were approved by the Board of Directors on April 22, 2020, on the basis of the information available at that date, within the developing context of the Covid-19 public health crisis.

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position as of December 31, 2019 and of the results of its operations for the fiscal year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

II. Basis for our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the section of our report entitled "Statutory Auditors' responsibilities for the audit of the consolidated financial statements".

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report. We did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) 537/2014 or in the French Code of Ethics (Code de Déontologie) for Statutory Auditors.

III. Emphasis of matter

Without calling into question the opinion expressed above, we draw attention to the matter described in Note 1.2 to the consolidated financial statements relating to the impact of the initial application of IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments, as well as changes in the presentation of the balance sheet and cash flow statement.

IV. Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, approved under the aforementioned conditions, and in forming our opinion thereon. We do not provide a separate opinion on specific items of the consolidated financial statements.

Valuation of fixed assets, in particular intangible assets

Risk identified

As of December 31, 2019, the value of the Group's fixed assets totaled 48.9 billion euros, excluding right-of-use assets. These fixed assets mainly comprise brands, trade names and goodwill recognized on external growth transactions; and property, plant and equipment, mainly composed of land, vineyard land, buildings, and fixtures and fittings (at stores in particular).

Our response

The Group tests these assets for impairment, as described in Notes 1.15 and 5 to the consolidated financial statements.

In this context, we assessed the methods used to perform these impairment tests and focused our work primarily on Maisons where the carrying amount of intangible assets represents a high multiple of profit from recurring operations.

We assessed the data and assumptions that served as the basis for the main estimates used, in particular forecast cash flows, long-term growth rates and the discount rates applied. We also analyzed the consistency of forecasts with past performance and market outlook, and conducted impairment test sensitivity analyses. In addition, where the recoverable amount is estimated by comparison with recent similar transactions, we corroborated the analyses provided with available market data. All of these analyses were carried out with the support of our valuation experts.

Lastly, we assessed the appropriateness of the information disclosed in the notes to the consolidated financial statements.

Valuation of inventories and work in progress

Risk identified

The success of the Group's products, particularly in the Fashion and Leather Goods and the Watches and Jewelry business groups, depends among other factors on its ability to identify new trends and changes in behaviors and tastes, enabling it to offer products that meet consumers' expectations. The Group determines the amount of impairment of inventories and work in progress on the basis of sales prospects in its various markets or due to product obsolescence, as specified in Note 1.17 to the consolidated financial statements.

We considered this to constitute a key audit matter since the aforementioned projections and any resulting impairment are intrinsically dependent on assumptions, estimates and other forms of judgment made by the Group, as indicated in Note 1.5 to the consolidated financial statements. Furthermore, inventories are present at a large number of subsidiaries, and determining this impairment depends primarily on estimated returns and the monitoring of internal margins, which are eliminated in the consolidated financial statements unless and until inventories are sold to non-Group clients.

Our response

As part of our procedures, we analyzed sales prospects as estimated by the Group in light of past performance and the most recent budgets in order to corroborate the resulting impairment amounts. Where applicable, we assessed the assumptions made by the Group for the recognition of specific impairment. We also assessed the consistency of internal margins eliminated in the consolidated financial statements, by assessing in particular the margins generated with the various distribution subsidiaries and comparing them to the elimination percentage applied.

Provisions for contingencies, losses and uncertain tax positions

Risk identified

The activities of your Group are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the income tax computation and relations with your Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Within this context, your Group's activities may give rise to risks, disputes or litigation, and your Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations.

As indicated in Notes 1.2 and 20 to the consolidated financial statements:

- provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities;
- non-current liabilities related to uncertain tax positions include an estimate of the risks, disputes and actual or probable litigation related to the income tax computation, in accordance with IFRIC 23.

We considered this to constitute a key audit matter due to the significance of the amounts concerned and the level of judgment required to monitor ongoing regulatory changes and evaluate these provisions in the context of a constantly evolving international regulatory environment.

Our response

In the context of our audit of the consolidated financial statements, our work consisted in particular in:

- assessing the procedures implemented by the Group to identify and catalogue all risks, disputes, litigation and uncertain tax positions;
- obtaining an understanding of the risk analysis performed by the Group and the corresponding documentation and, where applicable, reviewing written confirmations from external advisors;
- assessing – in conjunction with our experts, tax specialists in particular – the main risks identified and assessing the reasonableness of the assumptions made by Group management to estimate the amount of the provisions and of liabilities related to uncertain tax positions;
- carrying out a critical review of analyses relating to the use of provisions for contingencies and losses, and of liabilities related to uncertain tax positions, prepared by the Group;
- assessing – in conjunction with our tax specialists – the evaluations drawn up by the Group's Tax Department relating to the consequences of changes in tax laws;
- assessing the appropriateness of information relating to these risks, disputes, litigation and uncertain tax positions disclosed in the notes to the financial statements.

Initial application of IFRS 16 Leases

Risk identified

The Group applies IFRS 16 Leases as of January 1, 2019, using what is known as the "modified retrospective" transition method. Details on this initial application are provided in Note 1.2 to the consolidated financial statements.

This standard modifies the accounting treatment of leases: when a lease is entered into, a liability is recognized in the balance sheet, measured at the discounted present value of the fixed portion of future lease payments, and offset against a right-of-use asset depreciated over the lease term.

As of January 1, 2019, the initial application of this standard led to the recognition of:

- right-of-use assets with a carrying amount of 11.9 billion euros within "Other non-current assets";
- lease liabilities totaling 11.8 billion euros, including 9.7 billion in non-current lease liabilities.

As of that date, as described in Note 7 to the consolidated financial statements, right-of-use assets mainly concerned stores leased by the Group for 9.5 billion euros and office space for 1.3 billion euros.

We consider the initial application of IFRS 16 Leases to be a key audit matter, given the significant importance of right-of-use assets and lease liabilities in the Group's financial statements and the degree to which their value is determined based on its management's judgment, in particular concerning the assumptions used for lease terms and discount rates.

Our response

Our audit approach consisted in verifying the consistency with the provisions of IFRS 16 Leases, and in assessing the appropriateness of the methods used by the Group to determine the main assumptions, in particular those related to the most likely lease terms and discount rates.

Our work also consisted in:

- familiarizing ourselves with the organization and approach used by the Group for the initial application of this standard;
- testing the effectiveness of the key controls that we considered most relevant regarding the information systems and processes put in place by the Group in respect of IFRS 16, with support from members of the audit team with specific expertise in information systems;
- assessing the lease databases used by comparing the scope of the leases in such databases with the operating leases and concessions identified under the old standard, and by assessing the residual lease expenses;
- using sampling to corroborate the information (on leases, terms, etc.) used to measure lease-related assets and liabilities with the underlying contractual documents;
- reviewing the assumptions made and analyzing the methods used by management to determine the lease terms and discount rates used to calculate lease liabilities;

- using sampling to recalculate the amounts of lease liabilities and right-of-use assets as measured and recognized by the Group;
- performing analytical procedures to assess the overall consistency of the right-of-use assets and lease liabilities of the main entities included in the scope of consolidation with respect to our understanding of the Group and its activities;
- assessing the appropriateness of the main accounting policies used and the information disclosed in Notes 1.2 and 7 to the consolidated financial statements.

V. Specific verifications

In accordance with professional standards applicable in France, we also performed the specific verifications required by laws and regulations of the information concerning the Group provided in the Management Report of the Board of Directors approved on April 22, 2020. As regards events that took place and information that came to light after the date at which the financial statements were approved, related to the impact of the Covid-19 crisis, we were informed by management that such events and information would be discussed at the Shareholders' Meeting convened to approve the financial statements.

We have no matters to report as to this information's fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated statement of non-financial performance provided for by Article L. 225-102-1 of the French Commercial Code (Code de Commerce) is included in the information concerning the Group provided in the Management Report, with the proviso that, in accordance with the provisions of Article L. 823-10 of said code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained in this statement, which must be subject to a report by an independent third party.

VI. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Financière Agache SA by the shareholders at your Shareholders' Meetings held on June 27, 1997 (for MAZARS) and June 24, 2009 (for ERNST & YOUNG et Autres).

As of December 31, 2019, MAZARS was in the twenty-third consecutive year of its engagement and ERNST & YOUNG et Autres was in its eleventh year. Previously, ERNST & YOUNG Audit had served as Statutory Auditor beginning in 1992.

VII. Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing any matters related to going concern, and for using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

VIII. Statutory Auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance as to whether the consolidated financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; designs and performs audit procedures responsive to those risks; and obtains audit evidence considered to be sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of its audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse audit opinion;
- assesses the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the scope of consolidation to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these financial statements.

Report to the Performance Audit Committee

We submit a report to the Performance Audit Committee that includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the fiscal year and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set out in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de Commerce) and in the French Code of Ethics (Code de Déontologie) for Statutory Auditors. We discuss any risks that may reasonably be thought to bear on our independence, and the related safeguards, with the Performance Audit Committee.

Courbevoie and Paris-La Défense, May 15, 2020

The Statutory Auditors

French original signed by

MAZARS		**ERNST & YOUNG et Autres**
Loïc Wallaert	Guillaume Machin	Gilles Cohen

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French. It is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required under European regulations and French law, such as information about the appointment of the Statutory Auditors and the verification of information concerning the Group presented in the Management Report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Parent company financial statements: Financière Agache

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1. Income statement

Income/(Expense) *(EUR millions)*	*Notes*	**2019**	**2018 pro forma** [(a)]
Financial income from subsidiaries and investments		618.0	129.6
Investment portfolio: Impairment and provisions		21.4	18.9
Gains and losses on disposal		-	-
Other		(1.4)	-
Income from managing subsidiaries and investments	*4.1*	**638.0**	**148.5**
Income from managing investments	*4.2*	52.3	8.0
Proceeds/(cost) of net financial debt	*4.3*	(1.7)	4.4
Foreign exchange gains and losses	*4.4*	0.2	(1.9)
Other financial income and expenses		-	0.0
NET FINANCIAL INCOME/(EXPENSE)	*4*	**688.8**	**159.1**
Services provided and other income	*5*	0.1	0.1
Personnel costs	*6*	(0.1)	(0.1)
Other net management charges	*7*	(0.7)	(0.8)
OPERATING PROFIT/(LOSS)		**(0.7)**	**(0.8)**
RECURRING PROFIT BEFORE TAX		**688.1**	**158.3**
NET EXCEPTIONAL INCOME/(EXPENSE)		**0.0**	**0.2**
Income tax income/(expense)	*8*	(25.4)	(8.4)
NET PROFIT		**662.7**	**150.1**

(a) As the presentation of the income statement was modified in 2019, the income statement for 2018 has been restated to facilitate comparison with the one for 2019. A table showing the differences between the two presentation formats is provided on the following page.

Income statement for the fiscal year ended December 31, 2018: Reconciliation between the previous and new presentation formats

	Previous format	New format						
(EUR millions)		Net financial income/ (expense)	Of which: Income from managing subsidiaries and investments	Of which: Income from investments	Of which: Borrowings	Operating profit/ (loss)	Net exceptional income/ (expense)	Income tax income/ (expense)
Other services	-	-	-	-	-	-	-	-
Net revenue	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reversals of provisions, depreciation and amortization	0.1	-	-	-	-	0.1	-	-
Expense transfers	-	-	-	-	-	-	-	-
Other income	0.1	-	-	-	-	0.1	-	-
Operating income	**0.2**	**-**	**-**	**-**	**-**	**0.2**	**-**	**-**
Other purchases and external expenses	0.7	-	-	-	-	0.7	-	-
Taxes, duties and similar levies	0.0	-	-	-	-	0.0	-	-
Wages and salaries	-	-	-	-	-	-	-	-
Social security expenses	0.0	-	-	-	-	0.0	-	-
Depreciation and amortization	0.0	-	-	-	-	0.0	-	-
Current asset provision allocations	-	-	-	-	-	-	-	-
Other expenses	0.2	-	-	-	-	0.2	-	-
Operating expenses	**0.9**	**-**	**-**	**-**	**-**	**0.9**	**-**	**-**
OPERATING PROFIT/(LOSS)	**(0.8)**	**-**	**-**	**-**	**-**	**(0.8)**	**-**	**-**
Income from equity investments	129.6	129.6	129.6	-	-	-	-	-
Income from other securities and non-current investments	-	-	-	-	-	-	-	-
Other interest and similar income	25.2	25.2	-	8.1	18.8	-	-	-
Reversals of provisions and expenses transferred	21.0	21.0	20.6	-	0.2	-	-	-
Net foreign exchange gains	-	-	-	-	-	-	-	-
Net gains on sales of short-term investments	-	-	-	-	-	-	-	-
Financial income	**175.8**	**175.8**	**150.3**	**8.1**	**18.9**	**-**	**-**	**-**
Depreciation, amortization and provisions	1.8	1.8	1.7	0.0	-	-	-	-
Interest and similar expenses	14.7	14.7	-	-	14.5	-	-	-
Net foreign exchange losses	0.3	0.3	-	-	-	-	-	-
Net losses on sales of short-term investments	-	-	-	-	-	-	-	-
Financial expenses	**16.8**	**16.8**	**1.7**	**0.0**	**14.5**	**-**	**-**	**-**
NET FINANCIAL INCOME/(EXPENSE)	**159.1**	**159.1**	**148.5**	**8.0**	**4.4**	**-**	**-**	**-**
RECURRING PROFIT	**158.3**	**159.1**	**148.5**	**8.0**	**4.4**	**(0.8)**	**-**	**-**
Exceptional income from management transactions	0.0	-	-	-	-	-	0.0	-
Exceptional income from capital transactions	0.3	-	-	-	-	-	0.3	-
Reversals of provisions and expenses transferred	-	-	-	-	-	-	-	-
Exceptional income	**0.3**	**-**	**-**	**-**	**-**	**-**	**0.3**	**-**
Exceptional expenses on management transactions	-	-	-	-	-	-	-	-
Exceptional expenses on capital transactions	0.1	-	-	-	-	-	0.1	-
Provision allocations	-	-	-	-	-	-	-	-
Exceptional expenses	**0.1**	**-**	**-**	**-**	**-**	**-**	**0.1**	**-**
NET EXCEPTIONAL INCOME/(EXPENSE)	**0.2**	**-**	**-**	**-**	**-**	**-**	**0.2**	**-**
Income taxes	8.4	-	-	-	-	-	-	8.4
NET PROFIT	**150.1**	**159.1**	**148.5**	**8.0**	**4.4**	**(0.8)**	**0.2**	**(8.4)**

2. Balance sheet

Assets

(EUR millions)	*Notes*	2019 Gross	2019 Depreciation, amortization and impairment	2019 Net	2018 Net
Property, plant and equipment		0.9	0.3	0.5	0.6
Intangible assets and property, plant and equipment	*9*	**0.9**	**0.3**	**0.5**	**0.6**
Equity investments	*10*	5,058.7	78.9	4,979.8	4,616.5
Receivables from equity investments	*11*	75.8	-	75.8	156.1
Other non-current financial assets		21.6		21.6	18.2
Non-current financial assets		**5,156.0**	**78.9**	**5,077.2**	**4,790.8**
NON-CURRENT ASSETS		**5,156.9**	**79.2**	**5,077.7**	**4,791.3**
Receivables		0.0	-	0.0	0.0
Short-term investments	*16.5*	74.8	1.0	73.8	48.6
Cash and cash equivalents		45.9	-	45.9	50.7
CURRENT ASSETS		**120.8**	**1.0**	**119.8**	**99.2**
Prepayments and accrued income		0.3	-	0.3	0.5
TOTAL ASSETS		**5,278.0**	**80.2**	**5,197.8**	**4,891.0**

Liabilities and equity

(EUR millions)	*Notes*	2019 Before appropriation	2018 Before appropriation
Share capital (fully paid up)		50.8	50.8
Share premium account		441.9	441.9
Reserves and revaluation adjustments		601.2	601.2
Retained earnings		2,744.8	2,816.5
Net profit for the fiscal year		**662.7**	**150.1**
Interim dividend		(166.6)	(222.1)
EQUITY	*12*	**4,334.8**	**3,838.4**
PROVISIONS FOR CONTINGENCIES AND LOSSES	*13*	**0.0**	**8.4**
Borrowings	*14*	842.7	1,037.2
Other debt	*15*	19.4	5.9
OTHER LIABILITIES		**862.1**	**1,043.0**
Accruals and deferred income	*15*	0.9	1.2
TOTAL LIABILITIES AND EQUITY		**5,197.8**	**4,891.0**

3. Notes to the parent company financial statements

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Amounts are expressed in millions of euros unless otherwise indicated.

As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component figures.

NOTE 1 – BUSINESS ACTIVITY AND KEY EVENTS DURING THE FISCAL YEAR

Financière Agache SA is a holding company that directly and indirectly controls Christian Dior SE and LVMH Moët Hennessy - Louis Vuitton SE.

Financial income from subsidiaries and investments totaled 618.0 million euros in 2019, compared with 129.6 million euros in 2018. This increase was mainly due to the distribution by Christian Dior SE, in December 2019, of an exceptional interim dividend, which contributed 467.1 million euros to this increase.

Net financial income totaled 688.8 million euros in 2019, compared with 159.1 million euros in 2018.

Net profit was 662.7 million euros, compared with 150.1 million euros in 2018.

NOTE 2 – ACCOUNTING POLICIES AND METHODS

2.1 General framework and changes in accounting policies

The parent company financial statements have been prepared in accordance with Regulation 2014-03 dated June 5, 2014 of the Autorité des Normes Comptables, France's accounting standards authority, in accordance with the same accounting principles and methods as those used for the previous fiscal year, with the exception of the new presentation format for the income statement.

General accounting conventions have been applied observing the principle of prudence in conformity with the basic assumptions of going concern, consistency of accounting methods, and accrual basis, and in conformity with the general rules for the preparation and presentation of parent company financial statements.

The presentation of the income statement has been modified in order to provide readers with a better understanding of the components of the Company's net profit, in particular by highlighting its holding company activities.

The new presentation of the income statement includes three main components of profit or loss: "Net financial income/(expense)", "Operating profit/loss", and "Net exceptional income/(expense)". The total of "Net financial income/(expense)" and "Operating profit/(loss)" corresponds to "Recurring profit before tax".

"Net financial income/(expense)" includes net income from the management of subsidiaries and other investments; the cost of net financial debt; and other items mainly related to investments and foreign exchange gains and losses. Net income from the management of subsidiaries and other investments includes all portfolio management items: dividends, changes in impairment, changes in provisions for contingencies and losses related to the portfolio and gains or losses arising on the disposal of investments.

"Operating profit/(loss)" includes services provided and other income, personnel costs and other operating expenses.

"Exceptional income/(expense)" thus comprises only those transactions that, due to their nature, may not be included in "Net financial income/(expense)" or "Operating profit/(loss)".

The accounting items recorded have been evaluated using the historical cost method.

2.2 Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives provided below.

The estimated useful lives are as follows:

- Buildings: 20 to 50 years;
- General installations, fixtures and fittings: 4 to 10 years.

2.3 Non-current financial assets

Equity investments and other long-term investments are stated at acquisition cost (excluding incidental costs) or at contribution value. When value in use as of the year-end is lower than the carrying amount, a provision is recorded in the amount of the difference.

For investments in listed companies, the value in use is generally estimated on the basis of market capitalization, the share of the company's net asset value and/or discounted forecast cash flows.

The value in use of unlisted investments is generally estimated on the basis of the share of the net asset value of the companies concerned, market comparables and/or discounted forecast cash flows.

Gains or losses on sales of equity investments are calculated according to the weighted average cost method and recognized within "Income from managing subsidiaries and investments" in "Net financial income/(expense)".

Loans, deposits and other long-term receivables are measured at their face value. Where applicable, these items are reviewed for impairment and provisions are recognized to write them down to their net realizable value at the fiscal year-end.

2.4 Receivables and payables

Receivables and payables are recorded at their face value. Impairment is recorded if their net realizable value, based on the probability of their collection, is lower than their carrying amount.

2.5 Short-term investments

Short-term investments are recorded at acquisition cost. Impairment is recorded within "Net financial income/(expense)" if their acquisition cost is higher than their market value determined as follows:

- Listed investments: Average share price during the last month of the fiscal year, translated, where applicable, at year-end exchange rates;
- Other investments: Estimated realizable value or liquidation value, translated, where applicable, at year-end exchange rates.

This calculation is performed on a line-by-line basis, without offsetting any unrecognized capital gains and losses.

Gains or losses on sales of short-term investments are recognized in "Net financial income/(expense)" and calculated using the FIFO method.

2.6 Equity

In accordance with the recommendations of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes), interim dividends are recorded as a deduction from equity.

2.7 Provisions for contingencies and losses

The Company establishes a provision for definite and likely contingencies and losses at the end of each fiscal year, observing the principle of prudence.

2.8 Income from equity investments

Amounts distributed by subsidiaries and other investments are recognized as of the date that they accrue to the shareholders or partners.

2.9 Foreign currency transactions

During the period, foreign currency transactions are translated into euros using the exchange rates prevailing on the transaction dates.

Payables, receivables, cash and cash equivalents, and short-term investments in foreign currencies are revalued on the balance sheet at fiscal year-end exchange rates.

Gains or losses on transactions regarded as elements of the same overall foreign exchange position by currency (realized or resulting from the revaluation of positions at the fiscal year-end) are recorded in the income statement as a single net amount.

The difference resulting from the revaluation of payables and receivables in foreign currencies at the fiscal year-end that cannot be regarded as elements of the same overall foreign exchange position is recorded under "Translation adjustment". Provisions are recorded for unrealized foreign exchange losses unless they are hedged.

2.10 Net financial income/(expense)

Due to its type of activity, the Company records sales of investments according to the following principles:

- Gains or losses on sales of equity investments are calculated according to the weighted average cost method;
- Gains or losses on sales of short-term investments are calculated using the FIFO method.

2.11 Gains and losses on options and forward contracts

a) On hedges

Gains and losses are recorded in the income statement and matched against the income and expenses arising from the hedged item.

b) On other transactions

A provision for contingencies is recorded if the market value of the instrument results in the calculation of an unrealized loss for the Company compared to the initial value of the instrument. Unrealized gains are not recognized.

NOTE 3 – SUBSEQUENT EVENTS

As of April 22, 2020, the date on which the financial statements were approved for publication, no subsequent events had occurred that would call into question the assumptions used in preparing the financial statements for the fiscal year ended December 31, 2019.

In the first quarter of 2020, LVMH – the Company's main operating subsidiary – generated revenue of 10.6 billion euros, down 15% relative to the same period in 2019, and 17% at constant consolidation scope and exchange rates. The Group has demonstrated its resilience in an economic environment disrupted by the severe public health crisis. Closures of the Group's production facilities and stores in most countries during the first half of the year will have an impact on LVMH's full-year revenue and results. That impact cannot be accurately evaluated at this time without knowing the timing of a return to normal conditions in the various regions in which it operates. LVMH will rely on the talent and motivation of its teams, the diversity of its business activities and good geographical balance of its revenue to reinforce once again in 2020 its global leadership position in high-quality products.

NOTE 4 – NET FINANCIAL INCOME/(EXPENSE)

4.1 Income from managing subsidiaries and investments

Income from managing subsidiaries and investments breaks down as follows:

(EUR millions)	2019	2018
Dividends received from French companies	618.0	129.6
Financial income from subsidiaries and investments	**618.0**	**129.6**
Changes in impairment	13.0	(1.1)
Changes in provisions for contingencies and losses	8.4	20.0
Impairment and provisions related to subsidiaries and investments	**21.4**	**18.9**
Other	**(1.4)**	**-**
Gains and losses on disposal	**-**	**-**
INCOME FROM MANAGING SUBSIDIARIES AND INVESTMENTS	**638.0**	**148.5**

The significant increase in the amount of dividends received, up 488.3 million euros, is mainly due to the distribution by Christian Dior of an exceptional interim dividend, which contributed 467.1 million euros to this increase.

See also Note 13 concerning the change in impairment and provisions.

4.2 Investment management

Income from managing investments breaks down as follows:

(EUR millions)	2019	2018
Income	51.9	8.1
Changes in impairment	(0.0)	(0.0)
Gains and losses on disposal	0.5	-
Other income/(expenses)	-	-
INCOME FROM MANAGING INVESTMENTS	**52.3**	**8.0**

Investment income increased by 43.8 million euros, following the distribution by Christian Dior of an exceptional interim dividend.

See also Note 13 concerning the change in impairment and provisions.

4.3 Cost of net financial debt

The cost of net financial debt, including the impact of interest rate hedging instruments, breaks down as follows:

(EUR millions)	2019	2018
Interest on borrowings	(8.6)	(14.5)
Financial income and revenue	1.7	2.0
Proceeds/(cost) of non-Group net financial debt	**(6.9)**	**(12.5)**
Intra-Group interest expense	-	-
Intra-Group interest income	5.2	17.0
Proceeds/(cost) of intra-Group net financial debt	**5.2**	**17.0**
PROCEEDS/(COST) OF NET FINANCIAL DEBT	**(1.7)**	**4.4**

4.4 Foreign exchange gains and losses

Foreign exchange gains and losses comprise the following items:

(EUR millions)	**2019**	**2018**
Foreign exchange gains	0.3	-
Foreign exchange losses	-	(0.3)
Changes in provisions for unrealized foreign exchange losses	-	-
Other	(0.0)	(1.6)
FOREIGN EXCHANGE GAINS AND LOSSES	**0.2**	**(1.9)**

See also Note 13 concerning changes in provisions.

4.4.1 Foreign exchange derivatives

As of December 31, 2019, there were no outstanding forward contracts.

NOTE 5 – SERVICES PROVIDED AND OTHER INCOME

Services provided and other income consists of rental income.

NOTE 6 – PERSONNEL COSTS

In 2019, personnel costs included gross compensation and employers' social security contributions.

An expense of 82 thousand euros, related to the compensation of the Company's Directors in respect of their service, was recognized in fiscal year 2019 and paid in January 2020.

NOTE 7 – OTHER NET MANAGEMENT CHARGES

Other net management charges are mainly comprised of support services and fees.

NOTE 8 – INCOME TAXES

8.1 Breakdown of corporate income tax

Corporate income tax breaks down as follows:

(EUR millions)	**Before tax**	**Tax (expense)/ income**	**After tax**
Recurring profit	688.1	(25.4)	662.7
Net exceptional income/(expense)	-	-	-
	688.1	**(25.4)**	**662.7**

8.2 Tax position

Since 2004, Financière Agache SA has been a member of the tax consolidation group of which Groupe Arnault SEDCS is the parent company.

Financière Agache calculates and recognizes its tax expense as if it were individually subject to tax, and remits this amount to the parent company.

NOTE 9 – INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2019
Carrying amount of fixed assets as of December 31, 2018	**0.6**
Additions	-
Disposals and retirements	(0.0)
Net change in depreciation/amortization	(0.0)
CARRYING AMOUNT OF FIXED ASSETS AS OF DECEMBER 31, 2019	**0.5**

NOTE 10 – EQUITY INVESTMENTS

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018
Gross amount of equity investments	5,058.7	4,708.3
Impairment	(78.9)	(91.9)
CARRYING AMOUNT OF EQUITY INVESTMENTS	**4,979.8**	**4,616.5**

The increase in the gross value of equity investments in 2019 was mainly due to the increase in the Company's stake in the Group's subsidiaries LVMH SE and LC Investissements SAS.

The investment portfolio is presented in the "Subsidiaries and equity investments" table.

The methods used to calculate the impairment of equity investments are described in Note 2.3.

The change in impairment of the investment portfolio is analyzed in Note 13.

NOTE 11 – RECEIVABLES FROM EQUITY INVESTMENTS

The balance of receivables from equity investments breaks down as follows:

	Dec. 31, 2019			Gross amounts by maturity		
(EUR millions)	Gross	Impairment	Net	Up to 1 year	More than 1 year	*Of which: Related companies*
Receivables from equity investments	75.8	-	75.8	0.1	75.6	*75.8*
TOTAL	**75.8**	**-**	**75.8**	**0.1**	**75.6**	***75.8***

Receivables from equity investments comprise advances granted to Group companies under bilateral medium-term agreements.

NOTE 12 – EQUITY

12.1 Share capital

As of December 31, 2019, the share capital consisted of 3,173,352 fully paid-up shares, each with a par value of 16 euros per share, including 3,169,653 shares with double voting rights.

12.2 Change in equity

(EUR millions)

Equity as of December 31, 2018 (prior to appropriation of net profit)	**3,838.4**
Net profit for the fiscal year ended December 31, 2019	662.7
Impact of treasury shares	0.3
Interim dividends for the fiscal year ended December 31, 2019	(166.6)
Equity as of December 31, 2019 (prior to appropriation of net profit)	**4,334.8**

The appropriation of net profit for fiscal year 2018 was approved at the Ordinary Shareholders' Meeting of May 22, 2019.

NOTE 13 – CHANGES IN IMPAIRMENT AND PROVISIONS

Changes in asset impairment and provisions for contingencies and losses during the fiscal year break down as follows:

(EUR millions)	Dec. 31, 2018	Increases	Decreases	Dec. 31, 2019
Equity investments	91.9	3.4	16.4	78.9
Short-term investments	1.0	0.0	-	1.0
Asset impairment	**92.9**	**3.4**	**16.4**	**79.9**
Subsidiaries	8.4	0.0	8.4	0.0
Provisions for contingencies and losses	**8.4**	**0.0**	**8.4**	**0.0**
TOTAL	**101.3**	**3.4**	**24.7**	**79.9**
Of which: Net financial income/(expense)	*101.3*	*3.4*	*24.7*	*79.9*

Changes in asset impairment and provisions for contingencies and losses mainly reflect changes in the net assets of the subsidiaries concerned.

NOTE 14 – GROSS BORROWINGS

14.1 Gross borrowings

Gross borrowings break down as follows:

(EUR millions)	Dec. 31, 2019	Dec. 31, 2018
Bonds	120.6	120.6
Bank loans and borrowings	14.6	103.7
Miscellaneous loans and borrowings	707.5	812.8
Gross borrowings	**842.7**	**1,037.2**

Miscellaneous loans and borrowings include short-term negotiable debt securities outstanding (NEU CP and other commercial paper) in the amount of 707.5 million euros.

As is normal practice for credit facilities, Financière Agache SA has signed commitments to maintain a minimum level of ownership interest and voting rights for some of its subsidiaries.

14.2 Bonds

(EUR millions)	Nominal interest rate	Issue price *(as % of the par value)*	Maturity	Par value as of Dec. 31, 2019	Accrued interest	Total
EUR 120,000,000 – 2017	1.204%	100.604%	2022	120	0.6	120.6
TOTAL				**120**	**0.6**	**120.6**

14.3 Breakdown of gross borrowings by payment date

The breakdown of gross borrowings by type and payment date, and the related accrued expenses, are shown in the table below:

		Amount			
(EUR millions)	Total	Less than 1 year	From 1 to 5 years	More than 5 years	*Of which: Accrued expenses*
Bonds	120.6	0.6	120.0	-	*0.6*
Bank loans and borrowings	14.6	0.1	14.5	-	*0.0*
Miscellaneous loans and borrowings	707.5	707.5	0.0	-	-
Gross borrowings	**842.7**	**708.2**	**134.5**	**-**	***0.6***

14.4 Guarantees and collateral

As of December 31, 2019, net financial debt was not subject to any guarantees or collateral.

NOTE 15 – OTHER DEBT AND OTHER LIABILITIES

(EUR millions)	Total	Amount Less than 1 year	From 1 to 5 years	More than 5 years	*Of which: Accrued expenses*	*Of which: Related companies*
Trade accounts payable	0.3	0.3	-	-	*0.3*	-
Tax and social security liabilities	0.9	0.9	-	-	*0.9*	-
Other debt	18.1	18.1	-	-	*18.1*	*17.5*
Deferred income	0.9	0.6	0.2	-	-	*0.1*
Other debt and other liabilities	**20.2**	**20.0**	**0.2**	**-**	***19.3***	***17.7***

NOTE 16 – OTHER INFORMATION

16.1 Related-party transactions

No new related-party agreements, within the meaning of Article R. 123-198 of the French Commercial Code, were entered into during the fiscal year in significant amounts and under conditions other than normal market conditions.

16.2 Financial commitments

Commitments relating to forward financial instruments

Foreign exchange hedging

As part of its financing and foreign exchange hedging policy, Financière Agache SA uses forward sales of foreign currencies against the euro. As of December 31, 2019, there were no transactions in progress.

Commitments received

Financière Agache SA has access to confirmed credit lines entered into with banks, of which the undrawn amount available totaled 2,035 million euros as of December 31, 2019.

Since fiscal year 2011, as part of the Group's overall financing and cash management, two companies in the Arnault Family Group have authorized Financière Agache SA to acquire a total of 6,300,000 LVMH shares and 2,500,000 Christian Dior shares, at a unit price that will correspond, upon the exercise of this right, to the market price of the shares in question upon their acquisition by Financière Agache.

16.3 Identity of the consolidating parent company

Company name	SIREN	Registered office
Groupe Arnault	314 685 454	41 avenue Montaigne 75008 Paris (France)

16.4 Subsidiaries and equity investments

(in thousands of euros unless otherwise indicated)	Carrying amount of shares held		Loans and advances granted by the Company and not yet repaid	Amount of deposits and sureties granted by the Company	Dividends received by the Company during the fiscal year
	Gross	Net			
A. Shares whose gross value exceeds 1% of the share capital					
1. Subsidiaries (more than 50% held)					
Agache Développement	18.9	-	-	-	-
Coromandel	52.5	52.5	-	-	-
Montaigne Services	4.5	0.0	-	-	-
Semyrhamis	3,666.3	3,666.3	-	-	-
Transept	3.0	0.2	71.4	-	-
Markas Holding	18.5	1.5	-	-	-
Westley International	52.1	16.4	-	-	-
2. Equity investments (between 10% and 50% held)					-
Le Peigné	65.4	65.4	4.3	-	-
LC Investissements	109.1	109.1	-	-	-
3. Other					
Christian Dior [(a)]	462.3	462.3	-	-	566.3
LVMH Moët Hennessy - Louis Vuitton [(a)]	606.0	606.0	-	-	51.6
B. Other (shares whose gross value does not exceed 1% of the share capital)					
1. Subsidiaries					
French subsidiaries	0.1	0.1	-	-	-
2. Other					
TOTAL	**5,058.7**	**4,979.8**	**75.8**	**-**	**618.0**

(a) Excluding shares recognized as short-term investments.

16.5 Securities

Information on securities

(EUR millions)	Carrying amount Dec. 31, 2019
Shares	73.2
Hedge funds and private equity funds	0.6
SHORT-TERM INVESTMENTS	**73.8**

4. Company results and other significant components over the last five fiscal years

(EUR millions, except earnings per share, expressed in euros)	**2015**	**2016**	**2017**	**2018**	**2019**
1. Share capital					
Share capital	50.8	50.8	50.8	50.8	50.8
Number of ordinary shares outstanding	3,173,352	3,173,352	3,173,352	3,173,352	3,173,352
Maximum number of future shares to be created through exercise of share subscription options	-	-	-	-	-
2. Operations and profit for the fiscal year					
Revenue before taxes	-	-	-	-	-
Profit before taxes, depreciation, amortization, impairment and movements in provisions	280.9	100.9	70.0	139.3	666.6
Income taxes	9.0	6.0	4.0	8.4	25.4
Profit after taxes, depreciation, amortization, impairment and movements in provisions	248.9	113.5	181.5	150.1	662.7
Profit distributed as dividends [(a)]	550.6	82.5	317.3	222.1	166.6
3. Earnings per share *(EUR)*					
Earnings per share before taxes and before depreciation, amortization, impairment and movements in provisions	88.53	31.80	22.05	43.90	210.06
Earnings per share after taxes, depreciation, amortization, impairment and movements in provisions	78.45	35.76	57.21	47.31	208.84
Gross dividend distributed per share [(b)]	173.5	26.0	100.0	70.0	52.5
4. Employees					
Average number of employees	-	-	-	-	-
Total payroll	-	-	-	-	-
Amounts paid in respect of employee benefits	0.0	0.0	0.0	0.0	0.0

(a) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the impact of Financière Agache treasury shares held as of the distribution date. For the fiscal year ended December 31, 2019, amount proposed at the Shareholders' Meeting of June 4, 2020.
(b) Excluding the impact of tax regulations applicable to recipients.

5. Statutory Auditors’ reports

STATUTORY AUDITORS’ REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders’ Meeting of Financière Agache SA,

I. Opinion

In compliance with the engagement entrusted to us by your Shareholders’ Meeting, we have audited the accompanying parent company financial statements of Financière Agache SA for the fiscal year ended December 31, 2019. These financial statements were approved by the Board of Directors on April 22, 2020, on the basis of the information available at that date, within the developing context of the Covid-19 public health crisis.

In our opinion, the parent company financial statements give a true and fair view of the Company’s assets, liabilities and financial position as of December 31, 2019 and of the results of its operations for the fiscal year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Performance Audit Committee.

II. Basis for our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the “Statutory Auditors’ responsibilities for the audit of the parent company financial statements” section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report. We did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) 537/2014 or in the French Code of Ethics (Code de Déontologie) for Statutory Auditors.

III. Emphasis of matter

We draw attention to the introduction of Note 2.1 “General framework and changes in accounting policies” to the financial statements, which describes the change in the presentation of the income statement. Our opinion is not modified in respect of this matter.

IV. Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we are required to inform you of the key audit matters relating to risks of material misstatement which, in our professional judgment, were of most significance in our audit of the parent company financial statements for the fiscal year, as well as how we addressed those risks.

We determined that there were no key audit matters to disclose in our report.

V. Specific verifications

We also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information provided in the Management Report and in the other documents given to shareholders related to the financial position and the parent company financial statements

We have no matters to report as to the fair presentation and the consistency with the parent company financial statements of the information provided in the Management Report of the Board of Directors approved on April 22, 2020 and in the other documents provided to shareholders with respect to the financial position and the parent company financial statements given to shareholders. As regards events that took place and information that came to light after the date at which the financial statements were approved, related to the impact of the Covid-19 crisis, we were informed by management that such events and information would be discussed at the Shareholders' Meeting convened to approve the financial statements.

We attest to the fair presentation and the consistency with the parent company financial statements of the information on payment terms set out in Article D. 441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Article L. 225-37-4 of the French Commercial Code.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the Management Report.

VI. Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Financière Agache SA by the shareholders at your Shareholders' Meetings held on June 27, 1997 (for MAZARS) and June 24, 2009 (for ERNST & YOUNG et Autres).

As of December 31, 2019, MAZARS was in the twenty-third consecutive year of its engagement and ERNST & YOUNG et Autres was in its eleventh year. Previously, ERNST & YOUNG Audit had served as Statutory Auditor beginning in 1992.

VII. Responsibilities of management and those charged with governance for the parent company financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Performance Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and where applicable, internal audit, regarding accounting and financial reporting procedures.

The parent company financial statements have been approved by the Board of Directors.

VIII. Statutory Auditors' responsibilities for the audit of the parent company financial statements

Objectives and audit approach

Our role is to issue a report on the parent company financial statements. Our objective is to obtain reasonable assurance as to whether the parent company financial statements taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error; designs and performs audit procedures responsive to those risks; and obtains audit evidence considered to be sufficient and appropriate to provide a basis for its opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the parent company financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of its audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or inadequate, to issue a qualified or adverse audit opinion;
- assesses the overall presentation of the parent company financial statements and whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Performance Audit Committee

We submit to the Performance Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Performance Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the parent company financial statements for the fiscal year and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Performance Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set out in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (Code de Commerce) and in the French Code of Ethics (Code de Déontologie) for Statutory Auditors. We discuss any risks that may reasonably be thought to bear on our independence, and the related safeguards, with the Performance Audit Committee.

Courbevoie and Paris-La Défense, May 15, 2020

The Statutory Auditors

French original signed by

MAZARS	**ERNST & YOUNG et Autres**
Loïc Wallaert Guillaume Machin	Gilles Cohen

This is a free translation into English of the Statutory Auditors' report on the parent company financial statements of the Company issued in French. It is provided solely for the convenience of English-speaking users. This Statutory Auditors' report includes information required under European regulations and French law, such as information about the appointment of the Statutory Auditors and the verification of information concerning the Group presented in the Management Report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED RELATED-PARTY AGREEMENTS

To the Shareholders' Meeting of Financière Agache SA,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on related-party agreements.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements indicated to us, or that we may have identified in the performance of our engagement, as well as the reasons justifying why they benefit the Company. We are not required to give our opinion as to whether they are beneficial or appropriate or to ascertain the existence of other agreements. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (Code de Commerce), to assess the relevance of these agreements prior to their approval.

In accordance with Article R. 225-31 of the French Commercial Code, we are also required to inform you of the continuation of the implementation, during the fiscal year under review, of any agreements previously approved at a Shareholders' Meeting.

We performed those procedures which we deemed necessary in compliance with professional guidance issued by the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this type of engagement. These procedures consisted in verifying the consistency of the information provided to us with the relevant source documents.

Agreements submitted for approval at the Shareholders' Meeting

We hereby inform you that we were not informed of any agreements authorized and entered into during the fiscal year under review to be submitted for approval at the Shareholders' Meeting, pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements previously approved at a Shareholders' Meeting

In accordance with Article R. 225-30 of the French Commercial Code, we have been notified that the implementation of the following agreements, which were approved at a Shareholders' Meeting in a prior fiscal year, remained in effect during the fiscal year under review.

• With Groupe Arnault SEDCS, a shareholder and Director of your Company

Assistance agreement

Persons concerned

Nicolas Bazire and Florian Ollivier, Directors.

Nature, purpose and conditions

Your Company does not have any employees of its own. The assistance agreement entered into with Groupe Arnault SEDCS provides for the sharing of skills as well as certain costs, thus reducing expenses.

Conditions

In 2019, your Company paid Groupe Arnault SEDCS the sum of 214,404.92 euros including VAT (178,670.76 euros excluding VAT) under the assistance agreement of November 27, 1995, amended on October 23, 2009, relating to financial, tax and accounting services.

Courbevoie and Paris-La Défense, May 15, 2020

The Statutory Auditors

French original signed by

MAZARS		ERNST & YOUNG et Autres
Loïc Wallaert	Guillaume Machin	Gilles Cohen

This is a free translation into English of a report issued in French and is provided solely for the convenience of English-speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statement by the person responsible for the Annual Financial Report

We declare, having taken all reasonable care to ensure that such is the case, that the information contained in this Annual Report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the Management Report presented on page 3 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, May 15, 2020

Florian OLLIVIER

Chairman and Chief Executive Officer

Design and production: Agence Marc Praquin

FINANCIERE AGACHE

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