FINANCIERE AGACHE

Translation of the French "Rapport financier annuel"

Fiscal year ended December 31, 2020

Combined Shareholders' Meeting
April 26, 2021

As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component figures.

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, 2020

Board of Directors

Florian OLLIVIER [1]
Chairman and Chief Executive Officer

Nicolas BAZIRE
Group Managing Director
Representative of Agache SEDCS

Pierre DE ANDREA
Representative of Invry SAS

Pierre DEHEN
Representative of Agache Placements SA

Lord POWELL of BAYSWATER [1]

Statutory Auditors

ERNST & YOUNG et Autres
represented by Gilles Cohen

MAZARS
represented by Loïc Wallaert and Guillaume Machin

(1) Renewal proposed at the Shareholders' Meeting of April 26, 2021.

Management Report of the Board of Directors: The Financière Agache group

1. The Financière Agache business model

The 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 Group's Wines and Spirits activities 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-end watchmaking, jewelry and high jewelry sectors. The Group 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

The Financière Agache group and its Maisons put heart and soul into everything the Group does. Its core identity is based on the fundamental values that run through the entire Group and are shared by everyone in it.

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.

Taking action to make a difference: Every action taken by the Group and its employees reflects its commitment to ethics, corporate social responsibility and respect for the environment. These commitments drive our Maisons' performance and ensure their longevity. Firmly convinced that truly desirable products can only come from sustainable businesses, we are committed to ensuring that our products and the way they are made have a positive impact on our entire ecosystem and the places the Group operates, and that the Group is actively working to build a better future.

3. Operating model

The Financière Agache group's unique operating model is based on six pillars, and contributes to the Group's long-term success by combining profitable growth, sustainability and a commitment to excellence:

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 each Maison's 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.

Balance across business segments and geographies: The Group has the resources to sustain regular growth thanks to the balance across its business activities and a well-distributed geographic footprint. This balance means that the Group is well-positioned to withstand the impact of shifting economic factors.

Management Report of the Board of Directors: The Financière Agache group

2. Business overview, highlights and outlook

1. Wines and Spirits

In 2020, revenue for the Wines and Spirits business group represented 11% 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 four 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 from outside the Champagne region 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 LVMH 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 2009, 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 2020, shipments of the Group's champagne brands declined 21% in volume, primarily as a result of the public health crisis and its impact on export sales, while shipments from the Champagne region as a whole were down 18% (source: CIVC). The Group's market share decreased to 21.3% of the total shipments from the region, compared to 22.1% in 2019.

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

(in millions of bottles and percentage)	2020			2019			2018		
	Sales volume		Market share	Sales volume		Market share	Sales volume		Market share
	Region	Group	*(%)*	Region	Group	*(%)*	Region	Group	*(%)*
France	114.0	6.8	5.9	141.3	8.7	6.1	147.5	8.7	5.9
Export	130.8	45.4	34.7	156.0	57.2	36.7	154.8	56.7	36.6
Total	**244.8**	**52.2**	**21.3**	**297.3**	**65.9**	**22.1**	**302.3**	**65.4**	**21.6**

(Source: Comité Interprofessionnel du Vin de Champagne – CIVC).

The geographic breakdown of the Group's champagne sales in 2020 is as follows (as a percentage of total sales expressed in number of bottles):

(as %)	2020	2019	2018
Germany	5	5	5
United Kingdom	8	8	7
United States	24	20	19
Italy	4	4	4
Japan	10	11	10
Australia	4	4	5
Other	32	35	36
Total export	**87**	**87**	**87**
France	13	13	13
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 229 million bottles are stored in the Group's cellars in the Champagne region, equivalent to about four years of sales; in addition to this bottled inventory, the Group has wines still in storage tanks waiting to be drawn (equivalent to 95 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 fully operates its Mont Aigu site, with its fermentation room, bottling line, cellars, disgorging area and packaging workshop supplementing the production capacity of Moët & Chandon's historic facilities in Epernay, which are undergoing renovation work. The historic production sites of Veuve Clicquot, Ruinart and Krug are in Reims. Veuve Clicquot pushed ahead with construction of its new "Comète" production site located in Saint-Léonard, near Reims, with the first bottling taking place in late 2020.

In order to drive innovation and develop expertise in its production processes, the 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 (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 2020 harvest, the marketable yield for the Champagne appellation was set at 8,000 kg/ha provided that shipments from Champagne come to 230 million bottles, and the PLC at 7,000 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 2020 harvest ranged between 5.60 euros and 6.45 euros depending on the vineyard, an average decrease of 3.9% compared to the 2019 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 components of containers and packaging are purchased from non-Group suppliers. In 2020, the champagne houses used subcontractors for about 22 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 Mexican entrepreneur Juan Gallardo Thurlow, has been primarily available in the United States and Mexico.

Acquired in 2017, **Woodinville Whiskey Company** – which was established in 2010 by Orlin Sorensen and Brett Carlile and is now the largest craft whiskey distillery in Washington State – completed a major production capacity expansion program in 2020.

In 2020, the Group expanded its portfolio of spirits with the launch of **Eminente**, an exceptional Cuban rum aimed at the European market.

1.2.2 Competitive position

In 2020, the volumes shipped from the Cognac region were down 11% from 2019 (source: Bureau National Interprofessionnel du Cognac – BNIC), while volumes of Hennessy shipped decreased by 17%. Hennessy's market share was 49%, compared to 52% in 2019, prior to the restatement of expected shipments to the United States (linked to the risk of import tariffs). After this restatement, Hennessy's market share improved by three points to 52% in 2020 from 49% in 2019. 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:

(in millions of bottles and percentage)	2020			2019			2018		
	Sales volume		Market share	Sales volume		Market share	Sales volume		Market share
	Region	Group	*(%)*	Region	Group	*(%)*	Region	Group	*(%)*
France	4.1	1.8	44.3	3.9	1.1	27.2	4.0	0.8	19.1
Europe (excl. France)	27.7	6.5	23.6	31.9	8.0	25.0	33.3	8.1	24.3
United States	103.0	61.1	59.3	101.9	68.7	67.4	86.9	53.6	61.6
Asia	42.8	15.7	36.8	61.1	23.5	38.5	61.9	22.9	36.9
Other markets	10.4	6.2	59.9	14.1	8.8	62.4	14.5	8.9	61.7
Total	**188.0**	**91.4**	**48.6**	**212.9**	**110.0**	**51.7**	**200.6**	**94.2**	**47.0**

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

(as %)	2020	2019	2018
United States	69	58	56
Japan	1	1	1
Asia (excl. Japan)	15	23	23
Europe (excl. France)	7	8	9
Other	8	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 2020, eaux-de-vie harvest prices were 1.6% above their level in the previous harvest, with this increase following on from a year of stable prices.

With an optimized inventory of eaux-de-vie, the Maison 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 whiskies are normally matured for a minimum of 10 years in very high-quality casks, while Ardbeg whiskies can be sold earlier as their uniquely peaty flavor has already developed.

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 spirits group [(1)], 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 2020, 24% of champagne and cognac sales were made through this channel.

1.4 Highlights of 2020 and outlook for 2021

	2020	2019	2018
Revenue *(EUR millions)*	**4,755**	**5,576**	**5,143**
Of which: Champagne and wines	*2,119*	*2,507*	*2,369*
Cognac and spirits	*2,636*	*3,069*	*2,774*
Sales volume *(millions of bottles)*			
Champagne	52.4	64.7	64.9
Cognac	94.6	98.7	93.3
Other spirits	16.1	19.6	19.1
Still and sparkling wines	41.8	39.3	38.5
Revenue by geographic region of delivery *(%)*			
France	5	5	6
Europe (excl. France)	18	18	19
United States	41	33	32
Japan	6	7	6
Asia (excl. Japan)	19	24	23
Other markets	11	13	14
Total	**100**	**100**	**100**
Profit from recurring operations[(a)] *(EUR millions)*	**1,388**	**1,729**	**1,629**
Operating margin *(%)*	**29.2**	**31.0**	**31.7**
Operating investments of the period *(EUR millions)*	**320**	**325**	**298**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

The Wines and Spirits business group drew on the strength of its portfolio of prestigious, powerful brands to maintain its robust innovative momentum and constantly enhance its customers' experiences while protecting the safety of its employees and actively supporting its partners throughout the crisis. The Group's Maisons had to contend with the near-total disappearance of business in airports and on cruise ships; intermittent closures of restaurants, bars and night clubs; and serious difficulties faced by some of their distributors and partners. Amid this exceptionally challenging context, all of the business group's activities demonstrated great resilience and gained market share, with a decline in organic revenue limited to 14%. Additionally, strong commitments to expand sustainable winegrowing practices were made at the Vinexpo Paris trade fair in early 2020.

The champagne houses, synonymous with celebration, were hit particularly hard: organic revenue was down 17%, with volumes down 19%. Buoyed by its leading international position, **Moët & Chandon** demonstrated its resilience and recorded growth in the United States, its largest market. Markets in Europe saw a rebound at the end of the year, thanks to the success of the limited-edition "Specially Yours" series. **Dom Pérignon** was affected by the shutdown of some of its main distribution channels, namely fine restaurants, hotels and entertainment venues, as well as the cancellation of major iconic events of which the Maison is a partner. The second half of 2020 saw the launch of *Dom Pérignon Vintage 2010*, the first vintage crafted by Vincent Chaperon, the Maison's new Cellar Master. **Veuve Clicquot** showed good resilience, especially in the United States. Since 1972, the Maison has showcased exceptional women entrepreneurs through the Bold Woman Award. The 2020 award ceremony – held virtually for the first time – recognized female business leaders who have inspired and encouraged generations of women to be bold. The iconic Japanese artist Yayoi Kusama designed a unique bottle and gift box for the Maison's latest vintage, *La Grande Dame 2012*, as an homage to the emblematic "Grande Dame of Champagne", Madame Clicquot. **Ruinart** confirmed its very strong resilience and significantly increased its market share, particularly in Europe. The Maison reaffirmed its commitment to the environment through the highly acclaimed launch of its new 100% paper "second skin" case, which is sustainably designed and plastic-free. It also demonstrated its social commitment with a range of initiatives, including its support for healthcare workers through a partnership with the "A table, les soignants!" initiative, and its new creative collaboration with British artist David Shrigley focused on protecting the planet. **Krug** confirmed its value-enhancing strategy and presented two new editions: *Krug Grande Cuvée 168e Edition* and *Krug Rosé 24e Edition*. The Maison strengthened ties with the Krug Lovers community through its "Krug Connect" immersive virtual experiences. Through its "Fonds K pour la Musique" endowment fund, the Maison continued to support a range of musical initiatives.

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

2020 marked the first full year of integration for **Château d'Esclans** and **Château du Galoupet**, acquired in 2019, which have strengthened Moët Hennessy's position in the growing market for high-end rosé wines. The year also saw the devastating Glass Fire in California's Napa Valley, which caused major damage to the **Newton** winery and vineyards. **Chandon** continued its expansion in its main markets and prepared for its relaunch in 2021.

Hennessy, the world's leading premium spirits brand by value for the second year in a row, emerged from the public health crisis in a strong position relative to its competitors, with a limited decrease in volumes. The Maison saw remarkable growth in the United States, driven mainly by its *V.S* quality, but also by *V.S.O.P* and *Black*. Hennessy launched an initiative called "Unfinished Business" to support African-American, Latino and Asian family-owned businesses in the United States, hit particularly hard by the crisis. After the slowdown in demand observed at the beginning of the year due to the pandemic and the timing of the Chinese New Year, China showed very encouraging signs of a rebound in the second half, mainly driven by the Maison's *X.O* quality and sales to consumers, both online and in stores. Hennessy strengthened ties with its customers by opening new points of sale, such as "BLENDS by Hennessy", a concept bar on the Bund in Shanghai and a store in Sanya on the island of Hainan. A global partnership was signed with the NBA, an iconic league with which Hennessy shares the value of surpassing oneself. In 2020, the Maison also stepped up its commitment to sustainable winegrowing and transportation.

Glenmorangie and **Ardbeg** whiskies saw strong growth in retail sales. Their reputations in the single malt category were further cemented by winning several prestigious awards. New creations like *Ardbeg Wee Beastie* met with great success. Their distilleries continued work on expanding their production capacities, which is expected to be completed in 2021.

While **Belvedere** vodka was affected by the closure of night clubs, **Woodinville Whiskey Company** and **Volcán De Mi Tierra** continued their development, buoyed by favorable trends in the US market.

Moët Hennessy expanded its portfolio of spirits with the launch of **Eminente**, an exceptional Cuban rum aimed at the European market.

Online sales for all the Maisons saw strong growth during the lockdowns, as did those for the **Clos19** platform, which is currently available in Germany and the United Kingdom, with access to be extended to other countries in 2021.

Outlook

In the current volatile and uncertain context, Moët Hennessy is cautiously optimistic with respect to the start of 2021 but remains confident regarding the Maisons' medium-term development prospects. Grounded in their heritage and expertise, stretching back centuries in most cases, the Wines and Spirits business group's brands will steadfastly focus on excellence, authenticity and sustainability, which give them solid advantages in a rapidly changing business environment. In order to provide ever more varied experiences and adapt to new consumer behavior, their strong appeal will be celebrated through inspiring new collaborations with big names, bold innovations, inventive packaging and fresh marketing strategies. Moët Hennessy will continue to develop its portfolio while focusing on supporting and strengthening the transformation of its distribution, with the acceleration in e-commerce, and through targeted investments in the most promising markets. True to their long-term vision, all the Maisons aim to accentuate their sustainability commitments to protect the environment and pursue the development of innovative solutions through the "Living Soils – Living Together" program.

2. Fashion and Leather Goods

In 2020, the Fashion and Leather Goods business group represented 47% 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.

Since 1854, **Louis Vuitton**'s success has been built on the flawless execution of its trunk-making craftsmanship, its complete control over distribution and its exceptional creative freedom, a source of perpetual renewal and innovation. 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 part of 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 1996, 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 unrivaled 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. In 2020, LVMH disposed of its stake in this business.

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. The Financière Agache group's 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 2020, Kim Jones succeeded Karl Lagerfeld to continue driving the success of the Rome-based fashion house alongside Silvia Fendi. Matthew M. Williams was named as Creative Director of all Givenchy's women's and men's collections. In 2019, Felipe Oliveira Baptista took over as Creative Director of Kenzo, a role 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. 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 the luxury fashion and leather goods sector. 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, 2020.

2.5 Supply sources and subcontracting

Despite the public health crisis, Louis Vuitton continued to invest during 2020 in its production capacity in France, and it opened up a precious leather workshop in Vendôme. Including the addition of this workshop, Louis Vuitton's twenty-four leather goods workshops – seventeen 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 21% 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, Christian Dior Couture 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 has worked with the Koh brothers since 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 2020 and outlook for 2021

	2020	2019	2018
Revenue *(EUR millions)*	**21,207**	**22,237**	**18,455**
Revenue by geographic region of delivery *(%)*			
France	5	8	9
Europe (excl. France)	18	23	23
United States	19	18	18
Japan	10	11	11
Asia (excl. Japan)	39	31	31
Other markets	9	9	8
Total	**100**	**100**	**100**
Type of revenue as a percentage of total revenue (excl. Louis Vuitton and Christian Dior Couture)			
Retail	74	71	67
Wholesale	25	28	32
Licenses	1	1	1
Total	**100**	**100**	**100**
Profit from recurring operations[(a)] *(EUR millions)*	**7,188**	**7,344**	**5,943**
Operating margin *(%)*	**33.9**	**33.0**	**32.2**
Operating investments of the period *(EUR millions)*	**827**	**1,199**	**827**
Number of stores	**2,007**	**2,002**	**1,852**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

Amid the challenging conditions of a year marked by the closure of stores for several months, thanks to their highly committed staff all of our Maisons were able to continue mobilizing their creative resources, enriching their collections and building up their digital presence. While tightening their management in response to the impact of the public health crisis, the Group's iconic brands benefited from their solid positions and exceptional appeal. The second half of the year saw a strong upturn in activity, with double-digit organic revenue growth. Several initiatives contributed to the collective effort to combat the pandemic.

Louis Vuitton continued to be driven by its exceptional momentum and creativity, with the art of innovating in all its businesses and offering its customers a unique experience. During this unprecedented period, Louis Vuitton was able to very quickly transform and boost its customer relationships with a high-quality and highly effective digital service strategy. Numerous innovations were unveiled throughout the year: in leather goods, the contemporary yet timeless *Pont 9* leather model; the summery, colorful *Escale* collection; the *Since 1854* Jacquard canvas, inspired by the Maison's heritage; and the iconic *Capucines* bag, reinterpreted by six major contemporary artists. The new collections were presented at fashion shows featuring novel formats: inside the freshly renovated, mythical building of La Samaritaine in Paris for Nicolas Ghesquière's Spring/Summer Women's show; and on a roving journey from Paris to Tokyo via Shanghai and Miami for Virgil Abloh's Men's show. The year also saw the launch of the *Stellar Times* line in high jewelry and *LV Volt* in fine jewelry, as well as the discovery of two exceptionally rare diamonds, called Sewelô and Sethunya. Flagship store openings included the Louis Vuitton Maison Osaka Midosuji, the result of a collaboration between architects Jun Aoki and Peter Marino, reflecting the atmosphere of the city of Osaka and reaffirming Louis Vuitton's ties with Japan. True to the Maison's values, the new "Towards a Dream" marketing campaign was launched, inviting travelers to discover Iceland. During the public health crisis, thanks to its highly committed craftspeople who stepped forward and volunteered, Louis Vuitton mobilized a number of its workshops in France to make protective masks and gowns for healthcare providers. Louis Vuitton also further expanded its production capacity by opening a new workshop in Vendôme, France, and maintained its commitment to high-quality, sustainable craftsmanship dedicated to responsible design.

Christian Dior Couture showed remarkable momentum and gained market share in all regions thanks to its immense appeal. Sales to local customers rose sharply. The iconic *Lady Dior* bag was revisited by ten artists from around the world, and the first women's loungewear line, *Dior Chez Moi*, was very well received. Limited editions designed through a number of creative collaborations were launched, including the *Air Dior* sneaker, which was a major success. A number of fashion shows featuring inspiring decor paid tribute to figures from the world of art and fashion. A host of events and cultural activities were held during the second half of the year: Kim Jones teamed up with Ghanaian artist Amoako Boafo for his Spring/Summer Men's collection, followed by a colorful and joyful collaboration with American artist Kenny Scharf for his Fall collection, unveiled simultaneously in December in Beijing and around the world; in Lecce, Italy, the ancestral skills of local craftspeople and artists were honored in Maria Grazia Chiuri's 2021 Cruise show; and a poetic film was released, following the mythical voyage of a trunk filled with haute couture dresses inspired by the post-war era. A new flagship store was inaugurated on Rue Saint-Honoré in Paris and two major stores opened in China. On the heels of its success in Paris and London, the *Christian Dior: Designer of Dreams* exhibition made a stopover in Osaka before heading to Shanghai, attracting more than 200,000 visitors. Dior launched its "Dior Talks" podcasts in 2020, featuring conversations with inspiring individuals on art, culture and society. In response to the public health emergency, Maison employees volunteered using the *Baby Dior* workshop in Redon to produce masks for front-line workers, and workshops in Italy made gowns for hospital staff.

Fendi demonstrated great resilience. Following the major impact of the pandemic at the beginning of the year, in the second half of the year the Maison saw remarkable growth in China and in online sales, and continued to gain market share in South Korea and North America. The FENDI ROMA holiday capsule collection, inspired by the Maison's iconic packaging, was a major success. Active support was provided in the fight against the pandemic through donations, particularly to the Lombardy region, but also by activating its network of suppliers to produce protective masks and gowns for the Tuscany and Lazio regions, and for hospitals in Bergamo. Launched in Rome in June as a celebration of summer, Fendi continued its collaboration with the music world through the Anima Mundi project, featuring performances by renowned artists in Shanghai, Tokyo, Seoul and, soon, New York. The Hand in Hand project, in collaboration with 20 craftspeople in each of Italy's 20 regions, showcased local expertise and traditional skills by reinterpreting the iconic *Baguette* bag.

Loro Piana opened its new flagship store in Tokyo's Ginza district, where an immersive sensory journey called "An Odyssey of Touch" took its customers on a tour of the Maison's history, the excellence of its raw materials and the quality of its products. The new "Somewhere in Loro Piana" marketing campaign was rolled out, targeting an increasingly young clientele. A customization service was expanded to include new product categories.

Celine saw a strong recovery in the second half of the year, buoyed by its clientele in Asia. The Maison continued to develop its Women's Ready-to-Wear collections designed by Hedi Slimane, which enjoyed growing success. In leather goods, the *Triomphe* line received an excellent welcome. The year was marked by rapid advances in digital, including the launch of an e-commerce mini-program on the WeChat platform in China, and the rollout of its e-commerce site in some twenty countries.

Loewe showed good resilience and high adaptability. Under the impetus of its Creative Director Jonathan W. Anderson, the Maison continued to pursue its sustained pace of innovation and an active marketing strategy. Its highly original "Show-in-a-Box" and "Show-on-the-Wall" fashion show concepts received unanimous praise from the press and the Maison's customers. The fourth edition of the *Paula's Ibiza* collection was launched, enhanced by a fragrance and a *Loewe X Smiley* capsule collection. A new flagship store opened on Rue Saint-Honoré in Paris.

Givenchy announced the arrival of the Maison's new Creative Director Matthew M. Williams, a 2016 finalist for the LVMH Prize for Young Fashion Designers. Hardware – the designer's signature – featured prominently in his first collections, and the iconic *Antigona* bag celebrated its 10th anniversary.

A highlight for **Kenzo** was the first Men's and Women's shows by Felipe Oliveira Baptista, which received unanimous acclaim from the fashion world. These collections marked a new chapter in the interpretation of the Maison's values and the legacy of its visionary founder, Kenzo Takada, who passed away in 2020, a beacon of creativity, color and freedom.

Berluti expanded its offering with the new *Signature* canvas, featuring the Scritto motif, inspired by an 18th-century manuscript. To commemorate its 125th anniversary, the Maison reinterpreted the iconic *Andy* model in a Penny Loafer version designed in collaboration with the Monnaie de Paris (Paris Mint). Its New York flagship store's move to 57th Street marked the end of the year. Its online store, launched in Europe, the United States and Japan, saw rapid growth.

Amidst the closure of its three production sites for several months and the suspension of international travel, **Rimowa** illustrated its drive for innovation and its spirit of resilience by reimagining travel. The new *Personal* line of cross-body cases was launched in several colors, and the *Never Still* collection of multi-use soft bags was unveiled.

Marc Jacobs continued to develop its core *Snapshot* and *Traveler* lines. A new *Heaven* collection was launched, offering a highly diverse ensemble of designs. The Maison reinforced its online presence, particularly in China.

Outlook

In an environment that remains uncertain, the Fashion and Leather Goods business group's Maisons can count on their highly committed, responsive staff to unleash their creativity and build on their values of quality and sustainability, while maintaining their efforts to adapt to the economic situation. Focusing on their priorities, they will be well positioned to take advantage of a solid recovery, when it arrives, and regain strong momentum in the medium term. Driven by its talented designers and craftspeople, **Louis Vuitton** will continue to enrich its offering and invest in its distribution network. Future developments will fit within the Maison's steadfast aim of infusing its exceptional heritage with the best of modernity, providing each customer with an exceptional experience in its stores and online. **Christian Dior Couture** aims to continue its sustained growth. Among the highlights of the year, the House of Dior's historic location at 30 Avenue Montaigne is set to reopen its doors. **Fendi** will present the first Women's Couture and Ready-to-Wear collections under the leadership of its new Creative Director Kim Jones. The success of its iconic *Peekaboo* and *Baguette* bags will be a key growth driver for the Maison. The store network will continue to grow, with openings slated in Sydney, Milan and Doha, along with numerous plans under way in several cities in China. **Loro Piana** will add to its lines of leather goods and clothing made with sumptuous materials. **Celine** will hold virtual shows designed and filmed by Hedi Slimane. **Loewe** will continue to innovate with Jonathan Anderson. The e-commerce site will expand to new markets.

3. Perfumes and Cosmetics

In 2020, the Perfumes and Cosmetics business group posted revenue of 5,248 million euros, representing 12% 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 1.8% 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 more than 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 six brands: KVD Vegan Beauty, Marc Jacobs Beauty, Ole Henriksen, Bite Beauty, Fenty Beauty by Rihanna, which was launched in 2017, and Fenty Skin, launched in 2020. These brands are primarily distributed by Sephora, as well as increasingly via the Brands' own sites.

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

Globally, the Group's brands were affected by the downturn in the market, but they maintained their position.

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 425 researchers work at the Group's location at the heart of Cosmetic Valley (including 341 at the Hélios site in Saint-Jean-de-Braye), in over 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. Three other innovation centers – in Japan, China and South Korea – 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 230 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 space 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 through its network of directly operated stores, supplemented by a network of partner retail outlets. In addition, its unique expertise is showcased in its boutiques, which immerse customers in the Maison's entrancing universe. In addition to sales through its 79 exclusive stores around the world, Benefit currently retails in some 50 countries worldwide. Make Up For Ever products are sold through exclusive boutiques around the world, 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. The Kendo brands are primarily distributed by Sephora, as well as increasingly by their own sites.

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 2020 and outlook for 2021

	2020	2019	2018
Revenue *(EUR millions)*	**5,248**	**6,835**	**6,092**
Revenue by geographic region of delivery *(%)*			
France	9	10	11
Europe (excl. France)	18	20	22
United States	14	15	16
Japan	5	5	5
Asia (excl. Japan)	45	40	35
Other markets	9	10	11
Total	**100**	**100**	**100**
Profit from recurring operations[(a)] *(EUR millions)*	**80**	**683**	**676**
Operating margin *(%)*	**1.5**	**10.0**	**11.1**
Operating investments of the period *(EUR millions)*	**280**	**378**	**330**
Number of stores	**434**	**426**	**354**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

The Perfumes and Cosmetics business group's major brands demonstrated their resilience in a sector affected by the decline in spending by international travelers and in makeup sales overall, partially offset by stronger results for skincare products. All of the Maisons saw rapid growth in online sales. Combining rigorous management with their strong drive for innovation, they also showed their support in the collective fight against the pandemic. In France in particular, thanks to a large number of employee volunteers, Parfums Christian Dior, Guerlain and Parfums Givenchy were able to adapt the operations of their production units to manufacture large quantities of hand sanitizer, which we donated to hospitals.

Parfums Christian Dior showed good resilience, buoyed by its iconic lines and the strength of its innovations, amidst shutdowns and significant slowdowns in its manufacturing and sales activity for part of the first half of the year. Business improved gradually in the second half, with a notable acceleration in the fourth quarter, especially in China, the United States, Japan and the Middle East. The successful worldwide launches of *Miss Dior Rose N'Roses*, the new *Infinissime* version of *J'adore* and the new *Dior Homme*, as well as the launch in China of the new *Rouge Dior* lipstick, all attest to the Maison's excellence and creativity. The *Maison Christian Dior* collection of exceptional fragrances performed very well. Other lines built further momentum, particularly the men's fragrance *Sauvage* as well as the *Forever* foundation and its new concealer. Major breakthroughs in skincare included the January launch of *Capture*, which epitomizes the scientific rigor of LVMH's research and innovation center as well as the sensory expertise that characterizes its formulas, while *Dior Prestige*, *Micro-Lotion de Rose* and *Micro-Huile de Rose* continued their strong development, particularly in Asia. The Maison saw a considerable uptick in online sales, especially in China. A number of digital initiatives were pursued, expanding its customer base and offering a unique brand experience. The expansion of its network of stores in Asia and the Middle East helped drive growth in direct sales to customers.

Guerlain demonstrated good resilience and strong responsiveness. Skincare turned in excellent results, notably in China, where the Maison ramped up its development and gained market share. The *Abeille Royale* and *Orchidée Impériale* lines – firmly backed by Guerlain's commitment to biodiversity and sustainable innovation – continued to see exceptional growth. In fragrances, the *Aqua Allegoria* collection achieved solid gains, as did the Maison's Haute Parfumerie collections, illustrating the excellence and creative virtuosity that have built its renown. In makeup, the exceptional rejuvenating foundation *Parure Gold* held its positions, particularly in Asia. The year also saw a number of breathtaking displays and installations at stores paying tribute to the Maison, in connection with its Bee Garden pop-ups and the year-end holidays. Guerlain's long-standing "In the Name of Beauty" sustainability program was reaffirmed with the introduction of a sustainable design approach and a number of bee protection initiatives, including Women for Bees, a partnership with UNESCO aimed at training women to become beekeepers and developing new beekeeping supply chains at UNESCO's biosphere reserves around the world.

Parfums Givenchy delivered a strong performance in China, thanks in particular to its iconic *Prisme Libre* line. Its fragrance *L'Interdit* continued to gain market share in Europe, and especially in France. **Benefit** was hampered by the limited availability of its services due to closures of its points of sale. Nevertheless, the Maison saw strong momentum in its online sales and the successful addition of the *Microfilling Pen* to its brow collection, an area in which the brand further consolidated its global leadership position. **Fresh** actively developed its digital marketing campaigns and its online sales, particularly in China. Its premium *Crème Ancienne* line proved extremely popular and its *Kombucha Facial Treatment Essence* continued to enchant customers. **Make Up For Ever** successfully launched its new *Rouge Artist* lipstick, co-designed with the Maison's star makeup artists. Its innovative formula and unique look made it one of the brand's new icons. **Fenty Beauty** maintained its appeal as a premier makeup brand. **Fenty Skin**, which launched exclusively online, generated unprecedented buzz during the pandemic. At **Parfums Kenzo**, the *Flower by Kenzo* line celebrated its 20th anniversary with the launch of *Poppy Bouquet*. The Maison has partnered with the Louvre to create floral compositions in the Tuileries Gardens in Paris each spring and summer until 2023. **Maison Francis Kurkdjian** saw its growth accelerate, due in particular to the success of its new fragrance *l'Homme À la rose*, which upends received notions of masculinity. **Perfumes Loewe**'s performance was driven by solid momentum in China, the success of its *Paula's Ibiza* fragrance and the launch of *Home Scents*, a collection of home fragrances created with Jonathan Anderson. **Acqua di Parma** opened new stores in China and launched its first eau de cologne made with 99% natural ingredients, *Colonia Futura*. The Maison actively supported the fight against Covid-19 in Italy through its #StayHome campaign. **Ole Henriksen** expanded its footprint in Europe and the Middle East and added a serum to its flagship *Banana Bright* line.

Outlook

In an environment that remains uncertain, the Perfumes and Cosmetics business group's Maisons will remain vigilant in light of the economic situation, reaffirm their fundamentals and focus their efforts on their strategic development priorities: innovation, utmost quality in their products, the constant pursuit of excellence and selectivity in distribution, and developing their digital presence. **Parfums Christian Dior** will maintain its strong innovative momentum across all of its product categories while continuing to expand its global reach and further raise the bar for creativity and excellence. Fragrances will be the focus of particular attention, with the ongoing development of its iconic lines, combined with a unique customer experience both in stores and online. Building on the Maison's couture spirit, makeup will undergo a robust innovation program and upmarket strategy. Skincare will continue to make strong advances, with an emphasis on premium lines, particularly in China. **Guerlain** will expand further internationally, in particular by raising its profile in China, Japan, the Middle East, and in travel retail once business activities resume. The Maison will focus on developing its core lines, which will be enriched with bold new creations. Guerlain will showcase its position as a Maison at the forefront of high perfumery and luxury cosmetics by rolling out a new store concept and a more selective distribution strategy.

At **Parfums Givenchy**, *Le Soin Noir* will return to center stage, while **Acqua di Parma** will pay tribute to its long-standing expertise in fragrance extraction with the launch of *Bergamotto La Spugnatura*. **Benefit** will unveil a number of innovations, including the worldwide launch of *They're Real! Magnet* mascara. **Fresh** will reaffirm its expertise through an even more effective serum. **Make Up For Ever** will roll out original initiatives, in particular in foundation and the customer experience, both digital and in-store. **Maison Francis Kurkdjian** will continue to pursue the highly selective growth of its distribution. **Perfumes Loewe** will expand the distribution of its *Home Scents*, accompanied by a series of special events.

4. Watches and Jewelry

In 2020, the Watches and Jewelry business group represented 7% 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, fine 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 Financière Agache 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. The Watches and Jewelry business group 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 471 stores as of year-end 2020 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 15% of the cost of sales in 2020.

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 2020 and outlook for 2021

	2020	2019	2018
Revenue *(EUR millions)*	**3,356**	**4,405**	**4,123**
Revenue by geographic region of delivery *(%)*			
France	4	5	6
Europe (excl. France)	20	23	23
United States	8	8	9
Japan	12	12	12
Asia (excl. Japan)	43	38	35
Other markets	13	14	15
Total	**100**	**100**	**100**
Profit from recurring operations[(a)] *(EUR millions)*	**302**	**736**	**703**
Operating margin *(%)*	**9.0**	**16.7**	**17.1**
Operating investments of the period *(EUR millions)*	**210**	**296**	**303**
Number of stores	**471**	**457**	**428**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

Store closures and the suspension of international travel due to the global public health crisis affected the Watches and Jewelry businesses. However, the rebound in China in the second half helped limit the full-year revenue decline to 23% at constant consolidation scope and exchange rates. In this context, the Maisons took measures to reduce costs and preserve cash while doing their best to spur demand and develop alternative distribution methods such as digital channels and direct sales. Watch Week – an event held by Bvlgari, Hublot, TAG Heuer and Zenith in Dubai in January – was an excellent opportunity to present the Maisons' new collections to retailers and the media.

Heavily affected by the market downturn starting in mid-March, **Bvlgari** quickly capitalized on the recovery in China starting in the second quarter. A number of digital initiatives were developed. The Maison helped combat the pandemic by donating hand sanitizer to healthcare facilities in Italy, Switzerland and the United Kingdom, and launched the Bvlgari Virus Free Fund to support Covid-19 vaccine research being done by leading teams at Oxford University, Rockefeller University and Lazzaro Spallanzani Hospital. New designs continued to appear at a rapid pace, with the *B.Zero1 "Rock"* collection adding rings, bracelets, pendants and earrings, reflecting the brand's bold creativity along with other iconic jewelry models launched in the *Diva*, *Fiorever* and *Bvlgari Bvlgari* series. High jewelry featured the presentation of the *Jannah Flower* collection in Abu Dhabi and the bold and colorful new *Barocko* line, reflecting the precious link between the Maison, the city of Rome and the baroque style. Sales held in Beijing and Shanghai confirmed the design's major success. The *Serpenti Seduttori Tourbillon*, *Octo Répétition Minutes* and the new *Bvlgari Aluminium* watch designs sparked a keen interest. As a leading patron, the Maison contributed to the restoration of 96 Greek and Roman marble statues belonging to the Fondazione Torlonia. A new global marketing campaign was launched, featuring Zendaya, Naomi Watts, Kris Wu and Lily Aldridge.

TAG Heuer showed good resilience thanks to its solid positioning with local customer bases in its main markets. In March, the third generation of its smartwatch was launched in New York. Its performance, innovative materials, wide range of features and elegance ensured this product's success, rounded out by a *Golf* version that was well received by connoisseurs. The Maison's flagship lines were enhanced with the new *Carrera* chronographs, additions to the *Aquaracer* and *Formula 1* collections, and new versions in the iconic *Monaco* line. To celebrate its 160th anniversary, the Maison offered a number of special limited editions in the *Carrera* collection. The end-of-year sale of a 1969 Heuer *Monaco* model worn by Steve McQueen fetched the highest auction price ever recorded by the Maison. The network of directly operated stores was expanded in parallel with its presence in digital channels, which is being actively developed. TAG Heuer's team of brand ambassadors and its sports contracts have helped reinforce brand awareness among target customers and strengthen its social media presence. 2020 saw TAG Heuer and Porsche join forces in a number of collaborations that will be revealed over the course of 2021. Together with Hublot and Zenith, TAG Heuer showed its support in the fight against the pandemic by donating protective face masks to Swiss hospitals.

Hublot's new additions included the *Big Bang Integral*, for the first time featuring an integrated metal bracelet, and the *Spirit of Big Bang Meca-10*, whose manufacture movement offering a 10-day power reserve was adapted to the "barrel" design. The marketing launch of the *Big Bang e* digital model was accompanied by the addition of an e-commerce function to the Hublot.com website. Innovative new models such as the *Big Bang Millennial Pink* and the *Big Bang MP-11 Red Magic* reflected the Maison's dynamism. After several previous collaborations on different models, Hublot and Berluti pooled their talent for the first time on the iconic *Big Bang Unico* chronograph. In Japan, which is now the brand's number-one market, a store was opened in the Hublot Tower in Tokyo's Ginza district. To celebrate Hublot's 40th anniversary, the new *#timetoreflect* campaign was launched, chronicling the origins of its iconic collections, all its ambassadors who have become loyal partners, and the Maison's high-level partnerships in the realms of soccer, automobiles and golf with current World Number 1 Dustin Johnson. For the 2020-2021 season, Hublot became the official timekeeper for the English Premier League, the most popular soccer league in the world.

Zenith launched its *Time To Reach Your Star* marketing campaign and a new website offering online sales. The Maison enriched its collections with the *Defy Midnight* women's model, as well as the new *Elite* and the *Chronomaster Revival*, which celebrates its long tradition of watchmaking. A new store was opened in Tokyo's Ginza district.

Chaumet reopened its Place Vendôme location, unveiling a meticulously restored space, true to the spirit of the Maison. The new workshops showcase the expertise and artistry of its jewelers. To mark the occasion, the *Légende de Chaumet* collection of 29 medallions was presented, along with *Trésors d'Ailleurs*, a sparkling combination of gemstones, colors and textures in 16 original high jewelry rings. After a challenging first quarter, the Maison regained strong momentum in China, spurred by the launch of a WeChat site offering a wide range of products, with pendants in the *Jeux de Liens* Mother-of-Pearl and Harmony series performing especially well. The *Perspectives* high jewelry collection was presented in Monaco and China. In other regions, initiatives were taken to boost direct and remote sales.

Fred expanded its *Force 10* line with the creation of *Color Crush* and launched *Chance Infinie*, an original, seductive capsule collection. The Maison ramped up its development in China and expanded its digital presence. It showed its commitment to the fight against the pandemic by participating in the Visières de l'Espoir program, which donated face shields to healthcare providers.

Outlook

To adapt to an environment whose future and pace of improvement are still uncertain, the Maisons will continue their cost reduction and management measures while further accentuating the appeal of their brands. Market developments are being closely monitored and the focus is on extremely rigorous resource allocation. Production and supply levels will remain strictly aligned with demand. The Watches and Jewelry brands will receive highly targeted investments, with a special emphasis on digital, and will continue their programs focused on distribution quality and productivity. **Bvlgari** will open an expanded and remodeled store on Place Vendôme in Paris, as well as new stores in China, Saudi Arabia, the United States and Russia. **TAG Heuer** will strengthen its partnership with Porsche and continue the highly selective development of its retail network (particularly in China) with the implementation of its new store concept. **Chaumet**, **Hublot** and **Fred** will also expand their store coverage in China. Chaumet will present its *Joséphine & Napoléon* exhibition. Lastly, the highlight of 2021 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 2020, the Selective Retailing business group represented 23% 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 pioneering 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 Group (including Louis Vuitton, Hermès, Bvlgari, Tiffany, Christian Dior Couture, Chanel, Prada, Fendi and Celine).

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 LVMH 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 1998.

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 (including e-commerce) declined by 20% in 2020 compared with 2019 (data source: NPD – Brick-and-mortar sales to end-December), Sephora slightly increased its market share. In addition, Sephora continued to gain market share in the Middle East and Canada, where it has led the market since 2015.

5.4 Highlights of 2020 and outlook for 2021

	2020	2019	2018
Revenue *(EUR millions)*	**10,155**	**14,791**	**13,646**
Revenue by geographic region of delivery *(%)*			
France	13	11	12
Europe (excl. France)	9	9	9
United States	35	37	38
Japan	1	2	2
Asia (excl. Japan)	27	27	27
Other markets	15	14	12
Total	**100**	**100**	**100**
Profit from recurring operations[(a)] *(EUR millions)*	**(203)**	**1,395**	**1,382**
Operating margin *(%)*	**(2.0)**	**9.4**	**10.1**
Operating investments of the period *(EUR millions)*	**410**	**659**	**537**
Number of stores			
Sephora	2,021	1,957	1,886
Other	51	54	54

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

The Covid-19 pandemic slowed revenue sharply in Selective Retailing for 2020, spurring the Maisons to take the necessary measures to adapt to the situation and expand their digital offering. With the improvement in the global health situation, they welcomed customers back to their stores with the unwavering desire to offer them the best experience yet, while ensuring their safety and that of their employees.

Sephora showed strong resilience in a retail environment heavily impacted by the global public health crisis that led to the closure of more than 90% of its stores worldwide for more than two months in the first half of the year, and then a second wave of closures in Europe in the fourth quarter. Thanks to the commitment and agility of its teams, Sephora accelerated its online sales, breaking all-time online sales records in all regions. As part of its ongoing quest to provide an optimal beauty experience for its customers, Sephora accelerated the development of new services like Click & Collect, Call & Collect, new apps and livestream beauty advice from in-store consultants for customers to try from the comfort of their own homes. Partnerships were also set up with well-known providers to offer services such as "buy now, pay later" and same-day delivery. Sephora continued to gain market share in its key regions and confirmed its leadership as the world's most loved beauty community. This was illustrated in mega-events like China's Virtual Sephora Day and the "11/11" day, when Sephora connected with more than one million people on social media. Importantly, Sephora put great emphasis on reopening stores with best-in-class health and safety protocols for its clients and employees. Furthermore, Sephora continued to expand its long-term "Sephora Cares" program devoted notably to combating domestic violence in the United States, and the employment of people with disabilities, notably in its distribution centers. Sephora continued to build new and exclusive brands, and accelerated its growth in skincare and hair care categories, including the continued success of the "Good for skin.you.all" skincare line. The brand was reinforced with the launch in Europe and the Middle East of the corporate communication campaign "The Unlimited Power of Beauty" and the opening of a new Paris Opéra flagship store. Sephora also launched its new Employee Value Proposition and strengthened its commitment to the environment through product innovation, with the launch of the "Good For" label in Europe and Clean@Sephora in North America.

In an unprecedented context of suspended international travel and months-long store closures at airports and downtown shopping areas, **DFS** was particularly affected by the public health crisis and its economic consequences. Placing top priority on the health and safety of its customers and staff, starting in January the Maison deployed a wide range of resources to inform and protect them and adapt employees' working hours. Programs were also launched to support local communities, aimed at donating food and protective equipment to the most at-risk individuals. Several stores have begun gradually reopening with strict safety measures, as the local public health situation improves. DFS's two main markets were affected to varying degrees during this trying period: Hong Kong, which was already hampered by the drop in tourism in 2019, was much more heavily hit by the pandemic; in Macao, on the other hand, the closure of DFS's stores only lasted a few weeks, and there was an improvement in business activity at the end of the year with the return of travelers from mainland China. In Venice, the *T Fondaco dei Tedeschi* showcased local Italian craftsmanship when it reopened in July. The Maison resolutely undertook a series of cost-cutting measures and, in order to continue to serve its customers, concentrated on developing new distribution channels for its local clientele and ramping up its online service offering.

Starboard Cruise Services gradually suspended its activities during the first quarter, following the decision by various countries and authorities in the markets it serves to ban cruises and the opening of national ports. While closely monitoring developments in each country that could lead to the possible resumption of operations, the Maison's teams reinforced their digital distribution channel, implemented strict new health and safety guidelines in stores, and enriched their offering with a range of innovative products tailored to their specific cruise clientele.

For **Le Bon Marché**, 2020 was a truly unprecedented year, closed for nearly three months due to the public health situation: first from March 16 to May 11, then from October 30 to November 27. Despite these closure periods, the department store on Paris' left bank maintained close ties with its customers by scaling up mail-order sales, launching an e-commerce site for Christmas shopping and kicking off a holiday edition of its eclectic OFF series of talks, tutorials and concerts filmed in the store and shared on social media. The year was marked by the carte blanche given to Japanese design studio Nendo and its founder Oki Sato – set to music in a special evening concert performed by a philharmonic orchestra right in the store – and the cheerful, humorous back-to-school exhibition Once Upon a Time in Belgium. New permanent and pop-up spaces also emerged, for a customer experience focused on service and sensation: Octobre Rose (Pink October), l'Atelier Maquillage (the Makeup Workshop), la Maison du Bien-Être (the House of Well-Being), Atelier Notify's upcycling stand, and more. Thanks to its highly committed staff, the two sites of La Grande Épicerie de Paris continued to welcome their customers without interruption and to support their suppliers, particularly small-scale producers. The Rive Droite location in particular saw strong growth. To offer some comfort during this trying time, 4,000 chocolates were donated to the AP-HP hospital system for healthcare providers.

Outlook

In 2021, **Sephora** will accelerate its expansion in key markets, particularly by expanding its physical and digital footprint in China and North America. The strong online momentum will continue in all markets. A new shop-in-shop partnership in the US with the iconic retailer Kohl's will enable the brand to open 200 exclusive prestige beauty points of sale in 2021. Sephora will continue to delight consumers through exceptional product offer, with its selected brand partners and own brand, as well as excellence of service and advice delivered by expert teams and the best omnichannel experience. The Maison will accelerate its synergies between its physical store network and digital presence with enhanced services and experiences for the client. Corporate social responsibility will continue to be a major priority for Sephora, with a very strong focus on clean products, community impact, diversity and inclusion. **DFS** is expected to benefit from higher tourist numbers in Macao in the first half of the year. For the other destinations that are still closed, the improvement in the public health situation and forecasts on the resumption of air traffic will be closely monitored to effectively prepare for the reopening of stores, in connection with the launch of vaccination programs approved by local authorities. DFS will continue its omnichannel transformation and maintain its expansion plans in the Asia-Pacific region and in China, on the island of Hainan in particular. Postponed due to the pandemic, the grand opening of La Samaritaine in Paris will take place in 2021. **Le Bon Marché** will rely more than ever on its excellent customer service, its highly creative and exclusive offering, and its unique program of events. Resolutely committed to returning to normal and welcoming back in-store customers, Le Bon Marché will continue to cultivate its distinction and its unique positioning as a trendsetting store and a venue for art and culture. La Grande Épicerie de Paris will continue its initiatives to 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. The Les Echos group also holds several other financial and cultural media titles that were previously owned directly by LVMH: *Investir – Le Journal des Finances*, resulting from the 2011 merger of two financial weeklies; *Connaissance des Arts*; and the French radio station *Radio Classique*. The 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: The Financière Agache group

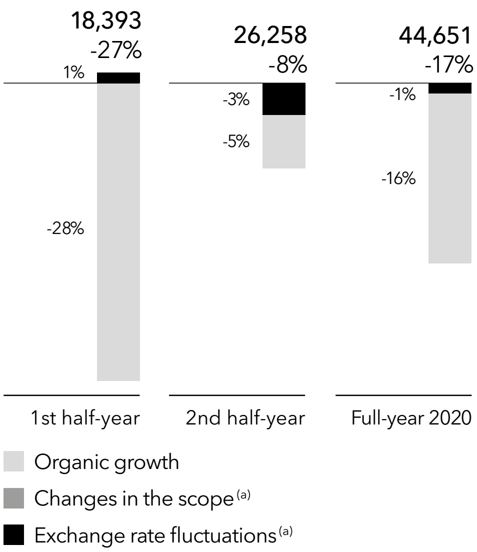
3. Business and financial review

1. Comments on the consolidated income statement

1.1 Breakdown of revenue

Change in revenue per half-year period

(EUR millions and as %)



(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.

The Covid-19 pandemic and the measures taken by various governments to fight it severely disrupted the Group's operations during the year and significantly affected the financial statements. The closure of stores and production facilities in most countries for several months, along with the halt in international travel, were responsible for the reduction in revenue and, consequently, the deterioration in profitability across all the business groups.

Consolidated revenue for fiscal year 2020 was 44,651 million euros, down 17% from the previous fiscal year. It fell by 1 point as a result of many of the Group's invoicing currencies weakening on average against the euro, in particular the US dollar.

The main changes to the Group's consolidation scope since January 1, 2019 were as follows: in "Other activities", the consolidation of the Belmond hotel group as of April 2019; in the Wines and Spirits business group, the consolidation of Château d'Esclans as of January 1, 2020. These changes in the scope of consolidation did not have a significant impact on the change in revenue for the fiscal year.

On a constant consolidation scope and currency basis, revenue decreased by 16%.

Revenue by invoicing currency

(as %)	2020	2019	2018
Euro	19	22	22
US dollar	27	29	29
Japanese yen	7	7	7
Hong Kong dollar	4	5	6
Other currencies	43	37	36
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed appreciably with respect to the previous fiscal year: the contributions of the euro, the US dollar and the Hong Kong dollar fell by 3 points, 2 points and 1 point, respectively, to 19%, 27% and 4%, while that of "Other currencies" rose by 6 points to 43%. The contribution of the Japanese yen remained stable at 7%.

Revenue by geographic region of delivery

(as %)	2020	2019	2018
France	8	9	10
Europe (excl. France)	16	19	19
United States	24	24	24
Japan	7	7	7
Asia (excl. Japan)	34	30	29
Other markets	11	11	11
Total	**100**	**100**	**100**

By geographic region of delivery, the relative contribution of Europe (excluding France) to Group revenue fell from 19% to 16%, while that of France fell from 9% to 8%, due to the significant reduction in tourist travel to these regions, in the wake of widespread lockdowns in the first half of the year and the varying impact of partial lockdowns in certain countries in the second half. The relative contributions of the United States, Japan and "Other markets" remained stable at 24%, 7% and 11%, respectively, while that of Asia (excluding Japan) was boosted by the carryover of consumer demand among its local clientele who canceled their travel plans, with this region's contribution growing by 4 points to 34%.

Revenue by business group

(EUR millions)	2020	2019	2018
Wines and Spirits	4,755	5,576	5,143
Fashion and Leather Goods	21,207	22,237	18,455
Perfumes and Cosmetics	5,248	6,835	6,092
Watches and Jewelry	3,356	4,405	4,123
Selective Retailing	10,155	14,791	13,646
Other activities and eliminations	(70)	(173)	(628)
Total	**44,651**	**53,671**	**46,831**

By business group, the breakdown of Group revenue changed appreciably. The contributions of Wines and Spirits, and Fashion and Leather Goods increased by 1 point and 6 points, respectively, to 11% and 47%, while the contributions of Perfumes and Cosmetics, and Watches and Jewelry decreased by 1 point each to 12% and 7%, respectively, and that of Selective Retailing fell by 5 points to 23%.

Revenue for Wines and Spirits decreased by 15% based on published figures. Affected by a negative 2-point exchange rate impact and boosted by a positive 1-point scope impact following the consolidation of Château d'Esclans, revenue for this business group was down 14% on a constant consolidation scope and currency basis. Champagnes and wines were down 15% based on published figures and 16% on a constant consolidation scope and currency basis, after taking into account the positive 3-point impact of the consolidation of Château d'Esclans. Cognac and spirits were down 14% based on published figures and 12% on a constant consolidation scope and currency basis. The impact of the global health crisis related to the Covid-19 pandemic was felt across all geographic areas, especially Asia (including Japan) and Europe. Only the United States recorded positive revenue growth.

Revenue for Fashion and Leather Goods was down 3% in terms of organic growth and 5% based on published figures. Online sales grew rapidly. Europe and Japan were the most affected regions, while the United States and Asia recorded positive performances; in this context, Christian Dior Couture achieved an exceptional performance, while Louis Vuitton showed remarkable resilience.

Revenue for Perfumes and Cosmetics decreased by 22% in terms of organic growth and by 23% based on published figures. Guerlain and Fresh proved highly resilient despite the public health crisis, showing more limited declines. Asia was the region where revenue decreased the least.

Revenue for Watches and Jewelry decreased by 23% in terms of organic growth and by 24% based on published figures. All the business group's brands felt the impact of the public health crisis. The United States, Japan and Europe were the most heavily affected areas.

Revenue for Selective Retailing decreased by 30% on a constant consolidation scope and currency basis, and by 31% based on published figures. The halt in international travel and the closure of the store network for many months in 2020 led the business group to record major revenue declines across all its geographic areas, especially in the United States and Asia.

1.2 Profit from recurring operations

(EUR millions)	2020	2019	2018[(a)]
Revenue	44,651	53,671	46,831
Cost of sales	(15,871)	(18,126)	(15,630)
Gross margin	28,780	35,545	31,201
Marketing and selling expenses	(16,790)	(20,206)	(17,752)
General and administrative expenses	(3,653)	(3,880)	(3,472)
Income/(loss) from joint ventures and associates	(42)	28	23
Profit from recurring operations	**8,294**	**11,487**	**10,000**
Current operating margin *(%)*	**18.6**	**21.4**	**21.4**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

The Group's gross margin came to 28,780 million euros, down 19% compared to the previous fiscal year; as a percentage of revenue, the gross margin was 64%, down almost 2 points. The Group incurred the negative impact of the closure of a number of production sites and a higher level of inventory impairment, especially in Fashion and Leather Goods, due to the public health crisis. These two effects had a negative 1-point impact on the margin.

Marketing and selling expenses totaled 16,790 million euros, down 17% based on published figures and 16% on a constant consolidation scope and currency basis. Efforts made to reduce marketing and selling expenses partly offset the decrease in the gross margin. The level of these expenses expressed as a percentage of revenue amounted to 38%, remaining stable with respect to 2019. Among these marketing and selling expenses, advertising and promotion costs amounted to 11% of revenue, decreasing by 21% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	2020	2019	2018
France	512	535	514
Europe (excl. France)	1,175	1,177	1,153
United States	866	829	783
Japan	428	427	422
Asia (excl. Japan)	1,514	1,453	1,289
Other markets	508	494	431
Total	**5,003**	**4,915**	**4,592**

General and administrative expenses totaled 3,653 million euros, down 6% based on published figures and 5% on a constant consolidation scope and currency basis. They amounted to 8% of revenue, up 1 point relative to 2019.

Profit from recurring operations by business group

(EUR millions)	2020	2019	2018
Wines and Spirits	1,388	1,729	1,629
Fashion and Leather Goods	7,188	7,344	5,943
Perfumes and Cosmetics	80	683	676
Watches and Jewelry	302	736	703
Selective Retailing	(203)	1,395	1,382
Other activities and eliminations	(461)	(400)	(333)
Total	**8,294**	**11,487**	**10,000**

The Group's profit from recurring operations was 8,294 million euros, down 28%. The Group's current operating margin as a percentage of revenue was 18.6%, down 2.8 points with respect to the previous fiscal year.

Exchange rate fluctuations had a negative overall impact of 175 million euros on profit from recurring operations compared to the previous fiscal year. This total comprises the following three items: the impact of exchange rate fluctuations on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the eurozone.

Wines and Spirits

	2020	2019	2018
Revenue *(EUR millions)*	4,755	5,576	5,143
Profit from recurring operations *(EUR millions)*	1,388	1,729	1,629
Current operating margin *(%)*	29.2	31.0	31.7

Profit from recurring operations for Wines and Spirits was 1,388 million euros, down 20% relative to December 31, 2019. Champagne and wines contributed 488 million euros, while cognacs and spirits accounted for 900 million euros. Cost control and targeted advertising and promotional investments helped partly offset the negative impact of the decrease in volumes. The business group's current operating margin as a percentage of revenue fell by 1.8 points to 29.2%.

Fashion and Leather Goods

	2020	2019	2018
Revenue *(EUR millions)*	21,207	22,237	18,455
Profit from recurring operations *(EUR millions)*	7,188	7,344	5,943
Current operating margin *(%)*	33.9	33.0	32.2

Fashion and Leather Goods posted profit from recurring operations of 7,188 million euros, down 2% compared with the previous fiscal year. Amidst the Covid-19 pandemic, efforts to control costs and adapt to new requirements enabled Louis Vuitton to maintain its exceptional level of profitability, while Christian Dior Couture further increased its profitability. All the brands strengthened their management measures to limit the impact of store closures in most regions, carefully targeting their investments. The business group's operating margin as a percentage of revenue grew by 0.9 points to 33.9%.

Perfumes and Cosmetics

	2020	2019	2018
Revenue *(EUR millions)*	5,248	6,835	6,092
Profit from recurring operations *(EUR millions)*	80	683	676
Current operating margin *(%)*	1.5	10.0	11.1

Profit from recurring operations for Perfumes and Cosmetics was 80 million euros, down 603 million euros compared to the previous fiscal year. Special attention paid to the cost price of finished products and careful management of operating costs enabled the business group to limit the deterioration in gross margin. The business group's current operating margin as a percentage of revenue fell by 8.5 points to 1.5%.

Watches and Jewelry

	2020	2019	2018
Revenue *(EUR millions)*	3,356	4,405	4,123
Profit from recurring operations *(EUR millions)*	302	736	703
Current operating margin *(%)*	9.0	16.7	17.1

Profit from recurring operations for Watches and Jewelry came to 302 million euros, down 434 million euros compared to the previous fiscal year. In a challenging environment for the watches and jewelry industry, the business group's brands actively pursued the operating levers at their disposal in order to limit the negative impact of the public health crisis. The current operating margin as a percentage of revenue for the Watches and Jewelry business group fell by 7.7 points to 9%.

Selective Retailing

	2020	2019	2018
Revenue *(EUR millions)*	10,155	14,791	13,646
Profit from recurring operations *(EUR millions)*	(203)	1,395	1,382
Current operating margin *(%)*	(2.0)	9.4	10.1

Profit from recurring operations for Selective Retailing was a loss of 203 million euros, down 1,598 million euros compared to 2019. The halt in tourism and store closures around the world led to a very sharp decline in results. The business group's current operating margin as a percentage of revenue fell by 11.4 points to -2%.

Other activities

The loss from recurring operations of "Other activities and eliminations" increased with respect to the previous fiscal year, totaling 461 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.

1.3 Other income statement items

(EUR millions)	**2020**	**2019**	**2018**[(a)]
Profit from recurring operations	8,294	11,487	10,000
Other operating income and expenses	(332)	(231)	(126)
Operating profit	7,963	11,255	9,874
Net financial income/(expense)	(610)	(615)	(441)
Income taxes	(2,400)	(2,966)	(2,528)
Net profit before minority interests	**4,953**	**7,674**	**6,905**
Minority interests	(3,040)	(4,888)	(4,406)
Net profit, Group share	**1,913**	**2,786**	**2,499**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

"Other operating income and expenses" amounted to a net expense of 332 million euros, compared with a net expense of 231 million euros in 2019. For fiscal year 2020, "Other operating income and expenses" included 35 million euros in donations related to the public health crisis; 35 million euros in transaction costs relating to the acquisition of consolidated companies; 235 million euros in depreciation, amortization and impairment charges for brands, goodwill and real estate assets; and 21 million euros in net losses on disposals.

The Group's operating profit was 7,963 million euros, down 29% compared to fiscal year 2019.

The net financial expense was 610 million euros, compared with a net financial expense of 615 million euros for fiscal year 2019. This item comprised the following:

- the aggregate cost of net financial debt, which totaled 59 million euros, versus a cost of 180 million euros for fiscal year 2019, representing a reduction of 121 million euros;
- interest on lease liabilities recognized under IFRS 16, which amounted to an expense of 281 million euros, compared with an expense of 290 million euros in the previous year;
- income from financial joint ventures and associates, which amounted to 17 million euros, down 24 million euros compared to 2019;
- other financial income and expenses, which amounted to a net expense of 287 million euros, compared to a net expense of 186 million euros in 2019. The expense related to the cost of foreign exchange derivatives was 255 million euros, versus an expense of 235 million euros a year earlier. Lastly, fair value adjustments of available for sale financial assets amounted to a net expense of 3 million euros, compared to net income of 70 million euros for 2019.

The Group's effective tax rate was 32.7%. It diverged from the Group's normal rate given its geographic footprint as a result of recurring and non-recurring items. Recurring items that raised the tax rate mainly included the impact of tax on dividends and the impact of non-deductible expenses. The main impacts of non-recurring items related to the impact of the change in certain corporate income tax rates in certain countries on inventories of deferred tax, and the impact on losses of certain Maisons which could not be offset against taxable profits, or which did not give rise to the recognition of deferred tax assets.

Profit attributable to minority interests was 3,040 million euros, compared with 4,888 million euros in 2019. 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, the controlling shareholder; and minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 1,913 million euros, compared with 2,786 million euros in 2019. The Group's share of net profit for fiscal year 2020 was down 31% compared to fiscal year 2019.

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 entities 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 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.

2. Comments on the consolidated balance sheet

(EUR millions)	2020	2019	Change
Intangible assets	30,843	31,026	(183)
Property, plant and equipment	17,626	17,929	(303)
Right-of-use assets	12,515	12,409	106
Other non-current assets	8,189	8,026	163
Non-current assets	**69,173**	**69,390**	**(217)**
Inventories	13,255	13,910	(655)
Cash and cash equivalents	20,468	6,351	14,117
Other current assets	8,112	8,254	(142)
Current assets	**41,835**	**28,515**	**13,320**
Assets	**111,009**	**97,905**	**13,104**

(EUR millions)	2020	2019	Change
Equity	38,540	36,670	1,870
Long-term borrowings	15,820	7,525	8,295
Non-current lease liabilities	10,665	10,373	292
Other non-current liabilities	19,429	19,668	(239)
Non-current liabilities and equity	**84,454**	**74,236**	**10,218**
Short-term borrowings	11,870	8,555	3,315
Current lease liabilities	2,163	2,172	(9)
Other current liabilities	12,523	12,942	(419)
Current liabilities	**26,556**	**23,669**	**2,887**
Liabilities and equity	**111,009**	**97,905**	**13,104**

The Financière Agache group's consolidated balance sheet totaled 111.0 billion euros as of December 31, 2020, up 13.1 billion euros from year-end 2019. This increase resulted, on the asset side, from the 14.1 billion euro increase in cash and cash equivalents, and, on the liability side, from the 11.6 billion euro increase in borrowings, changes mostly related to the acquisition of Tiffany & Co., which took place on January 7, 2021.

Intangible assets were down slightly (0.2 billion euros) from year-end 2019, totaling 30.8 billion euros. Investments for the year were lower than amortization charges, generating a 0.2 billion euro decrease, combined with the negative 0.3 billion euro impact of exchange rate fluctuations. Conversely, the impact on goodwill of the revaluation of purchase commitments for minority interests was positive (0.3 billion euros).

Property, plant and equipment were also down slightly (0.3 billion euros) and totaled 17.6 billion euros at the fiscal year-end. Exchange rate fluctuations had a negative 0.5 billion euro impact, and exceeded the increase generated by investments for the year, net of depreciation charges as well as disposals, which was limited to 0.2 billion euros. Operating investments were held back in response to the circumstances surrounding the Covid-19 pandemic; the comments on the cash flow statement provide further information on investments.

Right-of-use assets totaled 12.5 billion euros, remaining stable with respect to their level at year-end 2019 (12.4 billion euros), with the slight increase resulting from lease renewals being close to depreciation during the fiscal year. In addition, the negative 0.7 billion euro impact of exchange rate fluctuations was offset by the effect of changes in assumptions and that of leases ended or cancelled, amounting to 0.9 billion euros and -0.2 billion euros, respectively. Store leases represented the majority of right-of-use assets, for a total of 10.1 billion euros.

Other non-current assets increased by 0.2 billion euros, amounting to 8.2 billion euros. This change mainly resulted from the 0.4 billion euro increase in investments in joint ventures and associates, the increase in non-current available for sale financial assets for the same amount and, conversely, the 0.7 billion euro decrease in certain non-current available for sale financial assets and financial instruments. Regarding this last item, the non-current available for sale financial assets and financial instruments contracted in connection with issues of convertible bonds in 2016, maturing in 2021, were settled when most of these bonds were redeemed early at the end of 2020 (see Notes 9, 19 and 23.5 to the consolidated financial statements).

Inventories were down 0.7 billion euros, with their 0.6 billion euro increase offset by the 0.8 billion euro charge to provisions for impairment, net of reversals. Exchange rate fluctuations also had a negative 0.5 billion euro impact. See also the "Comments on the consolidated cash flow statement" section.

Excluding inventories, other current assets increased by 14.0 billion euros, largely due to the 14.1 billion euro increase in cash and cash equivalents, in connection with the acquisition of Tiffany & Co., which took place in early January 2021, as well as the 0.8 billion euro increase in the market value of derivatives following, in particular, the reclassification of financial instruments from "Other non-current assets" (see above) to "Other current assets". Conversely, trade accounts receivable decreased by 0.7 billion euros, related to the decline in business activity.

Lease liabilities arising from the application of IFRS 16 were up slightly (0.3 billion euros), in line with the increase in right-of-use assets.

Other non-current liabilities totaled 19.4 billion euros, down 0.2 billion euros from 19.7 billion euros as of year-end 2019. This change resulted from the decrease in value of financial instruments, including 0.7 billion euros resulting from the reclassification within "Current liabilities" of the market value of options embedded in convertible bonds issued in 2016, a substantial proportion of which were redeemed early at the end of 2020 (see Notes 19 and 23.5 to the consolidated financial statements). The liability in respect of purchase commitments for minority interests' shares increased slightly (0.3 billion euros) due to changes in the metrics used to measure these commitments, and totaled 11.0 billion euros.

Lastly, other current liabilities decreased by 0.4 billion euros, amounting to 12.5 billion euros. Operating liabilities decreased by 0.8 billion euros, with this reduction partly offset by the 0.5 billion euro increase in the value of derivatives, due in particular to the reclassification of options embedded in convertible bonds issued in 2016, which were recorded within "Other non-current liabilities" as of year-end 2019.

Net financial debt and equity

(EUR millions or as %)	**2020**	**2019**	**Change**
Long-term borrowings	15,820	7,525	+8,295
Short-term borrowings and derivatives	12,119	8,587	+3,532
Gross borrowings after derivatives	**27,939**	**16,112**	**+11,827**
Cash, cash equivalents and other	(22,288)	(8,337)	(13,951)
Net financial debt	**5,651**	**7,775**	**(2,124)**
Total equity (Group share and minority interests)	**38,540**	**36,670**	**+1,870**
Net financial debt/Total equity ratio	**14.7%**	**21.2%**	**-6.5 pts**

Total equity (Group share and minority interests) amounted to 38.5 billion euros as of year-end 2020, up from 36.7 billion euros as of year-end 2019. Net profit for the fiscal year, after the distribution of dividends, contributed 3.2 billion euros to this increase. This increase was offset by the 1.7 billion euro negative impact of exchange rate fluctuations, and by the 0.5 billion euro positive impact of gains and losses recognized in equity. As of December 31, 2020, the ratio of financial debt to total equity (including minority interests) amounted to 14.7%. It fell by 6.5 points, mainly due to the 2.1 billion euro reduction in net financial debt.

Gross borrowings after derivatives totaled 27.9 billion euros as of year-end 2020, up 11.8 billion euros compared with year-end 2019, mainly due to the 8.3 billion euro increase in bond debt. Eight bond issues were completed by LVMH during the year, in preparation in particular for the acquisition of Tiffany & Co., comprised of six euro-denominated bonds totaling 9.0 billion euros, and two sterling-denominated bonds totaling 1.55 billion pounds sterling. At the time the sterling-denominated bonds were issued, swaps were entered into that converted them into euro-denominated borrowings in their entirety. Details on these issues are provided in Note 19 to the consolidated financial statements. Conversely, the 1.25 billion euro and 0.6 billion euro bonds issued by LVMH in 2017 and 2013, respectively, were repaid, along with most of the cash-settled convertible bonds issued in 2016 (594 million US dollars redeemed as of year-end 2020 out of an initial face value of 750 million US dollars), following the exercise of the conversion clause in late 2020 (see Note 19 to the consolidated financial statements). Short-term negotiable debt securities (NEU CP, euro- and US-dollar denominated commercial paper) outstanding increased by 3.8 billion euros, with this increase resulting from the combined impact of the 5.2 billion euro increase in USCP outstanding, and the 1.4 billion euro decrease in ECP outstanding. Cash, cash equivalents, and current available for sale financial assets totaled 22.3 billion euros as of year-end 2020, up 14.0 billion euros from 8.3 billion euros at year-end 2019. Net financial debt thus decreased by 2.1 billion euros during the fiscal year.

As of year-end 2020, the Group's undrawn confirmed credit lines amounted to 17.9 billion euros. This amount exceeded the outstanding portion of the short-term negotiable debt securities programs (NEU CP, euro- and US dollar-denominated commercial paper), which totaled 9.3 billion euros as of December 31, 2020.

3. Comments on the consolidated cash flow statement

(EUR millions)	2020	2019	Change
Cash from operations before changes in working capital	**13,979**	**16,085**	**(2,106)**
Cost of net financial debt: interest paid	(83)	(198)	115
Lease liabilities: interest paid	(290)	(239)	(51)
Tax paid	(2,414)	(2,851)	437
Change in working capital	(413)	(1,173)	760
Net cash from operating activities	**10,779**	**11,624**	**(845)**
Operating investments	(2,477)	(3,332)	855
Repayment of lease liabilities	(2,302)	(2,187)	(115)
Operating free cash flow (1)	**6,000**	**6,105**	**(105)**
Financial investments and purchase and sale of consolidated investments	(1,050)	(2,628)	1,578
Equity-related transactions	(2,164)	(3,173)	1,009
Change in cash before financing activities	**2,786**	**304**	**2,482**

Cash from operations before changes in working capital totaled 13,979 million euros, down 2,106 million euros from 16,085 million euros a year earlier. This significant decrease directly resulted from the impact of the crisis triggered by the Covid-19 pandemic, with operating profit 3,292 million euros lower in 2020 than in 2019.

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 10,779 million euros, down 845 million euros from 2019.

Interest paid on net financial debt came to 83 million euros, much lower than in 2019, despite a significant increase in average gross borrowings related to the financing of the acquisition of Tiffany & Co., which took place on January 7, 2021. This change arose from the favorable impact of lower average interest rates, which more than offset the unfavorable impact of higher average borrowings.

Tax paid came to 2,414 million euros, 15% lower than the 2,851 million euros paid a year earlier, following the decline in the Group's results.

The change in working capital generated a financing requirement of 413 million euros, 760 million euros lower than in the previous fiscal year, during which the change in working capital totaled -1,173 million euros. The 607 million euro increase in inventories in 2020 was substantially lower than the 1,622 million euro increase in inventories observed in 2019. Trade accounts receivable generated 518 million euros of cash in fiscal year 2020, an improvement of 630 million euros. Conversely, trade accounts payable and other operating receivables and payables generated a 323 million euro financing requirement in 2020, whereas in 2019 these generated cash resources of 561 million euros.

Operating investments net of disposals resulted in an outflow of 2,477 million euros in 2020, down 855 million euros relative to the outflow of 3,332 million euros as of year-end 2019. These mainly included investments by the Group's brands – in particular Louis Vuitton, Christian Dior Couture, Sephora and Bvlgari – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses and Hennessy in their production equipment.

Repayment of lease liabilities totaled 2,302 million euros as of year-end 2020, versus 2,187 million euros as of year-end 2019.

As of year-end 2020, "Operating free cash flow"(1) amounted to 6,000 million euros, very close to the to the 6,105 million euros recorded in 2019, with the decrease in "Cash from operations before changes in working capital" almost entirely offset by the decrease in working capital expenditure, operating investments and tax paid.

During fiscal year 2020, financial investments and purchases of consolidated investments (net of disposals) accounted for an outflow of 1,050 million euros. Net purchases of consolidated investments accounted for an outflow of 616 million euros, mainly due to the impact of foreign exchange hedges implemented in anticipation of the acquisition of Tiffany & Co., while net financial investments generated an outflow of 439 million euros.

(1) Operating free cash flow 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 components of its operating activities.

Equity-related transactions generated an outflow of 2,164 million euros. This amount included 2,021 million euros in interim and final dividends paid, of which 63 million euros in cash dividends paid during the fiscal year by Financière Agache and 1,723 million euros in dividends paid to minority shareholders in consolidated subsidiaries (essentially the shareholders of LVMH SE, excluding Financière Agache's controlling interest; and minority interests in Christian Dior, Diageo as a result of its 34% stake in Moët Hennessy, and DFS); as well as 235 million euros in tax related to dividends paid. Net cash used in purchases of minority interests' shares came to 183 million euros. Conversely, capital increases subscribed by minority interests generated an inflow of 40 million euros.

The change in cash after all transactions relating to operating activities, investing activities and equity-related transactions thus represented a net inflow of 2,786 million euros. Proceeds from borrowings after repayments and changes in the value of current available for sale financial assets came to 12,404 million euros, after which the year-end end cash balance was 14,136 million euros higher, including a negative 1,052 million euro impact of the change in the cumulative translation adjustment on cash balances. Net cash and cash equivalents as of December 31, 2020 totaled 20,311 million euros, a level justified by the financing of the acquisition of Tiffany & Co., which took place on January 7, 2021 for an amount of 16.1 billion US dollars.

4. Financial policy

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

- financing the future acquisition of Tiffany & Co., announced in November 2019;
- ensuring the Group's access to liquidity in the unprecedented context of the Covid-19 pandemic: the measures taken by governments to combat the pandemic heavily disrupted the Group's operations, particularly through the closure of stores and production facilities in most countries for several months, along with the halt in international travel, which generated a deterioration in cash flow and profitability across all business groups.

These areas were addressed by:

- completing bond issues totaling 10.7 billion euros in February and April 2020 to finance in particular the acquisition of Tiffany & Co. initially planned for the second half of 2020, which was finalized on January 7, 2021. In 2020, the Group was therefore able to take advantage of increasingly favorable market conditions, enabling it to maintain a good balance of short- and long-term debt;
- preserving the Group's financial structure and flexibility, as evidenced by the following key indicators:
  - a significant reserve of undrawn confirmed credit lines totaling 17.9 billion euros,
  - the Group's access to liquidity, notably through its short-term negotiable debt securities programs (euro- and US dollar-denominated commercial paper), which benefit from extremely favorable rates and spreads, as well as the option to call on bond markets on a regular basis over medium/long-term maturities, with issue spreads that were highly volatile in the first half of 2020 in the midst of the Covid-19 crisis, before returning to pre-crisis levels at the end of the year; the assignment by LVMH of a second rating for the Group by Moody's in 2019 confirmed LVMH's credit quality (A1/P1 with Moody's and A+/A1 with Standard & Poor's) and bolstered its credit profile in these debt markets,
  - level of equity: equity before appropriation of profit came to 38.5 billion euros as of year-end 2020;
- prudent management of the Group's assets:
  - maintaining a 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,
  - 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 debt.

    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 hedging strategies enabled the Group to obtain exchange rates for most currencies that were better than the respective average rates for the year,
  - greater concentration of Group liquidity owing to the rollout of cash pooling practices worldwide, ensuring the fluidity of cash flows across the Group and optimal management of surplus cash.

Lastly, the Group adapted its policy of dividend payouts to shareholders, taking into account the disruptions caused by the global public health crisis and its consequences on the Group's profitability. As a result, Financière Agache distributed a dividend of 20 euros per share in 2020, for a total payout of 63 million euros, compared with 52.50 euros per share in 2019.

No further dividend payments in respect of 2020 will be made in 2021. Dividends received by minority shareholders, chief among them LVMH and Christian Dior, amounted to 1.7 billion euros (compared with 2.7 billion euros in 2019).

Net debt came to 5.7 billion euros as of year-end 2020, as against 7.8 billion euros a year earlier.

5. Operating investments

5.1 Communication and promotion expenses

Over the last three fiscal years the Group's total investments in communication, in absolute values and as a percentage of revenue, were as follows:

Communication and promotion expenses:	2020	2019	2018
– in millions of euros	4,869	6,265	5,518
– as % of revenue	10.9	11.6	11.8

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.

5.2 Research and development costs

The Group's research and development investments in the last three fiscal years were as follows:

(EUR millions)	2020	2019	2018
Research and development costs	139	140	130

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

5.3 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 for the last three fiscal years 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:	2020	2019	2018
– in millions of euros	2,526	3,287	2,990
– as % of cash from operations	18	20	25

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 2020, apart from acquisitions of property assets, operating investments mainly related to points of sale, with the Group's total store network increasing from 4,915 to 5,003.

In Wines and Spirits, in addition to necessary replacements of barrels and production equipment, investments in 2020 were related to ongoing investments in the Champagne region (initiated in 2012) as well as the construction of cognac cellars for Hennessy.

6. Main locations and properties

6.1 Production

6.1.1 Wines and Spirits

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

(in hectares)	2020		2019	
	Total	*Of which: Under production*	Total	*Of which: Under production*
France				
Champagne appellation	1,872	*1,699*	1,867	*1,693*
Cognac appellation	187	*160*	189	*161*
Vineyards in Provence	163	*147*	120	*120*
Vineyards in Bordeaux	193	*160*	194	*156*
Vineyards in Burgundy	11	*11*	11	*11*
International				
California (United States)	452	*276*	450	*294*
Argentina	1,635	*923*	1,660	*948*
Australia, New Zealand	682	*612*	684	*626*
Brazil	198	*110*	197	*110*
Spain	119	*86*	116	*83*
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 960,000 square meters in France and 317,500 square meters abroad.

6.1.2 Fashion and Leather Goods

Louis Vuitton owns twenty-nine 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 218,200 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 in Radda in Chianti and Greve 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 70,500 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 36,000 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.

The other facilities used by this business group are leased.

6.1.3 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 165,600 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.

6.1.4 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 and 2020, Bvlgari acquired land totaling around 54,300 square meters to expand its production workshop in Italy.

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

6.2 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.

6.2.1 Fashion and Leather Goods

Louis Vuitton owns certain buildings that house its stores in Tokyo, Osaka, Hawaii, Guam, Seoul, Cannes, Saint-Tropez and Genoa, for a total surface area of approximately 13,000 square meters.

Christian Dior Couture owns certain buildings that house its stores in France, South Korea, Japan, England, Australia, Switzerland and Spain, for a total surface area of approximately 5,600 square meters.

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

6.2.2 Selective Retailing

Le Bon Marché owns its stores, which total approximately 79,800 square meters.

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

6.2.3 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, 2020, the Group's store network broke down as follows:

(number of stores)	**2020**	**2019**	**2018**
France	512	535	514
Europe (excl. France)	1,175	1,177	1,153
United States	866	829	783
Japan	428	427	422
Asia (excl. Japan)	1,514	1,453	1,289
Other markets	508	494	431
Total	**5,003**	**4,915**	**4,592**

(number of stores)	**2020**	**2019**	**2018**
Fashion and Leather Goods	2,007	2,002	1,852
Perfumes and Cosmetics	434	426	354
Watches and Jewelry	471	457	428
Selective Retailing	2,072	2,011	1,940
Of which: Sephora	*2,021*	*1,957*	*1,886*
Other, including DFS	*51*	*54*	*54*
Other	19	19	18
Total	**5,003**	**4,915**	**4,592**

6.3 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 19,800 square meters of office space and four buildings in London with about 3,500 square meters of office space. These buildings are occupied by Group entities.

Moreover, the Group also owns investment properties with office space in New York, Osaka and London, which total about 500, 3,000 and 1,400 square meters, respectively. These buildings are leased to third parties.

La Samaritaine and Le Bon Marché own office space in Paris totaling 31,600 and 18,700 square meters, respectively.

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.

7. Subsequent events

On January 7, 2021, LVMH acquired 100% of the shares of Tiffany & Co. (NYSE: TIF), in accordance with the agreement signed in November 2019 and amended in October 2020. The acquisition was completed at the price of 131.50 US dollars per share, for a total of 16.1 billion US dollars, paid in cash. Tiffany & Co. will be consolidated as of January 2021, and the purchase price allocation will be carried out in 2021. The annual report of Tiffany & Co. as of January 31, 2020 and the quarterly publications as of April 30, July 31 and October 31, 2020 are available on the SEC website (www.sec.report).

No other significant subsequent events occurred between December 31, 2020 and April 9, 2021, the date at which the financial statements were approved for publication by the Board of Directors.

8. Recent developments and prospects

In an environment that remains highly turbulent, the Financière Agache group is very well equipped to capitalize on the anticipated recovery and rebuild growth momentum across all business groups in 2021.

The Group will pursue its strategy focused on developing its brands by continuing to build on strong innovation and investments as well as a constant quest for quality in their products and their distribution.

Driven by the agility of its teams, their entrepreneurial spirit, the balance between its different businesses and geographic diversity, the Group enters 2021 with cautious confidence and once again, sets an objective of reinforcing its global leadership position in luxury goods.

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4. Ethics and responsibility

With respect to ethics, protecting human rights and fundamental freedoms, social responsibility and respecting the environment, the Codes of Conduct of Agache [(1)] (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.

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 LVMH in 2007;
- the United Nations Women's Empowerment Principles, signed by LVMH in 2013;

(1) Formerly called Groupe Arnault.

- 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

Agache's and LVMH's 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 each 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 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 developed by LVMH.

Supplier Codes of Conduct

Agache 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.

The 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 Agache and LVMH Supplier Codes of Conduct state that suppliers to the Group and its Maisons 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.

It also gives the Group the right to conduct audits to verify compliance with these principles by suppliers and subcontractors.

If the Supplier Codes of Conduct are 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 suspend or end the commercial relationship, subject to the conditions provided by law and depending on the severity of the violations identified.

2.2.1 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.

2.2.2 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. In 2020, the Group began work on updating the Recruitment Code of Conduct (which will be completed in the first half of 2021) to better take into account new considerations and situations relating to recruitment.

2.2.3 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.

2.2.4 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.

2.2.5 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.

Agache's governing bodies verify the work performed by LVMH with respect to ethics and compliance, notably at presentations that are made to it by LVMH's Ethics & Compliance Director.

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 behavioral standards and makes available various tools designed to help Group entities implement applicable regulations. It has its own budget and headcount and is also supported by representatives from various Group departments so as to promote coordination on cross-functional projects led by it.

Around this central function, a network of more than 80 Ethics & Compliance Officers coordinate implementation of the compliance program within each Maison and help share best practice across the Group. Ethics & Compliance committees have been set up in most of the Maisons to improve coordination of the responsibilities of Ethics & Compliance officers in the implementation of compliance programs and keep Maison presidents informed of their results.

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. These officers are supported by a network of CSR Officers in major geographic areas;
- 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.

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 carried out by LVMH covering the fight against corruption, respect for human rights and environmental protection, based on a shared methodology covering the whole Group.

The first non-financial risk-mapping exercise was performed in 2018 with the assistance of global risk and strategic consulting firm Verisk Maplecroft, which specializes in analyzing political, economic, social and environmental risks. In 2020, this exercise was updated to take into account developments in the business activities of each Maison. Some of the weightings given to risk factors were revised in light of lessons learned during the initial exercise and in order to better reflect potential risks. A data visualization platform, developed using Power BI technology, was also introduced in 2020 to provide more interactive access to risk analyses. This will allow the Maisons to better identify their key risks (both internally and across their supply chains).

The risk map was based on an assessment comparing external assessments of risk levels provided by Verisk Maplecroft with quantitative information provided internally by various LVMH entities, such as their level of activity, the number of employees, and the amount of purchases by category and supplier. This work has allowed the Group to categorize its suppliers by criticality (a critical supplier is one playing a major role in a company process, i.e. any supplier that if affected by a failure, disruptions or other issues would lead to a complete or partial suspension of the Company's operations).

The exercise analyzed a wide variety of factors by geography and sector:

- with respect to human rights: decent pay and working hours, workplace discrimination, freedom of association and trade union membership, health and safety, forced labor, etc.;
- with respect to the environment: air quality, waste management, water stress, water quality, deforestation, climate change, risk of drought, etc. The CO_2 emissions indicator was also added;
- with respect to corruption: the Corruption Perceptions Index published by the NGO Transparency International was used to assess country risk. Verisk Maplecroft's industry risk indices were used to assess risks for specific industry sectors.

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. Some 30,000 suppliers and service providers, representing 90% of Group expenditure, were assessed in relation to their risk levels across the three categories mentioned above.

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 were classified in 2019 and reviewed in 2020 by representatives of the Group's central functions and by LVMH's Executive 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 personal data protection rules;
- 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 risk-mapping exercise (described in the previous section) helps the Group's Maisons identify which countries and types of purchases are particularly at risk with respect to corruption, human rights violations and environmental impact. This exercise is now one of the key components of LVMH's new Convergence program. The aim of this program is to ensure the best possible alignment between the gross risks identified by the risk-mapping exercise and supplier audit programs as well as risk mitigation actions.

By way of example, in preparing the 2020 risk map on the basis of 2019 data, a supplier based in Madagascar was identified as presenting a very high risk in the area of human rights. An analysis of the audits carried out in 2019 and 2020 revealed that the Maisons working with this supplier had conducted three audits over the last two years, including one also covering environmental issues, which found its performance to be satisfactory in 2020.

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 Christian Dior's Board of Directors 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, and implementation of corrective action programs in the event of compliance failures;
- 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.

As part of LVMH's Convergence project, the Group continued to expand its use of the EcoVadis platform in 2020. Following the completion of the risk-mapping exercise each year, the main suppliers identified as at risk may be assessed using the EcoVadis methodology. This allows for the assessment of their ethical, social and environmental performance through the collection of documentary data, external intelligence and online research.

More than 1,400 suppliers were invited to join the platform in 2020. In all, 86% of suppliers improved their score upon reassessment, with an average 13-point improvement since the first assessment. Following sign-on by LVMH's Group Purchasing Department, Louis Vuitton, the Perfumes and Cosmetics business group, Sephora and the Wines and Spirits business group, new Maisons came on board in 2020: Bvlgari, Fendi and Loewe.

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.

Given the growing level of maturity in the management of their supply chains, a certain number of Maisons (including Louis Vuitton, Fendi and Sephora) carried out more audits of Tier 2 or higher suppliers than of Tier 1 suppliers in 2020.

Maisons maintain collaborative, active working relationships with direct suppliers by 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 2020, 1,325 audits (not including EcoVadis assessments) were undertaken at 1,071 suppliers and subcontractors. Compared with 2019, when 1,589 audits were conducted, and despite the exceptional public health situation beginning in early 2020, a high number of audits at supplier production sites were still carried out during the year.

Of all the audits undertaken, 44% covered 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.). A total of 45% of audits covered only workforce-related aspects, and 11% only environmental aspects.

In keeping with the aim of monitoring at-risk suppliers and ensuring permanent controls on their level of compliance, more than one-quarter of the audits carried out in 2020 involved suppliers that had already been audited in previous years.

	Europe	North America	Asia	Other
Breakdown of suppliers by volume of purchases *(as %)*	63	20	15	2
Breakdown of suppliers by number *(as %)*	73	13	11	3
Breakdown of audits *(as %)*	67	1	28	4

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 offered through a mobile instant messaging application. In 2020, Sephora once again teamed up with audit firm Elevate to conduct surveys of this type during site audits. Moët Hennessy has launched a similar approach in collaboration with Fairmakers.

In 2020, 22% 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; 3% were found to have critical compliance failures. The majority of compliance failures identified had to do with health and safety. 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. Some Maisons, such as Loewe and Parfums Christian Dior, also offer personalized coaching to help suppliers correct compliance failures identified during audits.

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. Given the increasing maturity of the suppliers for the Group's Maisons, only six contracts were terminated in 2020 (compared with 21 in 2019). Similarly, three production sites were not approved following unsatisfactory preliminary audits.

A project was also carried out in 2020 to develop workforce-related audit guidelines to be shared by all of the Group's Maisons. These guidelines, presented in the fourth quarter of 2020 to all of the Group's approved workforce-related audit providers, will be applied from early 2021. The new workforce-related audit guidelines also include a section concerned with the assessment of environmental and anti-corruption risks.

Supplier and buyer training

For several years, LVMH has taken part in Utthan, an embroidery industry initiative bringing together major luxury brands. This initiative aims to empower artisans in Mumbai's hand embroidery cluster, where many of the embroiderers partnering with the Maisons are based, and help them gain recognition for their skills. The initiative also includes an on-site training program for embroiderers. In light of the exceptional circumstances relating to the public health crisis, the Group provided direct financial assistance to the employees of subcontractors of its Mumbai-based suppliers.

In keeping with its aim of providing support and fostering continuous improvement, the Group regularly offers its suppliers training opportunities. For example, in 2020:

- continuing with an approach adopted in 2019, Sephora has reinforced its HERproject initiative (pursued in collaboration with BSR), which aims to help low-income women working for certain suppliers improve their well-being, build their self-confidence and manage their financial resources, adding two new Chinese factories to the program during the year;
- in February, LVMH Italia's held its fifth sustainable development coordination seminar at Celine's new production facility in Radda in Chianti, Italy. The theme for the first day was the circular economy. The 46 attendees from Maisons based in Italy met representatives from three Italian companies working in this area: a social enterprise specializing in the recovery of fabric trimmings, a company offering a new process for the reuse of leather offcuts, and another with its own integrated, transparent and traceable supply chain for the transformation of scraps into thread and fabric as well as the destruction of unsold products. Risk management was the main theme of the second day, with the presentation of new activities to improve actions in this area by Fendi and its service provider Bureau Veritas;
- in October, eight of the Group's Maisons (Berluti, Givenchy, Kenzo, Loewe, Louis Vuitton, Moët Hennessy, Sephora and TAG Heuer) together organized an online training course for 53 managers of supplier sites based in China. Given the results of the risk-mapping exercise and the findings of certain audits, this training placed emphasis on human rights, health and safety, the environment, and anti-corruption;
- also in October, Louis Vuitton held a one-day, in-person training course focusing on anti-corruption compliance issues for 16 companies representing its main global suppliers in the field of supply chain logistics.

At the same time, the Group ensures that its buyers receive training in issues relating to responsible purchasing. For example, in 2020:

- Loewe brought together all its buyers to raise their awareness of key issues and check compliance among all their suppliers;
- Bvlgari held a training session on the Supplier Code of Conduct and the Kimberley Process (specific to diamonds) for its buyers;
- around 150 people took part in the annual full-day Responsible Purchasing seminar held remotely in November by the Group Purchasing Department, in cooperation with LVMH's Environment and Ethics & Compliance Departments.

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 (CGWG) run by sustainable development consultancy The Dragonfly Initiative, aimed at optimizing oversight of supply arrangements for colored gemstones. In 2020, a shared platform for the CGWG's member companies was created and made available to the Maisons.

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 the 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. Targets for the certification of raw materials like cotton and leather were set as part of the LIFE 2020 program; the results are presented in the "Environment and sustainability" section, §3.2 "Results for LIFE 2020 'Sourcing' targets".

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.

As part of a project focusing on living wages, initial contacts were made in 2020 with various structures and bodies, notably in Italy with Camera della Moda and with Fair Wage. This initiative will be continued in 2021.

Supply chain visibility

In 2020, in line with its move towards greater transparency, Fendi made public its full list of Tier 1 suppliers for the first time: https://www.fendi.com/sustainability/supply-chain.html.

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 placed on the market, as well as their use by suppliers. This standard, which applies to all raw materials used by the Maisons, goes beyond global 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 and the quality of discharged wastewater at textile and leather manufacturing sites. In 2020, the ZDHC protocol began to be implemented, specifically at the Group's tanneries.

To help suppliers eliminate the substances on this list, LVMH'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 nine 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, which is also one of the key social responsibility tenets of its sustainable development manifesto, "Living Soils, Living Together". 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 an in-house mobile app, as well as running an internal communications campaign reminding employees that they are "all ambassadors for 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 its 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 giving rise to enforcement actions and the announcement of judicial and financial penalties.

The Group's senior executives may 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, including countries with a level of maturity in business ethics 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, including 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.

Risk-mapping exercises (described in §4 "Risk identification") were carried out at the level of LVMH's headquarters and the Maisons to identify and prioritize these risks.

Given the diversity of the Group's ecosystem and its decentralized organizational model, Maisons have developed their own tools and 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, as well as the sharing of experiences with these subjects within the Group. 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, training and intra-Group experience sharing

Serving as the central information resource for the Group's ethics and compliance policy, the LVMH Ethics & Compliance Intranet provides 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 the whistleblowing system. 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.

The Group's Maisons have access to a set of documentary resources (summary reports, examples of best practices, awareness videos, guides, etc.) that is updated on a regular basis by LVMH's Ethics & Compliance Department, to which they have reported annually since fiscal year 2019 on progress made in relation to the various aspects of the compliance program.

On December 9, 2020, in honor of International Anti-Corruption Day, LVMH's Ethics & Compliance Department organized a virtual seminar bringing together 130 participants, including Ethics & Compliance officers from the Maisons and other individuals closely associated with the rollout of compliance programs. LVMH's Group Managing Director Antonio Belloni, in a video address prepared for the event, called for ongoing efforts to continue in spite of the public health crisis and outlined the priority targets to be met by the Maisons. Awareness initiatives are coordinated by LVMH's Ethics & Compliance Department, which holds in-house events in various regions, aimed at staff in various roles. In 2020, an anti-corruption webinar was organized in collaboration with a specialized firm for the Group's central functions.

The Maisons also made progress in 2020 in the implementation of training and awareness initiatives. For example, Bvlgari launched a new mandatory training course for all employees in July covering the principles of the Group's Codes of Conduct. To date, 80% of its employees worldwide have completed this training course. Louis Vuitton held in-person anti-corruption training sessions for six of its purchasing departments at its headquarters and in Italy, for a total of 57 participants.

In addition to the training and awareness initiatives implemented by the Group and its Maisons, LVMH 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. This module has been translated into six more languages to expand employee awareness of its content, and more than 3,500 of them successfully completed this training in 2020.

Specifically, this module:

- reiterates the Group's zero-tolerance policy on corruption;
- expresses the commitment of LVMH's Chairman and Chief Executive Officer and Group Managing Director 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 Agache 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 guidelines, 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).

These requirements notably include the anti-corruption assessment of third parties, in accordance with a risk-based approach. A summary document in a question-and-answer format was made available to the Maisons via LVMH's Ethics & Compliance Intranet. A tool is in the process of being rolled out to automate a portion of the assessment and risk management work, by way of a platform allowing for the analysis of questionnaires and continuous checks of various monitoring lists.

In addition to the usual existing communication and warning channels within the Group and the Maisons, LVMH has set up a centralized whistleblowing system (https://alertline.lvmh.com), available in around ten languages to all the Group's Maisons, to collect and process reports from any employee or outside stakeholder 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 includes coverage of 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.

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

LVMH's whistleblowing system gave rise to 127 reports in respect of fiscal year 2020. Most of these reports related to human resources matters.

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 personal 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 must complete 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 personal data protection, 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.

LVMH 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, 2020 (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 (or 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 of the French Commercial Code on workforce-related and environmental issues, as well as compliance with human rights and the prevention of corruption and tax evasion;

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

- we checked that the Statement provides the information required by Section II of Article R. 225-105 of the French Commercial Code 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 of the French Commercial Code;
- 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,
  - corroborate what we considered the most important qualitative information (actions and results) set out in Appendix 1. For all risks, our work was carried out at the level of the consolidating Entity and on a selection of the entities listed below:
    - for environmental risks: Wines and Spirits: MHCS: Maison and sites (France); Hennessy: Maison and sites (Cognac, France); Glenmorangie: site (Tain, Scotland); Chandon Argentina: Maison and sites (Argentina); Belvedere: Maison and site (Poland); Perfumes and Cosmetics: Parfums Christian Dior: Maison and site (Saint-Jean-de-Braye, France); LVMH Fragrance Brands: site (Beauvais, France); Fashion and Leather Goods: Loro Piana: site and stores (Quarona, Italy); Louis Vuitton Malletier: Maison and stores (France); Watches and Jewelry: TAG Heuer: site (Switzerland); Selective Retailing: Sephora North America: stores (USA); Sephora Europe and Middle East: Maison and stores (France); DFS: stores (Hong Kong),
    - for workforce-related risks: Wines and Spirits: Bodegas Chandon (Argentina); Perfumes and Cosmetics: Parfums Christian Dior (France); Fashion and Leather Goods: Celine (France), Rimowa (Czech Republic); Watches and Jewelry: TAG Heuer (Switzerland); Selective Retailing: Sephora USA (United States), Sephora Canada (Canada); Other activities: Proximy (France),
    - for social risks:
      - responsible supply chains: Louis Vuitton Malletier (France), Loewe (Spain), Kenzo (France), Parfums Christian Dior (France), MHCS (France), Hennessy (France), Chandon Argentina (Argentina), Chaumet (France), Bvlgari (Italy),
      - personal data protection: Christian Dior Couture (Paris, France), Bvlgari (Rome, Italy),
      - compliant business practices: Christian Dior Couture (Paris, France); Loro Piana (Quarona, Italy),
- 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 of the French Commercial Code, 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;
- 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 14.5% and 90% of the consolidated data selected for these tests (14.5% of the workforce, 55% of energy consumption and an average of 71% 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 2020 and March 2021, 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, Compliance, Human Resources, Health & Safety, 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, April 8, 2021

The Independent Verifier

French original signed by

EY & Associés

Laurent Vitse	Éric Duvaud
Partner	Sustainable Development Partner

This is a free translation into English of the Independent Verifier's 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.

Appendix 1: Information considered the most important

Workforce-related information

Quantitative information (including key performance indicators)

- Breakdown of the workforce as of December 31, 2020 by gender and job category
- Recruitment on permanent contracts from January 1 to December 31, 2020 (breakdown by gender)
- Turnover among employees on permanent contracts from January 1 to December 31, 2020 (total, voluntary and involuntary)
- Proportion of employees on permanent contracts trained between January 1 and December 31, 2020 by job category
- Average number of days' training for employees on permanent contracts
- Absence rate by reason
- Work-related accident frequency rate
- Work-related accident severity rate

Qualitative information (actions and results)

- Implementing the employer policy and attracting and retaining students and recent graduates
- Training and support for employees throughout their careers
- Workplace health and safety
- Constructive labor relations

Environmental information

Quantitative information (including key performance indicators)

- Proportion of manufacturing sites certified ISO 14001 (%)
- Total energy consumption (MWh)
- Energy-related greenhouse gas emissions – Scope 1 and 2 (metric tons of CO_2 equivalent)
- Greenhouse gas emissions generated by outbound transport – Scope 3 (metric tons of CO_2 equivalent)
- Total water consumption for process requirements (m³)
- Total water consumption for agricultural requirements (m³)
- 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)

Qualitative information (actions and results)

- 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)

- Proportion of grape supplies (in kg), from the Group's own vineyards or from purchases, with sustainable winegrowing certification (%)
- Proportion of supplies of palm oil, palm kernel oil and their derivatives (in kg) certified RSPO Mass Balance or Segregated (%)
- Proportion of leather supplies (in m²) sourced from LWG-certified tanneries (excluding exotic leather) (%)
- 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 certified cotton supplies (in metric tons) (%)
- Number of social and/or environmental audits carried out on suppliers and subcontractors

Qualitative information (actions and results)

- Implementation of LVMH's 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 the Group's central functions and by LVMH's Executive 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 personal data protection rules;
- 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 section of 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 (§2.3 of the "Attracting and retaining talent" section) – Institut des Métiers d'Excellence (§2.3 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 (§2.4 of the "Attracting and retaining talent" section) – Support for high-potential female employees to help them move into key positions (§2.4 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 system (§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 system (§5.6 of the "Ethics and responsibility" section) – DARE program (§3.1 of the "Attracting and retaining talent" section) – LVMH Global Pulse Survey (§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 system (§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 contracts terminated 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 system (§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 (§2.4 of the "Attracting and retaining talent" section) – Independent review of hiring practices (§2.4 of the "Attracting and retaining talent" section) – EXCELLhanCE initiative to promote training and employment for people with disabilities (§2.4 of the "Attracting and retaining talent" section) – Support for high-potential female employees to help them move into key positions (§2.4 of the "Attracting and retaining talent" section)	– Proportion of employees with disabilities (§2.4 of the "Attracting and retaining talent" section) – Proportion of women among joiners and in the Group's workforce (§2.4 of the "Attracting and retaining talent" section) – Number of participants in the EXCELLhanCE initiative (§2.4 of the "Attracting and retaining talent" section)
Shortcomings in the implementation of personal data protection rules	– 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 system (§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 system (§5.6 of the "Ethics and responsibility" section) – Ethics and Compliance Intranet site (§5.6 of the "Ethics and responsibility" section) – Risk mapping (§4 and §5.6 of the "Ethics and responsibility" section) – Anti-corruption assessment of third parties (§5.6 of the "Ethics and responsibility" section) – Role of the Ethics & Compliance Department, officers and committees (§3 and §5.6 of the "Ethics and responsibility" section) – Internal guidelines (§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) – Reports to the Ethics & Sustainable Development Committee of LVMH's Board of Directors and to Agache's governing bodies (§5.6 of the "Ethics and responsibility" section)	– Group whistleblowing system giving rise to 127 reports (§5.6 of the "Ethics and responsibility" section) – More than 3,500 employees 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 Group's 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 by the Group (§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 by the Group (§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 (§2.4 of the "Attracting and retaining talent" section) – Independent review of hiring practices (§2.4 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 system (§5.6 of the "Ethics and responsibility" section)	– Group employees can use the whistleblowing system 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 exercise 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 by the Group (§4 of the "Ethics and responsibility" section)	– Risk mapping by the Group (§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 (§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 system (§5.6 of the "Ethics and responsibility" section)	– Group employees can use the whistleblowing system 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 exercise 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 by the Group (§4 of the "Ethics and responsibility" section)	– Risk mapping by the Group (§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) – 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 system (§5.6 of the "Ethics and responsibility" section)	– Group employees can use the whistleblowing system 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 exercise 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)

Management Report of the Board of Directors: The Financière Agache group

5. Environment and sustainability

The Group's policy with respect to the environment and sustainability is pursued via LVMH and its Maisons, which comprise all of the Group's operating activities.

1. General environmental policy

While 2020 was dominated by an unparalleled public health crisis, it was also the year in which the Group took its corporate social responsibility policy to the next level, adding a new value – a commitment to inclusiveness, solidarity and the environment – to its three enduring values (creativity and a passion for innovation, a quest for excellence, and entrepreneurial spirit). Ever since the launch of its pioneering environmental policy in 1992, environmental performance has increasingly taken its rightful place as a central aspect of the Group's determination to offer products of the highest quality. This policy is structured around a program called LVMH Initiatives for the Environment (LIFE), which comprises a set of commitments to meet quantified targets within a specified time frame and is implemented across all of the Group's Maisons. 2020 was both a year of reflection on LIFE 2020's achievements and preparation for LIFE 360, the successor program.

1.1 Organization of the Group's environmental approach

1.1.1 Governance

The Environmental Development Department reports directly to Antoine Arnault (a member of LVMH's Board of Directors), and is staffed by ten people. The department has the following objectives:

- roll out the LIFE (LVMH Initiatives for the Environment) program at the Maison level;
- 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;
- promote innovation and 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 through dedicated reporting;
- 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 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 widespread adoption of environmentally friendly technologies.

In addition, LVMH's ability to drive continuous improvement is closely tied to the Group's success at making sure that its 150,200 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. Sustainable design training was delivered in 2020 focusing on products, stores and also biodiversity. In addition, almost all Maisons continued with their employee environmental training and awareness programs. These programs totaled 15,380 hours.

In 2020, LVMH was included in the main indices based on responsible investment criteria: FTSE4Good Global 100 (4.4/5), Euronext Vigeo Eurozone 120, ESI (Ethibel Sustainability Indices) Europe, SAM (Industry Mover 2021), CDP Climate (B), CDP Water (B) and CDP Forests (B). LVMH also took part in the "Wake-Up Call on the Environment" student manifesto organized by several French schools.

1.1.2 Risk identification

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

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

The policies implemented and their results are set out in the following sections.

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.	- Water consumption (production and transformation of raw materials).	- Water consumption during the extraction of mineral resources needed to manufacture products; - Production of effluents containing mineral matter.	
Impact on ecosystems (including deforestation and desertification) 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, - Eider down; - Farming and trapping practices concerning raw materials of animal origin.	- Production of plant resources needed to manufacture products (rose, jasmine, etc.).	- Extraction of resources needed to manufacture products: - Gems and precious metals, - Exotic leather; - Farming and trapping practices concerning raw materials of animal origin.	
Waste production	- Production of residues from winemaking or distillation processes and packaging waste.	- Unused raw materials, obsolete and unsold products, window displays and events.	- Point-of-sale advertising, packaging waste, and obsolete and unsold products.	- Scrap metal.	- Point-of-sale advertising, packaging waste, and obsolete and unsold products.

1.1.3 Environmental expenses

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;
- wastewater management;
- waste management;
- soil protection and purification;
- noise and vibration reduction;
- conservation of biodiversity and other environmental protection measures;
- research and development.

In 2020, expenses related to environmental protection broke down as follows:

- operating expenses: 24.4 million euros;
- capital expenditure: 10.4 million euros.

Provisions for environmental risks amounted to 12.4 million euros as of December 31, 2020. This amount corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

1.2 The LIFE program

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.

LVMH's 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. The Environmental Charter has guided LVMH's environmental commitments and its program of actions.

1.2.1 Overview of the LIFE program

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.

1.2.2 LIFE 2020

Under the LIFE program based on the environmental risk mapping, four common goals for 2020 (with 2013 as the baseline year) were set for the Maisons by the Group:

- sustainable product design: the Group's Maisons had been set a target of making their products more environmentally friendly by the end of 2020. The Group'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 footprint arising from the sourcing of raw materials;
- suppliers and raw materials: the Maisons had to ensure that the strictest standards were rolled out covering their procurement of supplies of strategic raw materials and 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;
- make 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.

1.2.3 Preparations for LIFE 360

LIFE 2020 came to a close at the end of 2020. The results show that the majority of targets were met and also highlight areas for improvement in the future. The results of LIFE 2020 were used to draw up LIFE 360, the Group's new program of commitments, and the Maisons are all determined to make even more rapid progress. Other work was involved in preparing the new program:

- priorities set jointly with the Maisons and via the various consultative bodies: the LVMH Science Committee; the Future of Luxury Commission (established in July 2020 and made up of leading outside figures from various disciplines); and work sessions with students and young employees;
- updates to the analysis of risk factors;
- analysis of the Sustainable Development commitments made by certain LVMH Maisons. This is the case for Louis Vuitton, which has committed to achieve the following by 2025: set up or maintain responsible supply chains for 100% of its raw materials; map out a climate trajectory approved by the Science Based Targets initiative; and promote circular creativity by committing to sustainable design for all its products. At the end of 2020, Moët Hennessy had made all of its own vineyards in the Champagne region herbicide-free as part of its Living Soils program; Hennessy will do the same in 2021 for its own vineyards and by 2028 for its independent grape suppliers;
- LVMH Climate Week, held from December 8 to 11, 2020, offered a week-long program of discussions and meetings with experts on climate and biodiversity-related topics for the Group's 150,200 employees;
- the calculation of the Group's environmental footprint for its entire value chain, including Scope 1, 2 and 3 emissions, covering issues relating to climate change, biodiversity and water.

LIFE 360, the Group's new roadmap produced on the basis of all this work, lays down commitments for the periods to 2023, 2026 and 2030 and action plans to reach the target of 100% of products having a positive footprint by 2030. It has been presented to LVMH's Board of Directors and to all Executive Committee members, and is predicated on four action programs:

- the circular economy innovation action program covering the sustainable design of products and packaging and their ultimate fate (unsold items and use), as well as efforts to find alternative materials;
- the animal and plant biodiversity promotion and protection action program applying the strictest standards to all the strategic supply chains without exception and implementing an agricultural regeneration plan;
- a climate action contribution program, which aims to achieve a carbon trajectory compatible with the Paris Agreement for Scopes 1, 2 and 3, with four main elements: exclusive use of renewable energy by production sites and stores, an action plan dedicated to green e-commerce, increase in the share of maritime transportation for freight, and a supplier carbon footprint plan;
- a traceability and transparency program that aims to roll out traceability initiatives covering all strategic raw materials and tools for sharing environmental and/or social information at product level.

1.3 2020 reporting scope

The environmental indicator reporting process covered the following scope in 2020:

Production facilities, warehouses and administrative sites *(number)*	**2020**
Sites covered[(a)]	271
Sites not covered[(b)(c)]	174
Total number of sites	**445**

(a) Integration of new sites (Belmond and Louis Vuitton). Removal of Pink Shirtmaker from the reporting scope.
(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 was added to the reporting scope; three hotels were included in a portion of indicators.

95% 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 their environmental impact is not material. A plan to gradually include them is underway.

The total store floor space used to calculate energy consumption, greenhouse gas emissions and water consumption 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)]	
	2020	**2019**
Group total	**73**	**65**

(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)]	
	2020	**2019**
DFS	77	77
Louis Vuitton	64	69
Sephora (North America and Latin America)	63	63
Sephora (Europe, Asia and Middle East)	69	64
Le Bon Marché	100	100
Christian Dior Couture	74	64

(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 certain stores operated by all Maisons in the Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing business groups.

Stores for Sephora in China, Rimowa, Cha Ling, Francis Kurkdjian and Parfums Givenchy are excluded from the scope.

For waste production and water consumption, only certain stores operated by DFS and stores operated by the Le Bon Marché group are included.

2. LIFE 2020 – "Products" target

The Group's Maisons have always worked to limit the impact of their products on the natural environment by improving the environmental performance of each product and taking its entire life cycle into account. 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 the Group's luxury 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, including a materials library and tools such as Edibox that are used for the environmental assessment of packaging.

2.1 Results for LIFE 2020 "Products" targets

Edibox is 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.

The LIFE 2020 target to improve EPI scores by 10% by 2020 was met by all of the Group's Perfumes and Cosmetics Maisons and by Hennessy. In 2020, 84% of products developed by the champagne houses were rated 14 or higher but they did not reach the target.

Progress toward meeting the LIFE 2020 "Products" targets:

Indicators	Baseline (2013)	Performance in 2020	Target for 2020
EPI score for Perfumes and Cosmetics packaging	8.32	9.15 (+10%)[a]	+10%
EPI score for Wines and Spirits packaging	Champagne: 16.03 Cognac: 10.60	16.1 (+0.5%) 13.9 (+31%)	+10%

(a) Maisons included: Guerlain, Parfums Christian Dior, LVMH Fragrance Brands, Benefit, Bvlgari and Make Up For Ever.

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. For the analysis of the LIFE 2020 "Products" targets relating to these two business groups, it was decided to refer to the "Sourcing" targets.

2.2 Change in packaging volumes

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.

For the Group as a whole, the 22% decrease in packaging volumes in 2020 was partly due to the public health crisis, but should not overshadow the sustainable packaging design efforts made by all of the Maisons. For example, Sephora includes recycled raw materials as well as plant-based plastics in its packaging and aims to eliminate the use of virgin plastics derived from fossil fuels by 2025. Ruinart launched its minimalist "second skin" packaging, which is nine times lighter than existing boxes and fully recyclable. Louis Vuitton launched the LV Pack in Green program. This applies to both packaging used by suppliers to ship products and packaging for sales and marketing purposes. The Maison's goal is to improve the durability of packaging in three main ways at the design stage: cutting the size and environmental impact of the materials used to manufacture them, using recycled materials, and cutting out single-use plastics.

The weight of packaging that reaches customers changed as follows between 2019 and 2020:

(in metric tons)	2020	2019	2020 pro forma [1]	Change[1] *(as %)*
Wines and Spirits	141,224	181,319	141,224	(22)
Fashion and Leather Goods	13,090	13,375	12,871	(4)
Perfumes and Cosmetics	23,163	31,115	23,163	(26)
Watches and Jewelry	3,274	4,416	3,121	(29)
Selective Retailing	4,541	6,375	4,541	-
Other activities	1	2	1	(50)
Total	**185,293**	**236,602**	**184,921**	**(22)**[a]

(a) Change related to lower business levels and sustainable packaging design.

The total weight of packaging that reaches customers, by type of material, broke down as follows in 2020:

(in metric tons)	Glass	Paper/ Cardboard	Plastic	Metal	Fabric	Other packaging materials
Wines and Spirits	124,759	12,617	1,103	1,434	63	1,246
Fashion and Leather Goods	305	10,997	184	73	1,490	42
Perfumes and Cosmetics	11,762	4,098	5,607	1,479	77	141
Watches and Jewelry	1,232	864	741	118	112	207
Selective Retailing	287	2,562	1,527	80	64	21
Other activities	-	1	-	-	-	-
Total	**138,345**	**31,139**	**9,162**	**3,184**	**1,806**	**1,657**

(1) Value and change at constant scope.

3. LIFE 2020 – "Sourcing" target

3.1 Overview of the Sourcing policy

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 implemented a strategy for sourcing and preserving raw materials, governed by the LIFE 2020 targets, which committed Maisons, by 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. 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.

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 Group's sourcing policy is one of the ways in which it helps to protect plant and animal species. In addition, LVMH has been active for more than 10 years 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). 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 draw on UNESCO's scientific expertise and its network of 686 biosphere reserves to develop their sustainable sourcing policies. In connection with the MAB program, Guerlain has thus launched a five-year plan aimed at training and supporting female beekeepers, while putting structures in place to pass on their knowledge and skills. In 2020, LVMH renewed its commitment to act4nature by taking part in the act4nature international initiative and also joined the Science Based Targets for Nature (SBTN) corporate engagement program. Lastly, in 2020, LVMH calculated its environmental footprint for its entire value chain, including Scope 1, 2 and 3 emissions, covering issues relating to climate change, biodiversity and water. Some biodiversity impact indicators are geolocalized to allow for analysis at a more granular level and the implementation of specific action plans for some regions.

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".

3.1.1 Wines and Spirits

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. At the Vinexpo Paris trade fair in February 2020, Moët Hennessy presented an overview of these different winegrowing models and announced the creation of a "University of Living Soils" to help step up the ecological transition.

3.1.2 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, as reflected in the Group's Animal-Based Raw Materials Sourcing Charter unveiled in 2019. It is supported by a consultative Science Committee that helps support scientific research. This work is the result of a long process of research and collaboration between LVMH's environmental experts, its Maisons and its suppliers. Taking a comprehensive approach, the charter addresses the full range of issues involved in the sourcing of fur, leather, exotic leather, wool and feathers, with commitments to achieving progress in three areas: full traceability in supply chains; animal farming and trapping conditions; and respect for local communities, the environment and biodiversity.

3.1.3 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.

3.1.4 Watches and Jewelry

All of the Watches and Jewelry Maisons have received certification under the Responsible Jewellery Council's Code of Practices standard, known as RJC CoP. As part of the LIFE 2020 targets, and in line with this certification, which applies to their gold and diamond supply chains, they expanded their responsible sourcing efforts. Bvlgari is particularly active in this area, and has become the first company in its market to obtain the Chain of Custody (CoC) certification for its jewelry business. In 2020, the RJC gave eight Maisons training in the new RJC CoP v.2019 at LVMH's request. The Group and its Maisons are also involved in the Coloured Gemstones Working Group (CGWG) run by The Dragonfly Initiative, which aims to promote environmental and social best practices in the sourcing of colored gemstones. In 2020, the CGWG released the Gemstones and Jewellery Community Platform (GJCP), which makes all the tools developed by the initiative available to industry players on an open-source basis. Four Maisons used these tools in 2019 and 2020 to rate almost a hundred colored gemstone suppliers.

3.2 Results for LIFE 2020 "Sourcing" targets

The target of certified sourcing meeting the highest standards is underpinned by specific audits meeting the stated given requirements (number and frequency). The public health crisis disrupted the audit schedule and impacted the LIFE 2020 review of the sourcing target. It was reached in certain sourcing channels: the rate of leather from LWG-accredited tanneries rose from 25% in 2013 to 74% in 2020; sustainable winegrowing certification was achieved for 100% of the Group's own vineyards in France, and increased from 58% to 90% for Group vineyards outside France between 2019 and 2020. Roundtable on Sustainable Palm Oil (RSPO)-certified palm oil and derivatives now make up 91% of purchases by the Group's Maisons. The percentage of sustainable cotton purchased by the Group's Maisons jumped from 2% in 2013 to 51% in 2020, albeit short of the 70% target.

Progress toward meeting the LIFE 2020 "Sourcing" targets:

Indicators	Baseline (2013)	Performance in 2020	Target for 2020
Wines and Spirits			
Sustainable winegrowing certification *(certified grapes by weight, as %)*	LVMH vineyards: French vineyards: 100% Independent grape suppliers: Champagne: 7%	LVMH vineyards: French vineyards: 100% Rest of the world: 90% Independent grape suppliers: Champagne: 24%	LVMH vineyards: French vineyards: 100% Rest of the world: 100%
Fashion and Leather Goods			
LWG-certified tanneries *(leather from certified tanneries by weight, as %)*	25%	74%	70%
Certified cotton *(GOTS- or Better Cotton-certified cotton by weight, as %)*	2%	51%	70%
Perfumes and Cosmetics			
Perfume ingredient supplier performance *(Tier 1 suppliers covered by environmental/social audits)*	64	82	90
Cosmetics ingredient supplier performance *(Tier 1 suppliers covered by environmental/social audits)*	56	78	80
Palm oil derivatives *(RSPO-certified Mass Balance or Segregated palm oil derivatives by weight, as %)*	0%	91%	70%
Watches and Jewelry			
Diamonds: RJC COP certification *(carats of diamonds from COP-certified direct suppliers, as %)*	90%	99%	100%
Gold: RJC COP certification	94%	79%	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)*	-	77%	100%

4. LIFE 2020 – "Climate change" target

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.

The Group is pursuing four priorities for action to mitigate the climate impact of its activities:

- the improvement in the environmental profile of stores, which represent the main source of the Group's energy consumption;
- greater use of renewable energies at production sites, administrative sites and stores;
- sustainable transportation, using several different methods: an emphasis on local sourcing, use of trains and boats where possible, supply chain optimization, and electric vehicles for deliveries. The Group is looking to champion sustainable transportation via alliances, including the Sustainable Air Freight Alliance (SAFA), which aims to track and reduce air freight-related carbon emissions and to promote responsible freight transportation;
- a lower carbon footprint for raw materials, products and packaging: dedicated policies are being implemented by each business group, with the involvement of suppliers, such as independent grape suppliers, livestock farmers and growers.

Five years on from the Paris Agreement, the Group held LVMH Climate Week from December 8 to 11, 2020 to instill a genuinely carbon impact-focused culture. A week-long slate of events was organized for its 150,200 employees, encouraging them all to play their part by heeding the call to: “Be the Change”. Round tables and online discussions with various experts and scientists covered topics such as the link between the climate and biodiversity, and how to define what carbon-neutral actually means. LVMH Climate Week also provided an opportunity to review the Maisons’ carbon performances as part of preparations for the LIFE 360 program. On the final day of this event, 49 practical solutions to protect the environment were presented in a Solutions Showroom. The Group sourced around 20 of these solutions from among those accredited by Bertrand Piccard’s Solar Impulse Foundation, delivering on its commitments set out in the partnership entered into in 2019.

Innovation also acts as a powerful driver of the Group’s Climate policy. Innovations stemming from use of LVMH’s Carbon Fund complement the joint development of clean technologies alongside the Solar Impulse Foundation.

Created in 2016, the LVMH Carbon Fund aims to drive carbon innovation. 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. With 44 million euros invested since its inception, the 361 projects approved by the Carbon Fund have avoided a total of 12,800 metric tons of greenhouse gas emissions. In 2020, the LVMH Carbon Fund invested 3.8 million euros in 23 projects that could help avoid 892 metric tons of greenhouse gas emissions per year. Amidst the public health crisis and context of economic uncertainty, the Maisons were not able to contribute to the Carbon Fund to the same extent as in past years, and some planned investment projects were postponed until 2021.

4.1 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.

4.1.1 Energy consumption

Total energy consumption amounted to 998,817 MWh in 2020 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. Power consumption by stores not covered by reporting (27% of the total sales floor area) estimated based on consolidated figures stands at 150,842 MWh.

Energy consumption by business group changed as follows between 2019 and 2020:

(in MWh)	**2020**	**2019**	**2020 pro forma** [(1)]	**Change** [(1)] *(as %)*
Wines and Spirits	214,226	223,395	214,226	(4)
Fashion and Leather Goods	368,275	394,620	356,003	(10)
Perfumes and Cosmetics	93,267	93,923	90,419	(4)
Watches and Jewelry	37,688	40,726	35,405	(13)
Selective Retailing	250,901	286,142	232,281	(19)
Other activities	34,460	21,086	18,319	(13)
Total	**998,817**	**1,059,892**	**946,653**	**(11)**[(a)]

(a) Approximately 10% of the reduction was related to the impact of the public health crisis and store closures. The Wines and Spirits and the Perfumes and Cosmetics business groups were not affected to the same extent because they operate fewer stores.

(1) Value and change at constant scope.

Energy consumption by business group and by energy source was as follows in 2020:

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane/ Propane	Steam	Ice water	Renewable energies
Wines and Spirits	15,279	85,288	-	26,326	2,139	-	-	85,194
Fashion and Leather Goods	144,551	97,518	-	13,693	4,882	1,974	3,282	102,375
Perfumes and Cosmetics	11,012	31,633	-	2,127	-	646	-	47,850
Watches and Jewelry	9,758	4,961	-	408	150	779	254	21,377
Selective Retailing	105,513	9,891	-	224	-	3,776	7,111	124,386
Other activities	10,507	8,870	-	698	21	1,147	2,819	10,398
Total	**296,620**	**238,161**	**-**	**43,476**	**7,192**	**8,322**	**13,466**	**391,580**

4.1.2 Renewable energies

Alongside actions to reduce its fossil fuel consumption, LVMH is rapidly expanding its use of renewable energy. Between 2013 and 2020, the proportion of renewables in the Group's energy mix rose from 1% to more than 39%. 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. The other driver is the use of biogas, which is either produced from production waste (Glenmorangie since 2017) or purchased (biomethane with a regional guarantee of origin sourced by Hennessy in 2020).

4.2 Greenhouse gas emissions

4.2.1 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. Greenhouse gas emissions by stores not covered by reporting (27% of the total sales floor area), estimated based on consolidated figures, came to 72,997 metric tons of CO_2 equivalent (tCO_2e).

CO_2 emissions by business group changed as follows between 2019 and 2020:

(in metric tons of CO_2 equivalent)	CO_2 emissions in 2020	*Of which:* Direct CO_2 emissions *(as %)*	Indirect CO_2 emissions *(as %)*	CO_2 emissions in 2019	CO_2 emissions in 2020 (pro forma)[1]	Change[1] *(as %)*
Wines and Spirits	33,796	11	4	40,893	33,796	(17)
Fashion and Leather Goods	107,404	11	36	113,314	100,759	(11)
Perfumes and Cosmetics	14,701	3	3	12,971	12,501	(4)
Watches and Jewelry	6,772	-	2	7,257	6,128	(16)
Selective Retailing	62,605	1	26	72,643	56,866	(22)
Other activities	6,051	1	2	3,340	2,810	(16)
Total	**231,329**	***27***	***73***	**250,418**	**212,860**	**(15)**[a]

(a) Approximately 10% of the reduction was related to the impact of the public health crisis and store closures.

(1) Value and change at constant scope.

4.2.2 Scope 3 emissions

In 2020, LVMH instructed an external firm to assess the carbon footprint of the entire value chain based on 2019 data with a view to setting a quantified target for the reduction in Scope 3. This indicates that the total carbon footprint stands at 4.8 million metric tons of CO_2 equivalent, including 4.5 million metric tons for Scope 3. It will be updated every two years. The main findings are as follows:

- more than 50% of Scope 3 emissions are generated by the production of raw materials (products and packaging). The main sources of greenhouse gas emissions are the production of luxury wool fibers (535,000 tCO_2e); leather (460,000 tCO_2e); grapes, wines and spirits (234,000 tCO_2e, which includes vineyards belonging to the Group's Maisons as well as independent grape suppliers); glass for packaging (192,000 tCO_2e); and cotton (187,000 tCO_2e);
- inbound and outbound transport of components and finished products is the second-largest area, generating 18% of emissions;
- employees' commutes were assessed using average figures by geographic region and accounted for 7% of Scope 3 emissions.

Greenhouse gas emissions generated by inbound transport (transport of raw materials and components toward production sites; only the main components and raw materials are taken into account) broke down as follows in 2020:

(in metric tons of CO_2 equivalent)	Road	Air	Ship	Total
Wines and Spirits	21,304	92	479	21,875
Fashion and Leather Goods	7,867	9,418	441	17,726
Perfumes and Cosmetics	951	34,722	417	36,090
Watches and Jewelry	97	1,753	-	1,850
Selective Retailing	-	-	-	-
Total	**30,219**	**45,985**	**1,337**	**77,541**

Greenhouse gas emissions generated by outbound transport (transport of finished products from production sites to distribution centers) broke down as follows in 2020:

(in metric tons of CO_2 equivalent)	Road	Rail	Air	Ship	Inland barge	Electric vehicle	Liquid natural gas	Total
Wines and Spirits	18,792	654	22,728	16,693	15	2	120	59,004
Fashion and Leather Goods	2,542	17	174,402	123	-	-	150	177,234
Perfumes and Cosmetics	2,172	-	286,814	1,802	-	-	-	290,788
Watches and Jewelry	403	-	20,978	52	-	-	-	21,433
Selective Retailing	2,893	-	4,148	197	-	66	-	7,304
Total	**26,802**	**671**	**509,070**	**18,867**	**15**	**68**	**270**	**555,763**

Rimowa, Le Bon Marché, DFS, Fred, Royal Van Lent, Thélios, Château Cheval Blanc and Les Echos did not report their data for this indicator.

4.3 Initiatives 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. Winegrowing activities are notably included in the review. 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").

More broadly, innovation – a key component of the Group's mitigation policy – also plays a part in its adaptation policy: new agricultural regeneration practices, the switch to new materials derived from biotechnologies and the use of biomimetics provide opportunities for reducing greenhouse gas emissions while simultaneously diversifying procurement sources, thereby reducing the Group's exposure to climate change. The program to jointly develop clean technologies with Bertrand Piccard's Solar Impulse Foundation, the Matières à Penser (Food for Thought) materials library, and the Maison's partnership with Central Saint Martins dedicated to innovation and sustainable creativity will help drive new solutions at the Group's Maisons.

4.4 Results for LIFE 2020 "Climate" targets

The three climate targets were already met in 2019: the increase in the proportion of renewable energy in the energy mix and the improvement in store energy efficiency together enabled a 25% reduction in energy-related greenhouse gas emissions.

Stores' energy efficiency (45% of Scope 1 and 2 emissions) has made steady progress since 2013 thanks to a specific lighting policy: in addition to the widespread use of LED lighting, efforts to implement innovative optics technology and lighting control systems, pursued in partnership with LVMH's Purchasing Department, helped achieve very substantial gains in energy efficiency. In addition, the robust monitoring of stores' performance in line with the LVMH Life in Stores guidelines was further reinforced: in 2020, version 4 of the guidelines was certified by the Centre Scientifique et Technique du Bâtiment (CSTB), and its criteria were deemed to be "equivalent to or more stringent than other international standards, such as LEED, BREEAM and HQE". The third edition of the LIFE in Stores Awards was held during LVMH Climate Week and Maison Christian Dior won a prize in the Progress category: the Maison halved the lighting power density in the course of one year through three successive projects.

Between 2019 and 2020, energy-related greenhouse gas emissions continued to decline, with the decrease reaching 36.5%, reflecting the steady focus on the energy management policy, despite the fact that the closure of a number of stores as a result of the public health crisis also contributed to this decrease.

Progress toward meeting the LIFE 2020 "Climate change" targets:

Indicators	Baseline (2013)	Performance in 2020	Target for 2020
CO_2 emissions	220,480 tCO_2e	-36.5%[a]	-25%
Proportion of renewable energy in the Group's energy mix	1%	39%	30%
Store energy efficiency *(electricity consumption in kWh/m²)*	460 kWh/m²	-31%	-15%

(a) 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 covers 60% of total emissions in 2020.

5. LIFE 2020 – "Sites" target

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 445 manufacturing and administrative sites are exemplary in this area.

5.1 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 2020, 69% of the Group's manufacturing sites were ISO 14001 certified.

Carbon and environmental performance is pivotal to the design of new production sites, and every new workshop must be certified: following the inauguration of La Manufacture (Celine's new manufacturing facility in the heart of Chianti, Italy) and Louis Vuitton's new leather goods workshop in Beaulieu-sur-Layon (BREEAM®-certified in 2019), Fendi laid the cornerstone for Fendi Factory in November 2020. The newly converted site, a study in glass nestled in the rolling Tuscan countryside, is aiming for LEED Platinum certification.

In connection with the construction of new stores and the renovation of existing ones, the Maisons use the LIFE in Stores Guidelines score chart, which was developed in 2015 on the basis of the most stringent international standards (including LEED, BREEAM, Green Star, HQE, WELL, BEAM and Title 24). The LVMH LIFE in Stores framework identifies the six most important factors contributing to a store's environmental performance, from the building's insulation and lighting to heating and air conditioning. In 2020, the fourth version of these guidelines was prepared with the assistance of the Centre Scientifique et Technique du Bâtiment (CSTB), the leading public research establishment for the French construction sector. 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.

5.2 Water consumption and preventing pollution

5.2.1 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 wastewater;
- 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 2019 and 2020:

(in m³)	2020	2019	2020 pro forma [1]	Change [1] *(as %)*
Process requirements	3,310,906	3,927,034	3,139,000	(20)[a]
Agricultural requirements (vineyard irrigation)	6,969,256	7,018,856	6,696,256	(1)

(a) Change related to lower business levels.

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

(process requirements in m³)	2020	2019	2020 pro forma [1]	Change [1] *(as %)*
Wines and Spirits	1,068,162	1,247,673	1,068,162	(14)
Fashion and Leather Goods	1,472,857	1,918,215	1,392,806	(27)
Perfumes and Cosmetics	197,032	194,720	196,169	1[a]
Watches and Jewelry	62,427	75,955	62,203	(18)
Selective Retailing	229,211	306,062	229,211	(25)
Other activities	281,217	184,408	190,449	3[b]
Total	**3,310,906**	**3,927,034**	**3,139,000**	**(20)**

(a) Change related to exceptional maintenance work at one site.
(b) Change related to measurement adjustments at a site.

In 2020, LVMH calculated its environmental footprint for its entire value chain, including Scope 1, 2 and 3 emissions, covering issues relating to climate change, biodiversity and water use. As part of this exercise, an in-depth analysis of sensitivity to local constraints was carried out at each of the Group's Maisons using the AWARE method. 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 76% of the Group's agricultural water requirements and 65% of the Group's environmental footprint for Scopes 1 and 2;
- the Domaine Chandon California and Newton vineyards, which represent 7% of the Group's agricultural water requirements and 7% of the Group's environmental footprint for Scopes 1 and 2.

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. For example, Chandon Argentina reduced its water consumption for irrigation by 6% in 2020.

(1) Value and change at constant scope.

In 2020, as part of the calculation of the environmental footprint of LVMH's value chain, water consumption related to the Group's Scope 3 activities was measured at 126 million cubic meters of water, more than 95% of which was used for the production of raw materials, mainly luxury wool fibers (47%), cotton (17%), and grapes, wines and spirits (15%).

5.2.2 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 2019 and 2020:

COD after treatment *(metric tons/year)*	**2020**	**2019**	**2020 pro forma [1]**	**Change [1]** *(as %)*
Wines and Spirits	917	967	917	(5)
Fashion and Leather Goods	19	37	19	(49)
Perfumes and Cosmetics	16	26	16	(38)
Total	**952**	**1,030**	**952**	**(8)**

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.

5.3 Reducing and recovering waste

5.3.1 Waste produced and recovered

In 2020, 93% of waste was recovered (91% in 2019). 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 2019 and 2020:

(in metric tons)	**Waste produced in 2020**	***Of which: Hazardous waste produced in 2020 [a]***	**Waste produced in 2019**	**Waste produced in 2020 pro forma [1]**	**Change in waste produced [1]** *(as %)*
Wines and Spirits	52,256	*371*	62,667	52,256	(17)
Fashion and Leather Goods	13,125	*1,619*	16,327	12,475	(24)
Perfumes and Cosmetics	8,540	*1,595*	9,112	8,532	(6)
Watches and Jewelry	1,584	*331*	992	753	(24)
Selective Retailing	3,140	*3*	4,806	3,140	(35)
Other activities	2,042	*55*	1,716	1,486	(13)
Total	**80,687**	***3,974***	**95,620**	**78,642**	**(18) [b]**

(a) Waste that must be sorted and processed separately from non-hazardous waste (such as cardboard, plastic and paper).
(b) Change related to lower business levels.

(1) Value and change at constant scope.

Waste was recovered as follows in 2020:

(as % of waste produced)	**Re-used**	**Recovery of materials**	**Waste-to-energy recovery**	**Total recovery**
Wines and Spirits	9	82	6	97
Fashion and Leather Goods	2	46	30	78
Perfumes and Cosmetics	4	71	23	98
Watches and Jewelry	55	19	12	86
Selective Retailing	3	48	34	85
Other activities	-	56	25	81
Total	**8**	**72**	**14**	**93**

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 2020, around 2,920 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.

5.3.2 Actions to combat food waste and food donations

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.

5.4 Results for LIFE 2020 "Sites" targets

The 10% reduction target for sites was exceeded for process water consumption, which decreased by 11.6% (versus a 1.1% decrease in 2019); the target was not met for waste production (a 4.4% reduction versus an 8.7% increase in 2019) or energy consumption (a 0.5% increase versus a 6.5% increase in 2019). As sites were closed for an average of six weeks in 2020, the public health crisis had an impact on site performance; it should be noted that certain sites remained open but reduced their activity levels during the lockdown period (logistics centers and headquarters), and activities continued for the production of hand sanitizer and masks. In addition, these indicators varied widely according to weather conditions (such as process water in response to substantial grape harvests and energy used in air conditioning and heating) as well as the economic environment (such as waste production arising from construction work and maintenance).

Beyond the impact of the public health crisis, the following best practices were put in place:

- process water: day-to-day water consumption initiatives and training for employees (Chandon Argentina);
- energy consumption: installation of energy recovery equipment (Glenmorangie);
- waste production: implementation of an employee incentive program targeting food waste and electricity consumption (Hennessy).

The target of obtaining ISO 14001 certification for 100% of manufacturing and logistics sites was not met. The year-on-year decrease in the percentage of sites certified (from 71% to 69%) arose in particular from the fact that audits were postponed to 2021 as a result of the public health crisis.

Progress toward meeting the LIFE 2020 "Sites" targets:

Indicators	Baseline (2013)	Performance in 2020	Target for 2020
Presence of environmental management systems (ISO 14001, EMAS, etc.) at manufacturing sites	60%	69%[(a)]	100%
Reduction in process water consumption at production sites, logistics facilities and headquarters	2,275,818 m^3	-11.6%	-10%
Reduction in energy consumption at production sites, logistics facilities and headquarters	467,025 MWh	+0.5%	-10%
Reduction in waste production at production sites, logistics facilities and headquarters	85,442 metric tons	-4.4%	-10%

(a) The performance of production, logistics and administrative sites at constant scope is calculated by comparing data for each site between 2013 and the reporting year. The value generated covers 59% of process water consumption, 47% of energy consumption and 100% of total waste in 2020.

Management Report of the Board of Directors: The Financière Agache group

6. Attracting and retaining talent

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.

The Group's employees use their talents and commitment to ensure excellence in the customer experience. In a constantly changing competitive environment, they are vital to the Group's success. They help protect and develop expertise all along the Group's value chain, particularly in craftsmanship and design. Attracting and supporting the best people on every continent drives strong performance and helps secure the Group's long-term future.

Through its ambitious recruitment policy and close relationships with world-class educational institutions, the Group works to attract the very best people. The Group offers development opportunities for all, based solely on talent and skills. By ensuring employee health and safety, fostering constructive labor relations and promoting workplace well-being, the Group strives to create a nourishing environment where every employee can flourish and give of their best.

1.1 Committed to developing talent

2020 was marked by an unprecedented public health crisis. Employee health and safety was a priority for the Group. At the same time, the Group continued to pursue its ambitious policy to attract talent, support staff on every continent and unite them around a set of enduring core values: creativity and a passion for innovation, which helped the Group adapt very quickly during the crisis, a quest for excellence, and entrepreneurial spirit. In addition to these four values, the Group added a fifth in 2020, commitment – to the environment and to inclusiveness and solidarity.

Our people's talent drives strong performance and helps secure the Group's long-term future. Responsible people management is structured around four key priorities identified through stakeholder consultation and a mapping of issues and risks:

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

Within this shared social responsibility program, each of the Maisons implements its own action plan. The Maisons are also free to identify additional issues specific to their own particular business and environment.

1.2 Organization and quality of workforce-related reporting

The Group works hard to ensure the quality and completeness of workforce-related data. The Group follows a rigorous process to gather and check this data within its Maisons. Data covers the Group's consolidated companies, providing a comprehensive view of talent management.

1.2.1 Collection and validation of workforce-related reporting data

Within each Maison, a reporter collects and reports workforce-related data, a controller checks and validates its accuracy, and the Maison's Human Resources Director provides final sign-off.

Everyone involved in workforce-related reporting is provided with an instructional guide. This guide sets out the aims and requirements both for the approach as a whole and for each indicator: its relevance, how the associated data is defined, how the information is to be gathered, the calculation method if applicable, and checks to be carried out when data is reported. Manual checks on the reliability and consistency of the data input are backed up by automated checks throughout the procedure.

Since 2007, selected employee-related disclosures for the Group have been verified each year by an independent third party. For fiscal year 2020, workforce-related data was verified by Ernst & Young, in accordance with Article R. 225-105-2 of the French Commercial Code [1].

(1) This article resulted 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.

1.2.2 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, 2020, 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. Other employee-related indicators were calculated for a scope of 894 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 (24,311 as of December 31, 2020). 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

The public health crisis and its consequences in terms of public health decisions forced some of our Maisons to make changes to their organizational structure. In some cases, this resulted in local headcount reductions; all such reductions were supported in a responsible manner and implemented in strict compliance with local legal requirements.

Total headcount as of December 31, 2020 stood at 150,479 employees, a decrease of 8% compared with 2019. Of this total, 141,383 employees were working under permanent contracts and 9,096 under fixed-term contracts. Part-time employees represented 15% of the total workforce, or 22,140 individuals. Staff outside France represented 78% of the global workforce.

The Group's average total full-time equivalent (FTE) workforce in 2020 comprised 148,344 employees, up 0.45% compared with 2019.

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

Breakdown by business group

Total workforce as of December 31 [(a)]	2020	%	2019	%	2018	%
Wines and Spirits	7,530	5	7,671	5	7,380	5
Fashion and Leather Goods	53,002	35	53,456	33	48,101	31
Perfumes and Cosmetics	28,017	19	30,427	19	29,141	18
Watches and Jewelry	9,078	6	9,426	6	8,784	6
Selective Retailing	43,741	29	57,383	35	57,975	37
Other activities	9,111	6	4,946	3	4,707	3
Total	**150,479**	**100**	**163,309**	**100**	**156,088**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by geographic region

Total workforce as of December 31 [(a)]	2020	%	2019	%	2018	%
France	32,813	22	33,701	21	31,156	20
Europe (excl. France)	37,693	25	40,453	25	38,645	25
United States	24,749	16	31,483	19	32,724	21
Japan	7,012	5	7,391	5	6,905	4
Asia (excl. Japan)	35,382	23	38,109	23	34,802	22
Other markets	12,830	9	12,172	7	11,856	8
Total	**150,479**	**100**	**163,309**	**100**	**156,088**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by job category

Total workforce as of December 31 [(a)]	2020	%	2019	%	2018	%
Executives and managers	32,713	22	32,004	20	29,288	19
Technicians and supervisors	14,575	9	15,333	9	14,500	9
Administrative and sales staff	79,059	53	93,575	57	91,624	59
Production workers	24,132	16	22,398	14	20,676	13
Total	**150,479**	**100**	**163,309**	**100**	**156,088**	**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 37 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	8.7	4.7	7.0	12.4	4.5	10.0	14.9
25 -29	18.7	15.8	14.8	20.0	11.8	25.2	20.3
30 -34	21.1	17.3	17.8	19.6	17.4	29.7	21.2
35 -39	16.3	14.2	16.3	14.3	19.5	18.5	16.8
40 -44	11.9	12.6	14.2	10.0	21.2	8.7	11.2
45 -49	9.1	12.0	12.4	7.2	15.3	4.2	6.4
50 -54	6.7	10.4	9.1	6.4	6.9	2.1	4.2
55 -59	4.9	9.0	5.8	5.1	3.2	1.0	3.0
60 and up	2.6	4.0	2.6	5.0	0.2	0.6	2.0
	100	**100**	**100**	**100**	**100**	**100**	**100**
Average age	**37**	**40**	**39**	**37**	**39**	**33**	**35**

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 5 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	58.4	46.7	51.9	65.2	49.4	70.2	65.9
5-9 years	19.3	17.8	20.4	20.2	19.6	18.8	20.0
10 -14 years	9.8	11.8	12.8	8.1	12.0	6.3	7.5
15 -19 years	5.3	8.1	7.1	3.5	11.5	2.0	2.8
20 -24 years	3.5	6.7	4.4	1.7	4.8	1.0	2.4
25 -29 years	1.9	4.1	1.7	0.6	1.7	1.5	0.6
30 years and up	1.8	4.8	1.7	0.7	1.0	0.2	0.8
	100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average length of service	**7**	**9**	**7**	**5**	**8**	**5**	**5**

2. An ambitious and inclusive approach to developing talent

Developing talent 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 offers motivating career paths. In particular, the Group is careful to model exemplary practices with regard to recruitment and mobility so as to ensure that it attracts and promotes people based solely on how closely their talent and skills are aligned with vacant positions.

2.1 Implementing an attractive employer policy

Whether they be young graduates, managers or senior executives: talented people are the Maisons' most valuable assets. Their diversity and commitment help power the Group's momentum. For these reasons, the Group identifies the best people, monitors their development and offers them the best opportunities.

Values and empowerment

The Group is careful to identify people who shares its values and culture: a commitment to excellence, a flair for entrepreneurship and innovation, and an inclination to cultivate personal creativity, perseverance and pragmatism. Over the past year, the Group's human resources teams have been working to meet employees' expectations for greater empowerment, which is to say resolutely modern and inspiring leadership. Current and future talent share the same desire to integrate and lead teams where attentiveness, engagement and collaboration play a key role.

Attractiveness

In 2020, the Group launched its new employer brand based around the message "Craft the Future". As part of this initiative, the Group brought together key stakeholders – both internal (employees and executives from the Maisons and regions) and external – in a collaborative effort. The aim was to reinforce key messages describing the Group's positioning as an employer and boost the employer brands of its Maisons. Alongside this Group initiative, Maisons including Sephora, Moët Hennessy, Louis Vuitton, Parfums Christian Dior and Dior Couture also revisited their messages. "Craft the Future" was first shared with internal ambassadors through online talks and an e-learning platform. Its external rollout is planned for 2021.

For the 15th consecutive year, LVMH topped the Universum ranking of preferred employers among business school students in France. The Group also climbed higher in international employer rankings.

Engagement and opportunities

The Group's diversity of cultures, professions and sectors offers unique career prospects for its employees. The public health situation meant fewer new recruits were taken on in 2020. However, LVMH opted to continue to develop high-quality links with future talent.

The Group conducts an annual review of talent within each of its Maisons, divisions, functions and regions to identify opportunities for internal promotion. Managers and human resources teams work together to define the organization's future requirements in light of their Maison's strategy. They then identify the most promising individuals and incorporate them into their succession planning so they will have the opportunity to attain key positions within the Group. The Group, through its rich ecosystem and the attention paid to its talent, offers solid long-term career prospects for its employees.

Turnover by geographic region

(as %)	2020	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets	2019	2018
Total turnover[(a)]	24.5	9.5	15.2	47.9	11.0	30.6	36.7	23.1	22.9
Of which: Voluntary turnover[(b)]	*11.7*	*3.9*	*8.8*	*20.3*	*7.3*	*16.4*	*13.3*	*17.2*	*17.5*
Involuntary turnover[(c)]	*12.2*	*4.5*	*5.8*	*27.1*	*3.5*	*13.6*	*23.0*	*5.4*	*4.9*

(a) All reasons. Excluding 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			Leavers
	2020	2019	2018	2020	2019	2018
Wines and Spirits	481	844	855	609	717	708
Fashion and Leather Goods	7,777	13,563	11,915	7,458	8,609	7,610
Perfumes and Cosmetics	3,486	7,468	8,113	5,165	6,340	6,343
Watches and Jewelry	924	1,799	1,697	1,036	1,253	1,124
Selective Retailing	9,190	16,719	17,176	17,503	16,508	15,458
Other activities	1,064	894	858	3,369	892	844
Total	**22,922**	**41,287**	**40,614**	**35,140**	**34,319**	**32,087**

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

In 2020, a total of 35,140 employees working under permanent contracts left the Group (all reasons combined); of these, 50% were employed within the Selective Retailing business group, which traditionally experiences a high turnover rate.

2.2 Recognizing talent through compensation

The Group is keen to recognize, attract and motivate talented people by offering compensation that is generous relative to employee and market expectations. Salaries are benchmarked annually both in France and abroad to ensure that the Maisons are positioned appropriately, taking into account the specific characteristics of business lines and segments.

The Group is careful to reward performance appropriately. Variable compensation is linked to the financial results of each employee's company and the achievement of individual targets.

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 %)*	2020	2019	2018
Less than 1,500 euros	1.4	1.9	1.5
1,501 to 2,250 euros	18.6	15.3	16.2
2,251 to 3,000 euros	21.6	22.6	22.8
Over 3,000 euros	58.4	60.2	59.5
Total	**100.0**	**100.0**	**100.0**

Personnel costs[a]

Worldwide personnel costs break down as follows:

(EUR millions)	2020	2019	2018
Gross payroll – Fixed-term or permanent contracts	6,509.8	6,544.7	5,787.2
Employer social security contributions	1,629.8	1,619.3	1,490.9
Temporary staffing costs	315.7	324.0	306.0
Total personnel costs	**8,455.3**	**8,488.0**	**7,584.2**

(a) Indicators are taken from the HR reporting system, which covers 894 organizational entities. Unlike for financial reporting, workforce-related reporting excludes certain items when calculating total payroll: incentives and profit-sharing, bonus share awards and similar awards, and provisions related to bonuses.

Outsourcing and temporary staffing costs decreased year over year, accounting for 6.3% of the total worldwide payroll (versus 6.7% in 2019), 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 310.9 million euros in 2020, paid in respect of 2019, a decrease compared to the previous year.

(EUR millions)	**2020**	**2019**	**2018**
Profit sharing	139.3	138.3	131.4
Incentive	139.4	148.8	123.6
Employer's contribution to company savings plans	32.2	32.9	26.7
Total	**310.9**	**320.0**	**281.7**

2.3 Nurturing future talent

To secure its long-term success, the Group must constantly inspire excellence. The Group is committed to attracting and training 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.

2.3.1 Institut des Métiers d'Excellence – Training in the luxury trades

The Institut des Métiers d'Excellence (IME) – the luxury sector's first work-linked training program in craftsmanship, design and sales – exists to pass on expertise and build up a talent pool for LVMH. Apprentices, whether starting out on their career or retraining to enter a new profession, receive technical and theoretical instruction at 22 prestigious partner schools and universities and put their experience into practice within 36 partner Maisons. The program is supplemented by foreign language courses and masterclasses.

Since 2014, IME has trained over 900 people in four countries (France, Switzerland, Italy and Spain), with a cumulative pass rate of 97%. The majority of people on the program join the Group or its external partners.

In 2020, IME and its partners worked hard to ensure continuity of learning and create an authentic online experience both during and after lockdowns. IME also designed a new program in partnership with Pasticceria Cova and the Galdus school in Milan, bringing its total number of courses to 31. Lastly, LVMH announced a new partnership between IME and Campus d'Excellence des Métiers d'Art et du Design de Paris, initiated by France's Education Minister Jean-Michel Blanquer.

2.3.2 Inside LVMH – Supporting the next generation

In 2020, most schools and universities closed or rethought their approach to face-to-face and remote learning. In these highly unusual circumstances, the Group continued to support students, helping them put together career plans and offering internships, apprenticeships and fixed-term or permanent contracts.

Midway through the year, LVMH also co-wrote a column in newspaper Les Echos in which it committed to maintaining the work-linked training recruitment targets put in place before the pandemic. As of December 31, 2020, more than 1,300 young people were working at the Group under apprenticeship or vocational training contracts (including the Institut de Métiers d'Excellence) across the Group's French companies.

The Group adapted most of its student events in light of the public health situation to enable students to continue to learn about the wide range of businesses and career opportunities offered by the Group. More than 200 initiatives were organized, the vast majority of which were held online: executive talks, discussion panels, recruitment sessions, business line presentations, discussions of business case studies, virtual tours, and so on. To recruit interns and apprentices in France for 2021, LVMH held "Start Your Journey with LVMH" virtual events in September and October that connected over 20 Maisons and 4,000 students. Meanwhile, US-based Maisons participated online in the National Black MBA Association Conference and Career Fair.

The Group renewed and strengthened its historical partnerships with 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. Most of these partnerships are aimed at immersing students in the world of the Maisons and having them work in conjunction with Group managers on innovative projects (such as packaging and product design with CSM, and launching an e-commerce website with Bocconi).

2.4 Engaged employee management

Discrimination-free recruitment and development

The Group is convinced that people, in their diversity, make all the difference and drive the Group's success. Recognizing that each person's unique contribution is a valuable asset, the Group is keen to ensure that its workforce is drawn from all backgrounds, reflecting the diversity of its customer base. The recruitment and talent development policy ensures that the Group remains intently focused on diversity. The Group makes sure each and every new recruit feels welcome and benefits from equal opportunities throughout their career. The Group implements practices to prevent any discrimination on the basis of skin color, sex, religion, political convictions, national or social origin, age, disability, trade union membership, sexual orientation or gender identity. The Diversity and Inclusion network ensures that this policy is implemented within Maisons and business lines. In 2020, the Group strengthened its approach in this area by hiring a North America Diversity and Inclusion Director.

Promoting diversity and inclusion training

The Inclusion Index, designed to help monitor and strengthen diversity and inclusion across the Group, is sponsored by two members of the LVMH group's Executive Committee: Chantal Gaemperle, LVMH's Director of Human Resources and Synergies, and Jean-Jacques Guiony, LVMH's Chief Financial Officer. This tool highlights initiatives within the Maisons and encourages them to go further. In 2020, the Index counted 148 initiatives promoting gender equality and 65 in support of LGBTI people. The particularly hard-hitting initiatives of 2019 were honored with awards and celebrated on International Women's Day and during Pride Month in June.

LVMH has designed training in unconscious bias in decision-making and its effects. Starting in late 2019 and throughout 2020, the Group delivered this training to senior executives and encouraged its Maisons to roll out this type of training to managers.

In 2020, 500 members of the human resources function took part in two "Black Lives Matter" webinars. The first was for the US-based HR team and the second for all the Group's HR staff. Organized by the Group and moderated by the United States human resources team, these webinars were aimed at raising awareness among HR staff and empowering them to help create a fairer and more inclusive culture. They covered the issue of racial bias and its impact.

Open to talented people of all kinds

The Group is constantly working to prevent any form of discrimination in its recruitment practices. This ambition is reaffirmed in LVMH's Codes of Conduct and its Recruitment Code of Conduct. Recruiters identify candidates without any preference as to business line or segment. Starting in 2011, the Group and the Maisons have periodically held mandatory anti-discrimination training for recruiters. In 2020, the majority of these training sessions continued despite the public health situation. Recruiters completed in-depth sessions on the employer brand and implicit bias as part of a wider rollout of inclusion and diversity policies in line with changes in society.

The Group regularly checks that its job offers do not include any discriminatory wording. Since 2008, the Group has been monitoring its recruitment practices by having an independent firm carry out discrimination testing on its posted job offers. These testing campaigns are run regularly and over long periods; since 2014, they have been worldwide in scope. This approach was supplemented by a first global statistical survey on discrimination risk in recruitment, the findings of which were put to use in 2020. Results are presented to Human Resources Directors at Group and Maison level, with appropriate measures adopted as necessary.

Committed to employment for people with disabilities

Thanks to its longstanding commitment to people with disabilities, LVMH was able to join the International Labor Organization (ILO) Business and Disability Network. On the International Day of Persons with Disabilities, the Group took the opportunity to reaffirm its commitment to inclusion for people with disabilities, whether through recruitment or accessibility.

This approach is coordinated by the Mission Handicap initiative, established in 2007 and supported by a network of 54 disability officers at the various Maisons, who meet regularly. In France, Sephora, Moët & Chandon and Ruinart entered into their own agreement with AGEFIPH, the country's leading partner for employment for people with disabilities, in 2017. Hennessy, Christian Dior Couture and Parfums Christian Dior also have their own formal agreements with the organization.

The LVMH group has put into place a number of initiatives aimed at selecting and training people with disabilities and ensuring that they are optimally integrated into the workforce. Candidates are selected using the “Handi-Talents” process, which uses work-based role-play exercises to objectively identify each individual’s aptitudes and skills. Around 50 people have participated in the program since its launch, and 36 people are still working under a vocational training contract or have successfully secured a job or further training or education (26 of whom within the Group). As a result of the public health crisis, the launch of the fourth intake of the EXCELLhanCE program was postponed until 2021. In world regions where it has a presence, the Group and its Maisons organized a range of events in late 2020 highlighting partnerships with non-profits and stories of successful integration of employees with disabilities. In the United States, Sephora put in place a system to hire people with disabilities with an ambitious target: over 140 people with disabilities had already been hired under the system by end 2020.

The Group also supports employees who report that they have a disability. The Maisons offer solutions on a case-by-case basis to help people keep their jobs, where necessary by making adjustments to their workspaces or helping them transition to a different role. In March 2011, to help employees keep their jobs, Moët & Chandon founded MHEA. With almost its entire workforce consisting of people with disabilities, this fully-fledged disability-friendly company enables some employees with disabilities to continue working in better conditions for the same pay. Since it was founded, MHEA has enabled over 80 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.

Worldwide, people with disabilities make up 1.2% of the Group’s workforce. Due to changes in the legislative framework governing the compulsory declaration of employees with disabilities in France for fiscal year 2020, data consolidation was delayed and it has not been possible to publish figures for the year.

Gender equality

Gender diversity has long been an integral part of The Group’s culture. Having signed the United Nations Women’s Empowerment Principles in 2013-2014, the Group and its Maisons are formally committed to gender equality and, in particular, gender diversity at the most senior levels, fair treatment, professional development for women, the promotion of equality, and transparency on results.

In 2020, 42% of key positions at the Group were held by women, compared with 23% in 2007. The Group is aiming to achieve gender equality in key positions by 2025. Fifteen of the Group’s Maisons are led by women, two more than in 2019. Through its EllesVMH initiative, the LVMH group is working closely with its Maisons to achieve this target and implementing coaching and mentoring programs (the EllesVMH Coaching program has been offered to around 30 women a year for over 10 years), specific programs and local networks. Furthermore, the Group scored 91 points out of 100 on the French government’s Gender Equality Index.

The Group also aims to achieve pay equity. Each Maison is putting in place initiatives and tools to reduce any pay gaps between women and men within a given job category.

Lastly, the Group is demonstrating and promoting its commitment. The Group celebrates International Women’s Day every year. Although the Covid-19 crisis meant the celebrations were mostly digital, 2020 was no exception. LVMH also kicked off its first radio program, dubbed “Echo Day”, hosted by journalist Marie Drucker and Chantal Gaemperle, Director of Human Resources and Synergies. A number of Maisons have showcased gender equality best practice. Examples include the Women@Dior mentoring program at Christian Dior Couture, Hennessy’s Vignoble au Féminin event honoring women winemakers, EllesVMH on Tour by Loro Piana, Sephora Poland’s Fun.Tech. Future program for young women living in supportive housing or with foster families, and LVMH Japan’s family concierge service. Lastly, the Group launched the first series of its “Tips to the Top” podcast, in which 11 women talk about how they have succeeded in career paths sometimes thought of as more male-oriented. These podcast episodes were distributed via the internal SHERO platform, currently being rolled out in app form.

A total of over 148 initiatives were implemented in 2020 in support of gender equality, involving almost 29,000 employees.

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

(% women)	Joiners			Group workforce		
	2020	2019	2018	2020	2019	2018
Breakdown by business group						
Wines and Spirits	49	45	45	38	38	38
Fashion and Leather Goods	66	65	66	67	67	69
Perfumes and Cosmetics	84	85	86	82	83	83
Watches and Jewelry	58	60	58	59	59	59
Selective Retailing	82	83	83	83	83	83
Other activities	37	42	33	38	37	35
Breakdown by job category						
Executives and managers	64	65	65	64	65	65
Technicians and supervisors	67	68	67	66	68	68
Administrative and sales staff	79	79	80	79	80	81
Production workers	56	61	57	57	59	58
Breakdown by geographic region						
France	64	66	63	64	64	64
Europe (excl. France)	72	74	76	71	72	74
United States	80	79	80	75	78	79
Japan	71	73	69	73	73	74
Asia (excl. Japan)	73	75	76	76	77	77
Other markets	70	79	79	67	73	73
Group	**73**	**75**	**75**	**71**	**73**	**73**

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

Supporting older employees

The Group is proud of all its talented people, however young or old they may be. The most experienced employees play an especially important role in passing on expertise. The Group aims to keep its older employees in work by continuing to offer them a motivating and fulfilling work environment. The Group is committed to offering an approach to career development that recognizes the fact that working lives are getting longer and to adjusting roles or working hours if necessary. The Maisons offer end-of-career interviews, dedicated training, special working arrangements or even specific healthcare and retirement support arrangements.

3. A fulfilling work environment

The Group is committed to offering its employees the optimum conditions in which they 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. Amid last year's public health crisis, the Group demonstrated innovation so as to be able to continue with employee initiatives.

3.1 Dialogue, training and career support

While the challenges of 2020 differed greatly from country to country, they were very demanding for everyone. The Group worked hard to maintain the continued discussion and dialogue needed to meet these challenges head-on.

3.1.1 New solutions driven by the public health situation

The Group's decentralized structure meant it was able to continue supporting local staff and team development. Within the Group's Maisons, many innovative initiatives aimed at sharing learning and experience emerged spontaneously, boosted by local stakeholders' freedom to act.

At Group level, LVMH House's Group Learning & Development teams quickly suggested new ways of working and came up with new, more agile formats tailored to the needs of employees and executives at every level. Beyond simply digitalizing existing programs, LVMH forged a new approach to employee learning and development, very quickly implementing new ways of working, learning and managing.

3.1.2 Asking employees about their work

In 2020, the Group worked particularly hard to listen to its employees and find out how they were coping in this unusual year. Midway through the year, LVMH launched its largest-ever survey of all employees worldwide. The LVMH Global Pulse Survey aimed to "take employees' pulse" and ask staff what they were learning through this experience. The Group wanted to find out how employees were feeling and gather opinions about the Group's management of the crisis, as well as to ask how they saw the future of customer relationships and work culture and what they saw as essential aspects of leadership.

To supplement and help it better interpret quantitative feedback from the survey, the Group also interviewed 77 talented young employees, high-fliers and Chief Executives.

Through this survey, over 78,000 employees shared more than 180,000 very encouraging verbatim comments. In all, 56% of respondents said they felt motivated and confident. The vast majority (89%) praised the Group's and Maisons' handling of the Covid-19 pandemic and said they were proud to belong to the Group (93%) and to work for their Maison (91%). Their proposed priorities for the future have fueled a number of strategic initiatives. The Maisons began to launch these initiatives in October 2020 and the Group drew on them to launch "Next Frontier", an ambitious project to evolve working arrangements and leadership at the Group from 2021 onwards. Lastly, the sharing of the survey findings provided opportunities for valuable feedback and discussion between the Group executives and staff at the Group's Maisons.

3.1.3 Developing people and skills in an uncertain and demanding environment

In a world undergoing far-reaching change, the Group is helping its employees adapt to technological and market developments and adopt new ways of working and managing. The Group is sustainably committed to developing its employees' skills, expertise and knowledge so they can make an impact in demanding, fast-changing environments. Over the past year, the Group's human resources teams have worked particularly hard to meet employees' aspirations for greater empowerment: empathetic and inspiring leadership. Talented people share this desire to join or lead teams where there is a focus on listening, engagement and cooperation.

Teams responsible for development and training at every level of the Group quickly proposed and built new, agile ways of learning suited to remote working. Beyond just training, these initiatives have often also proved to be an effective way to stay in touch and, for some people, to overcome isolation. They have changed people's relationship with time and the training experience.

By offering new digital formats and new offerings, training seminars have reinvented relationships among learners and between learners and trainers. New short programs available to all are opening up new horizons for employees and triggering discussion on previously unexplored topics. Thanks to agile remote meeting tools, communities are now even more active, becoming places where new approaches can be tried out without fear, and where vocational training, knowledge, experience and high-impact practices are valued.

This new approach to training has reached many more employees: for example, seven times more people participated in initiatives run by LVMH House during the year. This new way of interacting yielded some major success stories. LVMH House Americas launched its "Monday Morning Memo" platform and LVMH House Japan kicked off its "L>C Digital Learning" program during lockdown. LVMH House Asia-Pacific staff coordinated more than 20 business line communities. And the LVMH House London team created six online-only programs in the space of just a few weeks to help senior executives manage this complex and uncertain period.

The Group placed a particular emphasis on strengthening its offering of seminars and programs to promote the following:

- understanding and promoting the Group's company culture;
- management and leadership through a range of programs aimed at young managers, experienced senior managers, high-fliers and executives covering topics like respect and inclusion, collective intelligence and collaborative working;
- excellence in strategic areas such as retail, supply chain, operations and the appeal of the Group's brands;
- open innovation, by raising awareness of initiatives now recognized both in-house and outside the Group, such as DARE and LVMH's La Maison des Startups.

3.1.4 Employees taking charge of mobility and career development

In a constantly changing world, keeping skills and knowledge up to date is crucial; the Group's success depends on it. Working to keep skills and knowledge up to date ensures that employees keep in step with changes in the working world and the market and helps them flourish in their roles. Furthermore, the 80 countries where the Group operates offer a wide variety of opportunities for job moves and experience for employees keen to embark on new personal and professional adventures on foreign soil. International mobility for managers and senior executives helps spread values, best practice and expertise throughout the Group's global ecosystem. Against this backdrop, the Group works to forecast its requirements in terms of jobs and skills and takes care to ensure that all employees can explore their own path and fulfil their ambitions in keeping with their particular aspirations, talent and motivations.

Annual interviews are held to review employees' performance and career development. These interviews provide an opportunity for all managers and the vast majority of non-managers worldwide to have formal, constructive discussions with their line managers covering their performance, aspirations and career goals.

The Group takes a dual approach to helping employees prepare for their future within the organization: on the one hand, it offers a varied range of training and initiatives aimed at developing skills and expertise; and on the other, it offers concrete career opportunities within the Group ecosystem. Lastly, managers and human resources teams work together to provide employees with advice on career planning and learning.

Training investment

Overall, in 2020, training expenses incurred by Group companies throughout the world represented a total of 90.7 million euros, or 1.4% of total payroll. On top of this investment, in addition to everyday workplace training the Group developed various new forms of learning in 2020, offering webinars daily at every level of the organization as well as discussions and learning pilots in employee communities. The diversity of these new, faster and more collaborative forms of learning means it is not currently possible to count them all. However, the Group is convinced of their impact and relevance.

	2020	2019	2018
Training investment *(EUR millions)*	90.7	138.0	131.0
Proportion of total payroll *(as %)*	1.4	2.1	2.3
Number of days of training per employee	1.2	1.9	2.0
Average cost of training per employee *(EUR)*	631.0	930.0	943
Employees trained during the year *(as %)*	40.8	57.5	58.9

The average training investment per full-time equivalent employee was approximately 631 euros. In 2020, the total number of training days was 169,258, equivalent to around 736 people receiving full-time training for the entire year. In 2020, 40.8% of employees received training and the average number of days of training was 1.2 days per employee. The Group has opted here to count only training events lasting over three hours. As an illustration, if online remote training lasting under three hours is included, the Group estimates that 66% of its workforce received training.

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

	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets
Training investment *(EUR millions)*	33.1	13.8	11.9	3.5	24.0	4.4
Proportion of total payroll *(as %)*	1.9	0.9	0.9	1.0	1.9	1.2
Employees trained during the year *(as %)*	36.8	36.6	26.2	54.9	53.5	46.9
Of which: Executives and managers	*36.0*	*44.3*	*23.5*	*65.0*	*48.1*	*44.8*
Technicians and supervisors	*49.8*	*40.0*	*31.9*	*54.5*	*49.8*	*52.9*
Administrative and sales staff	*34.4*	*36.9*	*30.4*	*52.5*	*56.1*	*42.5*
Production workers	*32.5*	*29.2*	*13.1*	*20.0*	*26.4*	*67.1*

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.

3.2.1 Ensuring health and safety for all staff

Employee health and safety are an absolute priority for which everyone is responsible. The Group makes sure all its activities comply with health and safety laws and regulations in force in all the countries in which it operates. Beyond meeting its obligations, the Group is committed to implementing site-specific action plans, developing ergonomic workspaces, investing in the safety of tools and equipment, training employees and raising awareness of workplace health and safety issues, and continuously improving performance in respect of work-related accidents. The Group thus pays particular attention to implementing best practice with regard to safety in the workplace.

Given the wide range of situations encountered within the various business groups, the Maisons implement their own approaches to ensure workplace health and safety and prevent accidents. Actions thus take a variety of forms under the banner of an overarching investment, certification and training program. Health, safety and ergonomics assessments are regularly conducted at workshops, vineyards, stores and headquarters, following which action plans are drawn up to address any needs identified.

Action is taken to improve ergonomics and reduce physical strain, particularly for those positions most exposed to physical or mental stress in workshops and at production facilities. The Group is also particularly attentive to working conditions for staff members over 50 and those with disabilities, aiming to enable them to continue working under optimal conditions.

A deterioration in health and safety performance had been observed over previous fiscal years. To reverse this trend, a dedicated working group established a diagnosis and proposed an action plan including the creation of a health and safety charter. Having been drawn up in 2020 and signed by a member of LVMH's Executive Committee, this charter will be disseminated starting in 2021.

In 2020, the Group invested over 47.6 million euros in health and safety. These investments were allocated to occupational health, protective equipment, and continuous 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 53 million euros, or 0.8% of the Group's gross payroll worldwide.

The Group also maintained its initiatives for awareness-raising and training in workplace safety and risk prevention. In 2020, 49,535 employees received training in these areas.

Lastly, during the Covid-19 pandemic, the Group favored working from home. This was facilitated by the existence of agreements and charters already in place within the Maisons. The Group provided all staff with protective equipment, hand sanitizer, face masks and Plexiglas shields to ensure continuity of operation. Working from home was the preferred option where compatible with an employee's role, facilitated by office equipment, technical infrastructure and close management, including advice on protective measures and postures and time management. The Group also encouraged the implementation of listening and advice systems such as the Employee Assistant Program within its Maisons. In mid-2020, a major survey dubbed Pulse was sent out to all employees asking them about how they had coped during the crisis.

	Number of accidents	Frequency rate [(a) (b)]	Severity rate [(b) (c)]
Breakdown by business group			
Wines and Spirits	102	7.88	0.26
Fashion and Leather Goods	333	3.71	0.11
Perfumes and Cosmetics	153	3.15	0.09
Watches and Jewelry	18	1.12	0.02
Selective Retailing	406	5.59	0.23
Other activities	146	9.04	0.25
Breakdown by geographic region			
France	612	13.31	0.43
Europe (excl. France)	218	3.51	0.06
United States	122	3.17	0.29
Japan	10	0.83	0.01
Asia (excl. Japan)	107	1.49	0.04
Other markets	89	3.47	0.05
LVMH group 2020	**1,158**	**4.52**	**0.15**
2019	1,532	5.60	0.16
2018	1,416	5.55	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. Theoretical 2020 data from the OECD does not include hours not worked as a result of the public health crisis, with the result that frequency and severity rates are understated.
(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.

In calculating its overall absence rate, the Group has opted to include all absences related to the Covid-19 crisis, including sick leave and paid or unpaid leave. The public health crisis had a significant impact, bringing the overall absence rate to 15.3% in 2020.

The Group has estimated the effect of the public health crisis on its overall absence rate: 10.2 percentage points were attributable to the extraordinary circumstances linked to the crisis and its impacts, including lockdowns, family obligations, illness and quarantine. Excluding factors linked to the Covid-19 crisis, the estimated overall absence rate was therefore 5.1% in 2020, reflecting employees' strong commitment, motivation and trust in the Group and its Maisons. The absence rate in 2019 was 5.2%.

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

(as %)	Global workforce	France	Europe (excl. France)	United States	Japan	Asia (excl. Japan)	Other markets
Illness	2.8%	4.3%	4.2%	1.8%	0.4%	1.4%	2.1%
Work/commuting accidents	0.1%	0.4%	0.1%	0.2%	0.0%	0.0%	0.1%
Parental leave	1.6%	1.3%	2.8%	0.8%	1.2%	1.5%	1.2%
Paid leave (personal leave and other paid leave)	7.7%	6.5%	11.7%	9.4%	5.0%	4.5%	7.0%
Unpaid leave	3.0%	0.5%	5.3%	4.1%	4.6%	2.9%	1.1%
Overall absence rate	15.3%	12.9%	24.1%	16.3%	11.3%	10.2%	11.5%
Estimated overall absence rate excl. Covid effect	5.1%	6.1%	7.3%	4.1%	3.2%	3.7%	3.4%

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

3.2.2 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: the Group in Europe, the Group in France and the Maisons. Employee representatives are consulted in accordance with locally applicable provisions.

At the European level, the SE Works Council is an employee representative body consisting of 28 members from the 22 European countries in which the Group's Maisons operate. The rules governing this body are laid down in an agreement that was unanimously approved by employee representatives from those 22 countries and by Group management on July 7, 2014. The SE Works Council handles transnational issues at the European level. It held one plenary meeting in 2020, on November 10.

The LVMH group Works Council, established in 2005 and renewed in 2018, covers France. This 30-member body holds one plenary meeting each year. Through this representative body, delegates meet with the Presidents of all of the Group's business areas to exchange information on strategic direction, business and financial issues, employment trends within the Group and future prospects. The Group Works Council met on October 14, 2020.

In keeping with the Group's decentralized approach, representatives at each Maison deal with workforce-related issues specific to their entity.

In France, the Maisons have employee representative bodies known as CSEs (Comités Sociaux et Economiques). These CSEs combine employee representatives, the works council and the health and safety committee, or replace the DUP (Délégation Unique du Personnel) where such a body was in place. Each CSE's remit depends on the size of the Company's workforce. In companies with fewer than 50 employees, they present the employer with employees' individual or collective claims in relation to pay, compliance with the French Labor Code, and so on. For entities with 50 or more employees, CSEs ensure that employees' collective interests are taken into account in decisions relating to the Company's management, business development and financial performance, as well as professional training and production techniques.

In 2020, Group companies allocated a budget totaling over 27.5 million euros (1.6% of total payroll) to social and cultural activities in France via contributions to CSEs.

In the unusual circumstances of the Covid-19 crisis, meetings of employee representative bodies at Group and Maison level were held remotely to ensure that employee dialogue could continue unimpeded.

In 2020, employee representatives attended 1,754 meetings in France:

Type of meeting	Number
CSE: 50 or more employees	1,146
CSE: Fewer than 50 employees	296
Other	312
Total	**1,754**

As a result of these meetings, 143 company-wide agreements were signed in France.

3.2.3 Work-life balance and workplace well-being

The Group is convinced that its employees are more fulfilled when they share the Group's vision. In mid-2020, LVMH launched a survey to sound out all its employees worldwide. Over 78,000 employees – more than 50% of the Group's workforce – responded to the questionnaire. In all, 89% of respondents felt that management decisions at the Group were well-informed, and 93% said they were proud to be part of the Group and their Maison.

Work-life balance is another factor that is essential to employee fulfilment. The Group's Maisons are careful to cultivate conditions conducive to a high quality of life at work. Workplace concierge services and childcare are becoming more and more widespread within the Group. For example, in France LVMH reserves 200 daycare places for use by its employees.

Worldwide, 16% of employees have variable or adjusted working hours, and 46% 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 (excl. France)**	**United States**	**Japan**	**Asia (excl. Japan)**	**Other markets**
Variable or adjusted working hours	16%	26%	24%	1%	19%	13%	5%
Part-time	15%	11%	19%	30%	3%	5%	15%
Shift work or alternating hours	46%	12%	30%	72%	75%	67%	61%

(a) Percentages for France are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts). 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 job category

Employees concerned[(a)] *(as %)*	**Workforce in France**	**Executives and managers**	**Technicians and supervisors**	**Administrative and sales staff**	**Production workers**
Variable or adjusted working hours	26%	16%	53%	49%	2%
Part-time	11%	2%	6%	17%	21%
Shift work or alternating hours	12%	0%	19%	10%	26%
Employees given time off in lieu	8%	1%	13%	14%	11%

(a) Percentages are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts).

The total cost of overtime was 80 million euros, averaging 1.2% of the worldwide payroll.

Overtime by region

(as % of total payroll)	**Global workforce**	**France**	**Europe (excl. France)**	**United States**	**Japan**	**Asia (excl. Japan)**	**Other markets**
Overtime	1.2%	1.1%	1.0%	1.2%	2.6%	1.4%	0.7%

In spite of a particularly challenging public health and economic situation, the Group's priority has always been to protect its employees' health by working closely with occupational health, social services and innovative initiatives such as medical concierge services.

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7. Outreach and giving back

The Group's aim is to amplify the positive social impact of its activities through its community outreach and corporate giving initiatives. This ambition 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 the Group is located 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. The Group primarily takes action to support equal opportunities, education, access to employment, 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 nurturing future talent.

With the entire world affected by the coronavirus pandemic, the Group took action in an unprecedented effort to support the community and fight the spread of the virus, in France and around the globe. The firm commitment demonstrated by LVMH, its Maisons and its employees enabled the Group to produce hand sanitizer, masks and gowns for healthcare facilities, local government offices, nonprofits and key service providers, as well as to offer meals to medical staff, and more.

For example, more than 300 leather workers at Louis Vuitton's 16 workshops in France stepped up to make 500,000 masks. At the same time, Louis Vuitton's workshop in Paris produced 11,000 gowns for hospital staff at the AP-HP Paris hospital system and the French health authorities. They were quickly joined in their efforts by staff at Givenchy's French workshops. Dior reopened its Redon workshop in Brittany, which usually specializes in manufacturing Baby Dior clothing. The Maison's tailors and seamstresses produced non-surgical cloth masks for the general public, a vital aid in slowing the spread of the virus. Kenzo and Celine supplied fabric and mobilized their resources to provide gowns to medical staff at Paris hospitals. In Spain, Loewe got involved by producing non-surgical masks at its Getafe workshop near Madrid. The Maison also donated 100,000 masks to the Spanish Red Cross. Apart from modifying its production lines to manufacture hand sanitizer in Italy, Switzerland and the United Kingdom, Bvlgari made donations to Italian hospitals and renewed its civic commitment in Japan, by organizing bento deliveries at several Tokyo hospitals for frontline medical workers. LVMH also offered financial support from the outset of the pandemic, in China, making a 2 million euro donation to the Chinese Red Cross at the end of January. In addition, LVMH successfully brought its teams together to join a national effort in France to supply 40 million surgical masks, from March 2020. The Group covered the full cost of the first week's delivery of 10 million masks. Lastly, the Group made a 5 million euro donation to the Institut Pasteur in Lille for the launch of a large-scale clinical trial to test the effectiveness of a treatment already shown to inhibit Covid-19 replication in vitro.

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 around the world, in all its operating regions, both directly at its own sites and indirectly at its partners' locations. The Group develops initiatives, pays taxes in the countries where it carries out its activities, and pursues steady growth for its Maisons. These companies create many jobs in their regions, 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 local jobs: 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.

In the United States, Hennessy launched "Unfinished Business", an initiative to support store owners from the African American, Latino and Asian communities, which have been hit particularly hard by the economic crisis amid the Covid-19 pandemic. The Maison has offered them financial assistance and counseling to help them weather the crisis. In order to tailor its outreach for each community, the Maison is partnering with the nonprofits One Hundred Black Men of America, the Asian American Business Development Center, and the Hispanic Federation.

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. This startup accelerator for the luxury industry is housed within the world's biggest startup incubator, Station F. La Maison des Startups can be a stepping stone to the Group's Maisons. It illustrates the Group's entrepreneurial spirit by giving entrepreneurs the opportunity to reflect on the future of luxury and the Group, together with colleagues from varying backgrounds, within an innovative ecosystem.

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 2020, the program provided specialized mentoring and coaching as well as financial assistance to 20 female beauty entrepreneurs and also arranged meetings for them with investors. Brands founded and owned by women of color are the focus of special efforts.

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 has built up a long-term partnership with nonprofit Nos Quartiers ont des Talents, and has served on its board since it was founded. The nonprofit offers young graduates from underprivileged backgrounds the chance to be mentored by a Group executive or manager. In 2020, 150 managers signed up to serve as mentors, double the number taking part the previous year. Since 2007, 640 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. Recruiters and beauty consultants from the Group's Maisons offer guidance to job seekers and help them build self-confidence. The program is aimed at groups that are underrepresented in the labor market. Participants are also made aware of the program by the Group's partners who are active in the fields of education, disability and integration.

In Asia, through its partnership with Daughters of Tomorrow, Guerlain organized four virtual coaching sessions for five underprivileged women interested in working in the beauty sector. The aim of this initiative was to give the participants all the keys they need to find a job in this field.

Through Classes for Confidence, Sephora offers both beauty classes and coaching to help people facing major life transitions – including cancer survivors, people who have been marginalized on the job market, and transgender and non-binary people – show themselves in the best light and regain self-confidence. Many of these classes have been held around the world. They 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. Given the public health situation, a number of countries have developed online formats. Since the start of this program, more than 77,000 participants have taken nearly 2,150 classes.

1.3 Facilitating employment for people with disabilities

As a key focus of the Group's approach to corporate social responsibility from its origins, supporting access to employment for people with disabilities still holds an important place in its policy. It is 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 volunteer their time, talent and skills in support of this initiative and 21 young people benefited from LVMH's involvement in 2020.

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 7.8 million euros in 2020, 11.4% lower than in 2019, representing 384 full-time equivalent jobs.

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 get an education

The Group aims to put the renowned excellence of its Maisons – the very foundation of their success – to work in support of equal opportunities and wider access to education for young people. Following the Group's lead, the Maisons have developed numerous partnerships with schools located near their sites or further away.

The Group is committed to expanding access to higher education for all students, whatever their social class, family situation or ethnic background. LVMH supports the priority education program run by the Institut d'Études Politiques (Sciences Po Paris) by funding student grants and having Group managers mentor recent graduates of this program. In 2020, LVMH renewed its commitment to this program for another year. A total of 17 students were mentored by Group managers during the year (three times as many as in the previous year).

In 2020, LVMH also continued its partnership with Clichy-sous-Bois and Montfermeil, two Paris suburbs 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. A wide range of initiatives are developed, including "business discovery" internships for 108 middle school students in 2020, visits to the Group's Maisons and career orientation. As an illustration, the national work-linked training fair showcasing the positions on offer at the Institut des Métiers d'Excellence was held once again on February 4 in Clichy-sous-Bois. It drew more than a thousand attendees.

The Group also supports the "Cultures et création" fashion show in Montfermeil, 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, it awards the LVMH CSR Young Talent Prize to one young but underprivileged fashion design enthusiast, helping winners gain wider recognition within the profession. Since the program was launched, several of the winners have joined the Group's Maisons under a work-linked training program organized together with Paris's couture union school. The 2013 winner was hired at Christian Dior's haute couture workshop.

The Group is also actively involved in lending support to students in the United States, in particular those from disadvantaged areas in the cities of New York and Miami. Live chats are held to allow young people to connect with Group employees to discuss career opportunities. In 2020, more than 2,500 young people took part in 20 sessions. Five of these sessions were arranged through a partnership with United Way of NYC and Honey Shine, two nonprofits that help at-risk youth overcome barriers to continuing their education, whose families have also been among those most affected by the Covid-19 pandemic.

In 2020, Acqua di Parma launched its #SupportOurFuture campaign to support five nonprofits working to expand educational opportunities for young people in Germany, France, Spain, Italy and the United Kingdom. Under this initiative, the Maison will donate 100% of its net proceeds from sales of its latest collection, *Colonia Futura*, placed on its website during the month of December.

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, product donations or financial assistance. A number of major initiatives to support important causes emerged during the public health crisis.

In 2016, Louis Vuitton launched an international partnership with the United Nations International Children's Emergency Fund (UNICEF). It has collected a total of 13 million dollars since its launch, in support of vulnerable children facing emergencies. Of this total, 1 million dollars has been allocated to the public health crisis. Sales of the *Silver Lockit* also raised 400,000 dollars in donations to help survivors of the Beirut explosions. Once a year, volunteer employee-reporters travel with UNICEF to refugee camps and share their first-hand accounts of their experience.

In 2020, Sephora continued to strengthen its "Sephora Stands" CSR program developed in the Americas, Europe, the Middle East and Asia. Its aim is to generate positive social and environmental impacts on Sephora's employees, communities and the planet. It has three key priorities, including 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. Sephora also organizes sales of fundraising products, the proceeds of which are donated to partner nonprofits.

In 2009, Bvlgari decided to get involved with Save the Children. Through its custom-designed Save the Children jewelry collection, the Maison has so far donated nearly 100 million US dollars, helping more than two million children. Through this major financial support, Bvlgari's top priority is helping ensure a quality education for children around the world. Its other priority areas are empowering young people and helping them access employment, responding to emergencies, and fighting poverty. This year, Bvlgari also provided support to the nonprofit in its efforts to fight Covid-19. In addition, in the aftermath of the Beirut explosions, the Maison launched its "B for Beirut" initiative, a large-scale fundraising campaign to help children affected by the situation.

LVMH also supports Secours Populaire to help underprivileged women. The Group's partnership with this nonprofit made it possible to hold the second event in the Une Journée Pour Soi ("A Day All Your Own") initiative. Participants were able to put their day-to-day worries aside for a special day focused on regaining self-confidence and looking to the future in order to move forward. They were treated to makeover sessions with makeup artists from the Group's Maisons, photo shoots with professional photographers, a wellness coaching workshop and the chance to explore unique cultural landmarks. In three cities across France, more than 500 women supported by Secours Populaire took part in these events.

Unleash Your Beauty, a CSR initiative launched by Make Up For Ever, aims to help people with unique physical attributes embrace their uniqueness, in particular individuals with vitiligo, a condition in which the skin gradually loses its pigment cells. The Maison runs educational and awareness campaigns to promote an inclusive vision of beauty.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maisons Dinner. This event – which LVMH has 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 Managing Director – is an opportunity for the Maisons to come together and celebrate the Group's commitment to its people and society. This year, due to the unprecedented circumstances, the Engaged Maisons Dinner took the form of an "engaged broadcast" shown exclusively at Group locations around the world, bringing together members of the Group's Executive Committee, Maison presidents, employees and a number of partner nonprofits.

This occasion also allows LVMH to raise funds for the Robert Debré Hospital in Paris, the leading center for sickle cell anemia. A total of 1.3 million euros has been donated to this institution 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 2020, this support went to the "A Table, Les Soignants" initiative.

3. Corporate philanthropy to support culture and the arts

For more than 25 years, the Group's groundbreaking corporate philanthropy has expressed the creative 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

In 2020, LVMH upheld its commitment to the restoration of Notre-Dame de Paris Cathedral, a project that will require several more years of work. The day after the fire that devastated the monument in 2019, LVMH, as announced by its Chairman, Bernard Arnault, pledged a 200 million euro donation to ensure that Notre-Dame's long restoration process would be followed through to completion.

3.1.2 Commitments to culture and expanding access to it

Before the crisis, LVMH had signed on to sponsor a new production of Tennessee Williams' *The Glass Menagerie* (in French) in 2020 at the Théâtre de l'Odéon in Paris, directed by Ivo van Hove. With its performances canceled as a result of the first lockdown, this play will be presented again in 2021, still thanks to the support of LVMH.

LVMH has been a loyal patron of the Nuit Blanche nighttime arts festival for nearly 15 years, providing support to the French and international arts scene, giving center stage to contemporary artists for a celebration open to all in the heart of Paris. Once again in 2020, LVMH partnered with the City of Paris in support of this event. Following an entirely new itinerary focused on the outdoors and wending its way through several iconic Parisian cultural institutions and monuments, the event thus instilled a dialogue between nature and the city.

LVMH also renewed its support for the Giacometti Institute in Paris, helping it develop its scientific and cultural program as well as its temporary exhibitions.

3.1.3 LVMH Prize

Due to the Covid-19 pandemic, the final event for the seventh edition of the LVMH Prize for Young Fashion Designers was canceled. LVMH decided to distribute the 300,000 euro award equally among the eight finalists of the 2020 edition, previously selected by the Prize's international committee of experts. Since it was first awarded in 2014, the LVMH Prize has received more than 6,500 applications from around the world.

In addition, to support young designers who have been particularly hard hit by the public health crisis, LVMH set up an aid fund for young fashion designers with the prize money from the 2020 Karl Lagerfeld Prize. The fund will support all the designers that have won the LVMH Prize for Young Fashion Designers and the Karl Lagerfeld Prize.

Since it was first awarded in 2014, the LVMH Prize has received more than 6,500 applications from designers from every continent. 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), Masayuki Ino (Japan, 2018) and Thebe Magugu (South Africa, 2019).

3.1.4 Fondation Louis Vuitton

Since it was opened in 2014, the Fondation Louis Vuitton[1] 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. It has welcomed a total of over 6 million visitors from around the world.

Throughout 2020, the unprecedented public health situation upended the activities of cultural institutions. The Fondation Louis Vuitton demonstrated great agility in continuing to pursue its core missions: supporting artists and building a dialogue between key figures in modern art, leading lights of the international contemporary art scene and a wide audience, especially young people.

The *Cindy Sherman at the Fondation* exhibition, initially scheduled for the spring, was thus able to open its doors to the public in the fall. This exceptional retrospective featured more than 170 works by Cindy Sherman. Spanning her entire career as one of the greatest photographers of our time, it focused in particular on works from the past decade, some of which were exhibited for the first time ever. Visitors flocked to admire this universally acclaimed artist's insightful, sensitive exploration of the notions of identity and image.

The Morozov Collection: Icons of Modern Art, an exhibition initially due to be held in October 2020, will instead be on view from February 24 to July 25, 2021. In partnership with the State Hermitage Museum in Saint Petersburg and two Moscow institutions, the Pushkin State Museum of Fine Arts and the State Tretyakov Gallery, it will present, for the first time outside Russia, more than 200 masterpieces from the prestigious collection of French and Russian modern art amassed by the brothers Mikhail and Ivan Morozov.

Lastly, in 2020 the Fondation Louis Vuitton continued its international programming under the "Hors les Murs" banner. The Espaces Louis Vuitton in Munich and Tokyo thus presented solo exhibitions of works by Anicka Yi and Doug Aitken.

3.2 Opportunities for arts education initiatives

Once again this year, LVMH's patronage of programs for young people focused on music. LVMH renewed its support for Orchestre à l'École, a nonprofit that enables hundreds of children to start playing a musical instrument. The Group also continued its actions to promote access for young people to performances at the Opéra Comique in Paris. LVMH also once again loaned out the Stradivariuses in its collection.

3.3 Backing medical research and certain social causes

Lastly, LVMH 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; the Robin Hood Foundation in New York, who promote initiatives for children; the Fondation Claude Pompidou, which provides support in France for seniors and people with disabilities; 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; and Institut Curie in France, for its research and efforts to combat childhood cancers. 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: The Financière Agache group

8. Financial and operational risk management and internal control

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 §
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 public-health, political and economic environment	1	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 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

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 Group's balance sheet as of December 31, 2020 amounted to 29.5 billion euros.

Risk management

- 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 the Group's 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, the Group 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.).

Risk description	Risk management
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 Agache and LVMH Codes of Conduct, the Agache 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", §2.3). • 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, hard to access and threatened by the impact of climate change on natural ecosystems and local communities. 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). • The Group is engaged in a process of continuous improvement with regard to its ability to trace materials back to their source, so as to gain a better understanding of supply risks. It contributes actively to the search for solutions to address environmental and social risks in its supply chains, either via industry-specific initiatives (e.g. responsible sourcing as supported by the Textile Exchange) or via purchases of materials meeting the highest certification standards. The Group has also launched an ambitious regenerative agriculture program. • 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 from opportunistic or targeted cyberattacks, malicious actions or indirect damage caused by third parties, and internal breaches or unintentional incidents. 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. They may have financial, reputational, contractual or legal consequences.	• The Group analyzes cyber risks and implements both governance arrangements and general security policies, but also technical, organizational and contractual security rules to manage these risks. It defines strategic orientations in the area of cybersecurity, draws up and circulates shared action plans, and sets out documented security requirements for all new projects (security "by design"). • The global cybersecurity programs put in place have strengthened the security of collaborative tools, networks, Active Directory installations, workstations and servers. Apart from the fact that the information systems at the Maisons are largely independent, the segmentation of their individual networks offers an added layer of protection and is among the key measures implemented to limit the impact of a worst-case scenario, particularly in relation to lateral movement attacks. Furthermore, owing to greater use of cloud services, specific attention is paid to identity management, particularly by means of identity federation and multi-factor authentication. All of these tools and procedures come into play well before any threats have been identified in order to take preventive measures, but also in relation to the detection and investigation of incidents and the appropriate responses, with a particular focus on their ability to minimize the impact of attacks. • The Group has set up shared services coordinated by an internal cyber defense unit to monitor and detect compliance failures, system vulnerabilities and suspicious security events. These services also provide support to each Maison by responding to verified incidents and cyber crises. • The Group organizes frequent educational and training actions to improve cyber crisis management and has launched a worldwide awareness campaign. See also §3.3 "Information and communication systems" regarding the role of cybersecurity teams and the CISO (Chief Information Security Officer), the completion of audit campaigns and penetration testing, and the dissemination of the "Business Continuity Plan" methodology toolkit.
The Group may be exposed to shortcomings in the implementation of rules governing the protection of personal data.	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

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, some Group products – leather goods, perfumes and cosmetics in particular – may be distributed through parallel retail networks, including online sales networks, without the Group's consent.

Risk management

- 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 2020, anti-counterfeiting measures generated internal and external costs for the Group of around 33 million euros.

1.2.2 Risks arising from regulations adversely affecting the Group

Risk description

Unfavorable changes to customs tariffs or import bans on luxury goods products (e.g. as a result of the increase in trade tariffs introduced in particular 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.

Risk management

- 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 public-health, political and economic environment

Risk description	Risk management
Health crises that disrupt production activities, logistics, tourism and access to retail outlets by customers can have a negative impact on the Group's business activities. In 2020, for example, the closure of stores and production sites in most countries for several months as a result of the Covid-19 pandemic significantly affected business activities across the Group.	In 2020, the Group demonstrated its resilience in an economic environment heavily disrupted by the severe public health crisis. The Group's teams showed their strong commitment in dealing with this unprecedented situation while efforts to adapt to the current environment were actively pursued to control costs and ensure a more selective investment policy. The Maisons displayed remarkable agility in their moves to step up online sales and strengthen relationships with their customers by drawing on their digital strategies. The Group's main advantages in facing this type of crisis are the exacting quality standards applied to all its operations, combined with the incomparable dynamism and creativity of its teams. Moreover, the distribution of the Group's business activities across all geographic regions and a wide range of industry sectors acts as a buffer against the shocks and disruptions caused by this type of crisis.
Geopolitical and security-related instability 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, pose a threat to the continued operation of its supply chains and interrupt business.	• The LIFE program structures the mitigation approach adopted for the activities of the Group and its Maisons, whose main pillars are reducing greenhouse gas emissions, developing a certification plan for raw materials with the greatest impact on the environment, lowering energy consumption by sites and stores, promoting more sustainable modes of transportation, and continuing the actions of the LVMH Carbon Fund. • The Group is putting an action plan in place for 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 it 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 from 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. This management is centralized for the most part at the level of the LVMH Finance Department and the subsidiary responsible for LVMH's cash pooling arrangement. 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 (middle 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 LVMH's Audit Committee.

Hedging decisions are made according to a clearly established process and are covered in regular presentations to the Group's Executive Committee, along with 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 its 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. The levels of forecast cash flow hedging for 2021 relating to the main invoicing currencies are disclosed in Note 23.5 to the consolidated financial statements. These levels are 91% for the US dollar and 85% for the Japanese yen. • 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 its 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 if interest rates were to rise. 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.	• As of December 31, 2020, the amount of short-term borrowings excluding derivatives, i.e. 11.9 billion euros, was lower than the 20.4 billion euro balance of cash and cash equivalents. • In addition, the Group has access to undrawn confirmed credit lines totaling 17.9 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). • 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
Due to its worldwide operations, the Group is subject to a complex and diverse set of tax regulations. As an exporter, it is exposed to the risk of a lack of consensus in the countries where it operates, in particular concerning the definition and location of value creation for the purposes of apportioning the tax base. This may lead to situations of double taxation. The multiplicity, complexity and instability of tax regulations and their interpretation in each country, particularly within the context of international tax competition, give rise to multiple risk factors faced by the Group.	The Group's tax policy is in line with the guiding principles described in its Codes of Conduct. The Group undertakes to comply with applicable laws and regulations in the countries where it operates, supported by the Tax Department at the Group level and the finance departments of Group companies, with the assistance of outside consultants when necessary. 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 0.18% of consolidated revenue.

In 2020, the considerable hardening of the global insurance market caused the Group's premiums to rise significantly, a trend addressed by way of a sizable increase in self-insurance for property and business interruption lines.

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 1.2 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 between 50 and 150 million euros (depending on geographic area) 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, where applicable, 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 SA

Control environment

Given the fact that it belongs to a group with the necessary administrative skills, Financière Agache uses the specialized services of Agache SE [(1)], which mainly relate to strategic, legal, financial and accounting matters. A service agreement has been entered into with Agache SE 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 Legal Department on a regular basis.

3.1.2 Organization of LVMH's risk management and internal control system

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:

- LVMH group companies – including the parent company, LVMH SE – are responsible for their own risk management and internal control systems. LVMH SE also helps lead and coordinate the entire 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;
- Each Maison's President 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.

(1) Formerly called Groupe Arnault.

3.1.3 Financial and accounting information: Organization and parties involved

At Financière Agache level

As of December 31,2020 Financière Agache directly and indirectly controlled two main assets: a 95% equity stake in Christian Dior and a 41% equity stake in LVMH. The Group's Finance Department oversees the production of the parent company and consolidated financial statements.

At Christian Dior level

As noted above, Christian Dior is a holding company that directly 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 and Treasury, Tax, and Financial Communication.

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.

The **Information Systems Department** designs and implements information systems needed by the Group's central functions. It disseminates the LVMH group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies between businesses, while respecting brand independence. It develops, operates and maintains global telecommunications networks and systems, 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 the area of cybersecurity, draws up and circulates internal security policies and shared action plans, sets out documented security requirements for all new projects (security "by design"), coordinates awareness campaigns, operates shared cyber defense services by means of security platforms as well as trace processing and security alert detection systems, incident response and crisis management procedures, and audit operations (audits to assess compliance with security policies and penetration testing for example).

Corporate Finance & Treasury is responsible for implementing the LVMH group's financial policy, which includes balance sheet optimization, financing strategy, management of finance costs, investment of cash surpluses, and the management of liquidity risk, market risk (interest rate and foreign exchange risk) and counterparty risk (see §3 "Financial policy" in the "Business and financial review" section and §1.3.1 "Foreign exchange, interest rate and liquidity risks" above).

In particular, this department coordinates the pooling of 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.

A specific organization and procedures have been put in place to measure, manage, consolidate and monitor these market risks. Accordingly, the separation of front office, back office and middle 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 efficiently. The hedging strategy 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 and disseminating the Group's financial information. In particular, it maintains the Group's relationships with the financial community (financial and ESG analysts, institutional and individual investors), with the aim of providing it with a clear, transparent and accurate understanding of the Group's performance and outlook. 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, Shareholders' Club, etc.). It also provides Executive Management with the perspectives of the financial community on the Group's strategy and its positioning within its competitive environment.

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 the parent company, LVMH, described above, periodically hold joint finance committee meetings. Run and coordinated by the central departments, these committee meetings deal in particular 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

LVMH's Ethics & Compliance Intranet is available to all staff and enables the Group to share the codes, charters and principles intended to guide all Group employees. These primarily include the Code of Conduct, the Group's internal guidelines, the 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.).

All rules and procedures concerning accounting and financial information, applicable to all subsidiaries, can be accessed on a LVMH's **Finance Intranet**: 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.

Internal control principles and best practices are also shared via this Intranet:

- 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. Along these lines, it should be noted that 10 controls were made mandatory in 2020 and defined as critical within the internal control systems of the Group and all its subsidiaries.
- Business line guidelines developed to reflect the specific characteristics of the Group's 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 **LVMH 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 LVMH's 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.

Each major entity has a cybersecurity team in place, led by a Chief Information Security Officer (CISO). The Group CISO supervises the policy, monitors projects and shared services, and coordinates the network of CISOs at entities across the Group. The Group CISO also provides cybersecurity support to smaller entities that lack their own cybersecurity teams. CISOs across the Group are responsible for the management of cyber risks. They put procedures in place to provide protection against these risks, based on various approaches to prevention, detection, response and reconstruction, depending on the type of risk, its likelihood and its potential impact.

Audit campaigns, penetration testing and vulnerability audits are performed by entities and by the Group's Information Systems Department.

LVMH also has 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 (the 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, all of the Group's consolidated entities 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 subsidiaries and their parent company – 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 Finance Department teams concerned; 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 the different companies of the Group.

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, at LVMH, 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.

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 the 68 key controls taken from the internal control framework by all Group entities. An internal control self-assessment for all Group entities generating over 20 million euros in revenue was completed for the period to June 30, 2020 (during the 2019-2020 campaign). Given the particular circumstances in 2020, the methodology applied was adapted with respect to the area of risk management.

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.

Depending on the circumstances, Presidents of Maisons are required to present the LVMH 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.

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.

Campaigns to raise awareness in the Group's internal control community about the risk of fraud were conducted throughout 2020, focusing on the specific internal control issues raised by the public health situation (expanded use of remote working, store closures, etc.) and on preventive measures for the purchasing and payment processes.

In addition, the LVMH Internal Control Academy training course entitled "The Fundamentals" includes a specific module on fraud.

Management Report of the Board of Directors: Financière Agache parent company

1. Results of Financière Agache SA

1.1 Comments on the financial statements as of December 31, 2020

Financière Agache SA, a subsidiary of Agache, directly controls Christian Dior SE and indirectly (via Christian Dior SE) controls LVMH Moët Hennessy Louis Vuitton SE. The Company also holds a diversified portfolio of financial investments.

On December 15, 2020, Financière Agache SA absorbed its wholly owned subsidiary Semyrhamis in a merger by absorption, with retroactive effect as of January 1, 2020. This transaction generated a merger gain of 10,640.1 million euros, resulting from the positive difference between the amount of net assets transferred by Semyrhamis (14,306.4 million euros) and the net carrying amount of the Semyrhamis shares previously held by Financière Agache (3,666.3 million euros).

As part of the Group's ongoing corporate structure simplification and functional reorganization, in 2020 Financière Agache acquired 335 million euros in financial assets from affiliated companies.

Financière Agache acquired a 27.08% stake in Lagardère Capital SAS and a 7.75% stake in Lagardère SCA.

Financial income from subsidiaries and investments (excluding merger gains) totaled 832.1 million euros in 2020, compared with 618.0 million euros in 2019.

Net financial income totaled 11,497.3 million euros (including 10,640.1 million euros from the Semyrhamis merger gain) in 2020, compared with 688.8 million euros in 2019.

Net profit was 11,476.8 million euros, compared with 662.7 million euros in 2019.

1.2 Results of the Company

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)" and "Operating profit/(loss)" include items relating to the financial management of the Company or administrative operations.

Net financial income was 11,497.3 million euros, compared with 688.8 million euros in 2019. It was mainly composed of the 10,640.1 million euro merger gain and dividends received by French companies for 832.1 million euros, compared with 618.0 million euros a year earlier.

"Operating profit/(loss)" was a net loss of 1.4 million euros, compared with a net loss of 0.7 million euros a year earlier.

"Net exceptional income/(expense)", totaling 1.6 million euros, thus comprises only those transactions that, due to their nature, may not be included in "Net financial income/(expense)" or "Operating profit/(loss)".

Net profit was 11,476.8 million euros in 2020, compared with 662.7 million euros a year earlier.

1.3 Appropriation of net profit

In 2020, the results of Financière Agache SA consisted of dividend income related to its investment in Christian Dior SE and LVMH Moët Hennessy Louis Vuitton SE, as well as the 10,640.1 million euro merger gain resulting from the merger by absorption of Semyrhamis, less the Company's operating and financial expenses.

The shareholders at the Shareholders' Meeting are asked to allocate and appropriate the distributable profit for the fiscal year ended December 31, 2020 as follows:

Amount available for distribution *(EUR)*	
Net profit	11,476,821,290.03
Retained earnings	3,241,065,368.85
Distributable earnings	**14,717,886,658.88**
Proposed appropriation	
Distribution of a gross dividend of 20.00 euros per share	63,467,040.00
Retained earnings	14,654,419,618.88
Total	**14,717,886,658.88**

Should this appropriation be approved, the gross cash dividend distributed would be 20.00 euros per share. As an interim cash dividend of 20.00 euros per share was paid on December 22, 2020, no further dividend payments will be made in respect of fiscal year 2020.

Distribution of dividends

As required by law, we remind you that the gross cash dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year	Type	Payment date	Gross dividend *(EUR)*
December 31, 2019	Interim	December 16, 2019	52.50
	Final	-	-
	Total		**52.50**
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**

1.4 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, 2020, there were no overdue trade accounts payable or trade accounts receivable.

2. Information regarding the Company's share capital

As of December 31, 2020, 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, 2020, 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.

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, 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

The shareholders at the Shareholders' Meeting are asked to reappoint Florian Ollivier and Lord Powell of Bayswater as Directors for three-year terms, as stipulated in the Bylaws (fifth and sixth resolutions).

3.2 Statutory Auditors

As the Statutory Auditors' appointments are expiring, the shareholders at the Shareholders' Meeting are asked, pursuant to the current legal provisions under which it is not necessary to appoint an Alternate Statutory Auditor if the Principal Statutory Auditor is a legal entity, to only renew the appointments of Ernst & Young et Autres and Mazars as Principal Statutory Auditors for a term of six fiscal years (seventh to tenth resolutions), which will end at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2026.

3.3 Amendment to Article X of the Bylaws

Pursuant to the eleventh resolution, the shareholders at the Shareholders' Meeting are asked to amend Article X of the Company's Bylaws entitled "Assignment and transfer of shares" in order to adjust the approval procedure stipulated therein. The purposes of these amendments are:

(i) to offer greater flexibility in the implementation of this procedure, firstly by allowing either the assignor or the prospective assignee (rather than only the assignor) to notify the Company of the request for approval, and secondly by extending the period within which the assignment must be completed in the event of explicit approval by the Company's Board of Directors from 30 days to three months; and

(ii) to align these provisions in the Bylaws with the wording of Article 1843-4 of the French Civil Code from Order No. 2019-738 of July 17, 2019.

3.4 Authorizations proposed at the Shareholders' Meeting

The shareholders at the Shareholders' Meeting are asked to authorize the Board of Directors to increase the share capital by way of:

- capital increases through the capitalization of profits, reserves, additional paid-in capital or other items and awards of new shares to the shareholders or by raising the par value of existing shares (twelfth resolution);
- issues with preferential subscription rights for shareholders (thirteenth resolution).

The Board of Directors has not used these delegations of authority. The shareholders at the Shareholders' Meeting are asked to renew these authorizations and delegations of authority for a period of 26 months to give the Board of Directors greater flexibility to seize market opportunities or finance the Group's growth. These authorizations and delegations of authority would supersede, as of the Shareholders' Meeting of April 26, 2021, those granted at the Shareholders' Meeting of May 22, 2019.

The various authorizations to increase the share capital that the shareholders are asked to approve include the obligation to put to their vote a resolution authorizing the Board of Directors to increase the share capital for Company employees who are members of a company savings plan (fourteenth resolution).

The maximum nominal amount of capital increases carried out under these authorizations must not exceed the overall ceiling of thirty-two (32) million euros (fifteenth resolution).

Board of Directors' report on corporate governance

This report, which was drawn up in accordance with the provisions of Articles L. 225-37 *et seq.* of the French Commercial Code, was approved by the Board of Directors at its meeting of April 9, 2021, and will be submitted for shareholder approval at the Shareholders' Meeting of April 26, 2021.

1. List of all corporate offices and positions held by company officers

Directors whose terms of office expire at the Shareholders' Meeting

Florian OLLIVIER, Chairman and Chief Executive Officer

Agache SEDCS	Chief Executive Officer – Member of the Executive Board
Financière Agache SA	Chairman and Chief Executive Officer
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	Advisory Board member
LVMH Services Limited	Chairman of the Board of Directors
Matheson & Co. Ltd	Director
Northern Trust Corporation	Director

Currently serving Directors

Agache SEDCS

Agache Développement SA	Director
Agache Placements SA	Director
Europatweb SA	Director
Financière Agache SA	Director

Nicolas BAZIRE, Permanent Representative and Group Managing Director

Agache SEDCS	Chief Executive Officer – Member of the Executive Board
Agache Développement SA	Director
Carrefour SA	Director
Christian Dior SE	Director
Europatweb SA	Director
Financière Agache SA	Group Managing Director and Permanent Representative of Agache, Director
Groupe Les Echos SA	Director
Jean Patou SAS	Member of the Advisory Committee
Les Echos SAS	Vice-Chairman of the Supervisory Board
Louis Vuitton, Fondation d'Entreprise	Director
Louis Vuitton Malletier SAS	Permanent Representative of Ufipar, Member of the Steering Committee
LV Group SA	Director
LVMH Moët Hennessy Louis Vuitton SE	Director
Madrigall SA	Director
Société des Bains de Mer de Monaco SA	Permanent Representative of Ufipar, Director

Agache Placements SA

Financière Agache SA	Director

Pierre DEHEN, Permanent Representative

Agache Développement SA	Permanent Representative of Agache, Director
Agache Placements SA	Chairman and Chief Executive Officer
Asopis SAS	Chairman
Financière Agache SA	Permanent Representative of Agache Placements, Director
LC Investissements SAS	Member of the Management Committee
Union +	Permanent Representative of LVMH Moët Hennessy Louis Vuitton, Director

Invry SAS

Financière Agache SA	Director
Agache Placements SA	Director

Pierre DE ANDREA, Permanent Representative

Agache Développement SA	Chairman and Chief Executive Officer
Agache Placements SA	Permanent Representative of Agache, Director
CD Investissements SAS	Chairman
Cibejy SC	Managing Director
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
Goujon Holding SAS	Chairman
Goujon Participations SAS	Chairman
Mandarine SARL	Managing Director
Montaigne Investissement SC	Managing Director
Sadifa SA	Chairman and Chief Executive Officer
Sanderson International SA	Director
Société de Gestion Financière et de Patrimoine SARL	Managing Director
Société de Gestion Mobilière et Immobilière SC	Managing Director
Société en Nom Collectif Jardin Bleu	Managing Director
Sophiz SA	Director
Westley International 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)[(a)]

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2020
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[(b)(c)]	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[(b)(c)]	Free	None

(a) A resolution to renew these authorizations under the terms and conditions mentioned in §3 below will be presented at the Shareholders' Meeting of April 26, 2021.
(b) Maximum nominal amount. This is an overall cap set at the Shareholders' Meeting of May 22, 2019 for any issues decided upon pursuant to the 7th or 8th resolutions (10th resolution).
(c) As a guide, this equates to 2,000,000 shares on the basis of the par value per unit as of December 31, 2020.

3. Authorizations proposed at the Shareholders' Meeting

3.1 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
Through the capitalization of profit, reserves, additional paid-in capital or other items (L. 225-129-2 and L. 225-130)	SM 04/26/2021 (12th resolution)	06/25/2023 26 months	32 million euros[(a)]	Not applicable
With preferential subscription rights – Ordinary shares and securities giving access to the share capital	SM 04/26/2021 (13th resolution)	06/25/2023 26 months	32 million euros[(a)]	Free

(a) Maximum nominal amount (i.e. 2,000,000 shares based on a nominal value of 16 euros per share). This amount would be offset against the nominal amount of any capital increases decided upon pursuant to the other delegations of authority (15th resolution).

3.2 Employee share ownership

Type	Authorization date	Expiry/ Duration	Amount authorized	Exercise price determination method
Capital increase reserved for employees who are members of a company savings plan (L. 225-129-6)	SM 04/26/2021 (14th resolution)	06/25/2023 26 months	1% of the share capital[(a)(b)]	Pursuant to the applicable regulations

(a) Up to the overall maximum of 32 million euros set at the Shareholders' Meeting of April 26, 2021, against which this amount would be offset.
(b) As a guide, this equates to 31,733 shares on the basis of the share capital under the Bylaws as of December 31, 2020.

4. Information on the related-party agreements covered by Article L. 225-37-4 2° of the French Commercial Code

To the best of the Company's knowledge, no agreements falling within the purview of Article L. 225-37-4 2° were entered into during the 2020 fiscal year.

Consolidated financial statements

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	2020	2019	2018[(a)]
Revenue	24 -25	**44,651**	**53,671**	**46,831**
Cost of sales		(15,871)	(18,126)	(15,630)
Gross margin		**28,780**	**35,545**	**31,201**
Marketing and selling expenses		(16,790)	(20,206)	(17,752)
General and administrative expenses		(3,653)	(3,880)	(3,472)
Income/(loss) from operating joint ventures and associates	8	(42)	28	23
Profit from recurring operations	24	**8,294**	**11,487**	**10,000**
Other operating income and expenses	26	(332)	(231)	(126)
Operating profit		**7,963**	**11,255**	**9,874**
Cost of net financial debt		(59)	(180)	(204)
Interest on lease liabilities		(281)	(290)	-
Income/(loss) from non-operating joint ventures and associates	8	17	41	24
Other financial income and expenses		(287)	(186)	(261)
Net financial income/(expense)	27	**(610)**	**(615)**	**(441)**
Income taxes	28	(2,400)	(2,966)	(2,528)
Net profit, before minority interests		**4,953**	**7,674**	**6,905**
Minority interests	18	3,040	4,888	4,406
Net profit, Group share		**1,913**	**2,786**	**2,499**
Basic Group share of net earnings per share *(EUR)*	29	**603.49**	**878.90**	**788.39**
Diluted Group share of net earnings per share *(EUR)*	29	**602.84**	**877.64**	**785.87**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

2. Consolidated statement of comprehensive gains and losses

(EUR millions)	Notes	2020	2019	2018
Net profit before minority interests		**4,953**	**7,674**	**6,905**
Translation adjustments		(1,645)	299	270
Amounts transferred to income statement		(12)	1	(1)
Tax impact		(10)	11	15
	16.5, 18	**(1,667)**	**311**	**284**
Change in value of hedges of future foreign currency cash flows		73	(17)	1
Amounts transferred to income statement		(122)	28	(280)
Tax impact		(112)	(4)	80
		(161)	**7**	**(199)**
Change in value of the ineffective portion of hedging instruments		(209)	(211)	(271)
Amounts transferred to income statement		232	241	148
Tax impact		(9)	(7)	31
		14	**23**	**(92)**
Gains and losses recognized in equity, transferable to income statement		**(1,815)**	**342**	**(7)**
Change in value of vineyard land	6	(3)	42	8
Amounts transferred to consolidated reserves		-	-	-
Tax impact		3	(11)	(2)
		-	**31**	**6**
Employee benefit obligations: change in value resulting from actuarial gains and losses		(20)	(167)	28
Tax impact		6	39	(5)
		(14)	**(128)**	**23**
Change in value of available for sale financial assets		578	1,052	(236)
Capital gains or losses transferred to consolidated reserves		77	32	236
Tax impact		(44)	(59)	(8)
	8-9, 14	**611**	**1,025**	**(8)**
Gains and losses recognized in equity, not transferable to income statement		**597**	**928**	**21**
Gains and losses recognized in equity		**(1,218)**	**1,269**	**14**
Comprehensive income		**3,735**	**8,943**	**6,919**
Minority interests		1,934	5,034	4,434
Comprehensive income, Group share		**1,801**	**3,909**	**2,485**

3. Consolidated balance sheet

Assets

(EUR millions)	Notes	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018[a]
Brands and other intangible assets	3	15,978	16,169	16,211
Goodwill	4	14,865	14,857	12,550
Property, plant and equipment	6	17,626	17,929	14,475
Right-of-use assets	7	12,515	12,409	-
Investments in joint ventures and associates	8	3,352	2,903	1,724
Non-current available for sale financial assets	9	1,650	1,281	1,356
Other non-current assets	10	861	1,564	985
Deferred tax	28	2,328	2,278	1,937
Non-current assets		**69,173**	**69,390**	**49,238**
Inventories and work in progress	11	13,255	13,910	12,660
Trade accounts receivable	12	2,756	3,450	3,222
Income taxes		433	412	465
Other current assets	13	4,925	4,392	5,794
Cash and cash equivalents	15	20,468	6,351	9,135
Current assets		**41,835**	**28,515**	**31,276**
Total assets		**111,009**	**97,905**	**80,514**

Liabilities and equity

(EUR millions)	Notes	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018[a]
Equity, Group share	16.1	13,610	11,883	8,439
Minority interests	18	24,930	24,787	22,397
Equity		**38,540**	**36,670**	**30,836**
Long-term borrowings	19	15,820	7,525	9,301
Non-current lease liabilities	7	10,665	10,373	-
Non-current provisions and other liabilities	20	3,286	3,809	3,266
Deferred tax	28	5,152	5,124	4,603
Purchase commitments for minority interests' shares	21	10,991	10,735	9,281
Non-current liabilities		**45,914**	**37,566**	**26,451**
Short-term borrowings	19	11,870	8,555	11,396
Current lease liabilities	7	2,163	2,172	-
Trade accounts payable	22.1	5,100	5,815	5,315
Income taxes		721	811	549
Current provisions and other liabilities	22.2	6,701	6,316	5,967
Current liabilities		**26,556**	**23,669**	**23,227**
Total liabilities and equity		**111,009**	**97,905**	**80,514**

(a) 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 2019 consolidated financial statements 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				Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments		Group share	Minority interests	Total
Notes		16.1	16.1	16.3	16.5							18	
As of December 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 Financière Agache 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 December 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 Financière Agache 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 December 31, 2019	**3,173,352**	**51**	**442**	**(6)**	**354**	**2,256**	**(45)**	**467**	**(90)**	**8,454**	**11,883**	**24,787**	**36,670**
Gains and losses recognized in equity					(646)	534	(72)	-	(5)	77	(112)	(1,106)	(1,218)
Net profit										1,913	1,913	3,040	4,953
Comprehensive income					**(646)**	**534**	**(72)**	**-**	**(5)**	**1,989**	**1,801**	**1,934**	**3,735**
Expenses related to bonus share and similar plans										26	26	36	62
(Acquisition)/disposal of Financière Agache treasury shares										-	-	-	-
Capital increase in subsidiaries										-	-	54	54
Interim and final dividends paid										(63)	(63)	(1,731)	(1,794)
Changes in control of consolidated entities										(13)	(13)	(11)	(24)
Acquisition and disposal of minority interests' shares					-	-	-	-	-	(104)	(104)	(32)	(136)
Purchase commitments for minority interests' shares										80	80	(107)	(27)
As of December 31, 2020	**3,173,352**	**51**	**442**	**(6)**	**(292)**	**2,790**	**(117)**	**467**	**(95)**	**10,369**	**13,610**	**24,930**	**38,540**

(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 to the 2019 consolidated financial statements.

5. Consolidated cash flow statement

(EUR millions)	Notes	2020	2019	2018[(a)]
I. OPERATING ACTIVITIES				
Operating profit		7,963	11,255	9,874
Adjustment for income/(loss) and dividends received from commercial joint ventures and associates	8	64	(10)	5
Net increase in depreciation, amortization and provisions		3,478	2,700	2,278
Depreciation of right-of-use assets	7.1	2,572	2,408	-
Other adjustments and computed expenses		(99)	(268)	(217)
Cash from operations before changes in working capital		**13,979**	**16,085**	**11,940**
Cost of net financial debt: interest paid		(83)	(198)	(191)
Lease liabilities: interest paid		(290)	(239)	-
Tax paid on operating activities		(2,414)	(2,851)	(2,301)
Change in working capital	15.2	(413)	(1,173)	(1,105)
Net cash from operating activities		**10,779**	**11,624**	**8,343**
II. INVESTING ACTIVITIES				
Operating investments	15.3	(2,477)	(3,332)	(3,038)
Purchase and proceeds from sale of consolidated investments	2.4	(616)	(2,478)	(17)
Dividends received		13	8	38
Tax paid related to non-current available for sale financial assets and consolidated investments		(8)	(1)	(145)
Purchase and proceeds from sale of non-current available for sale financial assets	9	(439)	(157)	(413)
Net cash from/(used in) investing activities		**(3,527)**	**(5,960)**	**(3,575)**
III. FINANCING ACTIVITIES				
Interim and final dividends paid	15.4	(2,021)	(2,840)	(2,226)
Purchase and proceeds from sale of minority interests	2.4	(183)	(390)	(921)
Other equity-related transactions	15.4	40	57	41
Proceeds from borrowings	19	17,762	2,840	1,554
Repayment of borrowings	19	(5,800)	(8,155)	(2,676)
Loans to and receivables from affiliated companies	19	150	241	151
Repayment of lease liabilities	7.2	(2,302)	(2,187)	-
Purchase and proceeds from sale of current available for sale financial assets	14	292	1,969	348
Net cash from/(used in) financing activities		**7,937**	**(8,466)**	**(3,729)**
IV. EFFECT OF EXCHANGE RATE CHANGES		**(1,052)**	**39**	**67**
Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)		**14,136**	**(2,762)**	**1,106**
Cash and cash equivalents at beginning of period	15.1	**6,175**	**8,937**	**7,831**
Cash and cash equivalents at end of period	15.1	**20,311**	**6,175**	**8,937**
Total tax paid		**(2,658)**	**(3,019)**	**(2,514)**

(a) 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 2019 consolidated financial statements 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)	2020	2019	2018
Net cash from operating activities	10,779	11,624	8,343
Operating investments	(2,477)	(3,332)	(3,038)
Repayment of lease liabilities	(2,302)	(2,187)	-
Operating free cash flow[(a)]	**6,000**	**6,105**	**5,305**

(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".

6. Notes to the consolidated financial statements

Note 1. Accounting policies

1.1 General framework and environment

The consolidated financial statements for fiscal year 2020 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2020.

These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for fiscal year 2020 were approved by the Board of Directors on April 9, 2021.

1.2 Changes in the accounting framework applicable to the Group

The amendment to IFRS 16 on the recognition of rent concessions granted by lessors in connection with the Covid-19 pandemic, issued by the IASB in May 2020 and adopted by the European Union in October 2020, has been applied by the Group as from January 1, 2020. This amendment makes it easier for lessees to account for these concessions and allows them, under certain conditions, to recognize the resulting benefit directly in the income statement as a negative variable lease payment (see Note 7).

The application of other standards, amendments and interpretations that came into effect on January 1, 2020 did not have any significant impact on the Group's financial statements.

The Group will apply the amendments to IFRS 9 and IFRS 7 relating to the second phase of interest rate benchmark reform beginning in 2021, in line with the effective date established by the IASB. These amendments relate to the accounting impact of the replacement of interest rate benchmarks, which is expected to take place beginning in 2021.

1.3 Impact of the Covid-19 pandemic on the consolidated financial statements

The Covid-19 pandemic and the measures taken by various governments to fight it severely disrupted the Group's operations during the fiscal year and significantly affected the annual financial statements. The closure of stores and production facilities in most countries for a number of months, along with the halt in international travel, were responsible for the reduction in revenue and, consequently, the deterioration in profitability across all the business groups. The impact of the crisis on the Group's results is discussed in detail in the "Business review and comments on the consolidated financial statements" section.

The assumptions and estimates used as a basis for measuring certain balance sheet and income statement items were updated in light of the crisis. This concerned the following topics:

- valuation of intangible assets: impairment tests were run (see Note 5);
- all of the Maisons took steps to renegotiate their leases in order to optimize their lease expenses. The lease concessions thus obtained during the fiscal year were recognized as a deduction to "Marketing and selling expenses" (see Note 7);
- valuation of purchase commitments for minority interests' shares: this valuation takes into account the latest market data and EBITDA forecasts. The change in these metrics led to a slight increase in the associated liability (see Note 21);
- costs arising from lower activity levels were excluded from the valuation of inventories as of December 31, 2020;
- provisions for inventory impairment were updated to reflect slower inventory turnover and more limited sales prospects for seasonal products (see Note 11);
- where applicable, provisions for impairment of trade accounts receivable included the impact of adjustments for the probability of default and the extent of losses anticipated following changes to coverage levels, by credit insurance in particular, as well as the stimulus measures taken by different governments, from which the Group's clients benefited (see Note 12). In particular, the bankruptcy proceedings initiated by certain distribution groups in the United States were taken into account;
- payments received or receivable from social security systems or government agencies in respect of measures to safeguard the economy: such payments were deducted from the expenses in respect of which the payments were obtained, in compliance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. If these measures took the form of an income tax reduction, the amounts were deducted from the tax expense, in compliance with IAS 12. These measures were mainly aimed at protecting jobs and essentially concerned certain Group subsidiaries in Europe, North America and Asia;
- the portfolio of derivatives used to hedge commercial transactions and the hedging policy were adjusted to take into account the most recent budget forecasts (see Note 23). The impact of these adjustments was not significant as of December 31, 2020;
- deferred tax assets on tax losses were reassessed taking into account earnings forecasts for the entities concerned. No significant impairment expense was recognized in respect of losses recorded in fiscal year 2020 or prior periods.

The Group's access to liquidity was preserved through its short-term negotiable debt securities programs; its EMTN program, through which a number of bond issues were carried out during the fiscal year; and a significant reserve of undrawn confirmed credit lines. See also Note 19.5.

1.4 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".

1.5 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 distort 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 in "Net cash from operating activities" for dividends from commercial joint ventures and associates, and in "Net cash from financial investments" for dividends from non-operating joint ventures and associates and from unconsolidated entities;
- tax paid is presented according to the nature of the transaction from which it arises, thus in "Net cash from operating activities" for the portion attributable to operating transactions; in "Net cash from financial investments" for the portion attributable to transactions in available for sale financial assets, notably tax paid on gains from their sale; and in "Net cash from transactions relating to equity" for the portion attributable to transactions in equity, notably distribution taxes arising on the payment of dividends.

1.6 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 1.13 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 1.18 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.

1.7 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 1.27).

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.

1.8 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".

1.9 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. 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 1.10) 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 receivables and payables;
- for hedges relating to the acquisition of fixed assets: within equity under "Revaluation reserves" for hedges of future cash flows; this amount is transferred to the asset side of the balance sheet, as part of the initial cost of the hedged item when accounting for the latter, and then to the income statement in the event of the disposal or impairment of the hedged item;
- 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 1.22 for the definition of the concepts of effective and ineffective portions.

1.10 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 1.14.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.18.	Note 11
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.23.	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 1.22.	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 1.13.	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 1.17.	Note 9, Note 14
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.20.	Note 15

No other assets or liabilities have been remeasured at market value at the balance sheet date.

1.11 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 finite 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 finite useful lives range from 5 to 20 years, depending on their anticipated period of use.

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.16.

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 are amortized over the life of the agreements, depending on how the rights are used;
- development expenditure is amortized over 3 years at most;
- software and websites are amortized over 1 to 5 years.

1.12 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 1.16. Any impairment expense recognized is included within "Other operating income and expenses".

1.13 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.

1.14 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. For leased assets, the depreciation period cannot be longer than that used for the calculation of the lease liability.

The estimated useful lives are as follows:

- 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.

1.15 Leases

The Group has applied IFRS 16 Leases since January 1, 2019. The initial application was carried out using the "modified retrospective" approach to transition. See Note 1.2 to the 2019 consolidated financial statements for details of this initial application procedure for IFRS 16 and the impact of its initial application on the 2019 financial statements.

When entering into a lease, a liability is 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 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 options, except in special circumstances. When leases contain extension options, the term used for the calculation of the liability may include these periods, mainly when the anticipated period of use of the fixed assets, whether under a new or existing lease, is greater than the initial contractual lease term.

The lease term to be used in accounting for lease liabilities when the underlying assets are capitalized even though the obligation to make lease payments covers a period of less than 12 months is consistent with the anticipated period of use of the invested assets. Most often, this involves leases for retail locations that are automatically renewable on an annual basis.

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 currency of the lease, with reference to its term, and the Group's credit risk for this same currency and over the same term.

Leasehold rights and property, plant and equipment related to restoration obligations for leased facilities are presented within "Right-of-use assets" and subject to depreciation under the same principles as those described above.

The Group has implemented a dedicated IT solution to gather lease data and run the calculations required by the standard.

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" is presented in the cash flow statement.

1.16 Impairment testing of fixed assets

Property, plant and equipment, intangible assets, and all leased 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 forecast data required for the discounted cash flow method is based on 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.

1.17 Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their type.

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 13) 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 1.20).

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.

1.18 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.

1.19 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.

1.20 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)".

1.21 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 1.25 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.

1.22 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 1.10 regarding 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.

1.23 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 1.9 in the case of foreign exchange hedges and as described in Note 1.22 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 12 months are disclosed as non-current assets and liabilities.

1.24 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.

1.25 Pensions, contribution to medical costs and other employee benefit commitments

When plans related to retirement bonuses, pensions, contributions to medical costs, or other employee benefit commitments entail the payment by the Group of contributions to third-party organizations that assume sole responsibility for subsequently paying such retirement bonuses, 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, or other employee benefit 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.

1.26 Current and deferred tax

The tax expense comprises current tax payable by consolidated companies, deferred tax resulting from temporary differences, and 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.

1.27 Revenue recognition

Definition of revenue

Revenue mainly comprises retail sales within the Group's store network (including e-commerce websites) and wholesale 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 mostly 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 companies 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.

1.28 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.

1.29 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.

1.30 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 applicable, 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 2020

On September 24, 2020, Financière Agache acquired a direct stake of around 27% in Lagardère Capital, which is accounted for using the equity method (see Note 8). In connection with this transaction, Financière Agache declared that it was acting in concert with Lagardère Capital and other related persons with regard to Lagardère SCA.

In addition, Financière Agache acquired a direct stake in Lagardère SCA and holds 7.75% of this company's share capital (see Note 9).

There were no other significant changes in ownership interests in consolidated entities during the fiscal year.

See Note 31 "Off-balance sheet commitments" and Note 34 "Subsequent events" regarding the acquisition of Tiffany & Co., which was completed in January 2021.

2.2 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 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 December 31, 2019**	**Change**	**Final allocation as of June 30, 2020**
Brands and other intangible assets	147	-	147
Property, plant and equipment	2,312	-	2,312
Other current and non-current assets	311	27	338
Net financial debt	(604)	-	(604)
Deferred tax	(434)	4	(430)
Current and non-current liabilities	(366)	(43)	(409)
Minority interests	(1)	-	(1)
Net assets acquired	**1,365**	**(12)**	**1,353**
Goodwill	888	12	900
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. 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.

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.

2.3 Fiscal year 2018

In 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".

2.4 Impact on net cash and cash equivalents of changes in ownership interests in consolidated entities

(EUR millions)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Purchase price of consolidated investments and of minority interests' shares	(987)	(3,165)	(1,279)
Positive cash balance/(net overdraft) of companies acquired	-	128	4
Proceeds from sale of consolidated investments	206	171	337
(Positive cash balance)/net overdraft of companies sold	(18)	(2)	-
Impact of changes in ownership interests in consolidated entities on net cash and cash equivalents	**(799)**	**(2,868)**	**(938)**
Of which: Purchase and proceeds from sale of consolidated investments	*(616)*	*(2,478)*	*(17)*
Purchase and proceeds from sale of minority interests	*(183)*	*(390)*	*(921)*

In 2020, the impact on net cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from foreign exchange hedges implemented in anticipation of the acquisition of Tiffany & Co. It also included acquisitions of LVMH shares by Group companies and the impact of the LVMH liquidity contract.

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. It also included LVMH SE's capital increases reserved for recipients of share subscription options and the impact of the LVMH liquidity contract.

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 and the impact of the LVMH liquidity contract.

Note 3. Brands, trade names and other intangible assets

(EUR millions)	December 31, 2020			Dec. 31, 2019	Dec. 31, 2018[a]
	Gross	Amortization and impairment	Net	Net	Net
Brands	13,340	(628)	12,711	12,710	12,570
Trade names	3,614	(1,484)	2,130	2,303	2,265
License rights	74	(28)	46	34	-
Software, websites	2,388	(1,722)	665	650	544
Other	982	(556)	425	473	832
Total	**20,397**	**(4,419)**	**15,978**	**16,169**	**16,211**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

3.1 Changes during the fiscal year

The net amounts of brands, trade names and other intangible assets changed as follows during fiscal year 2020:

Gross value *(EUR millions)*	Brands	Trade names	Software, websites	Other intangible assets	Total
As of December 31, 2019	**13,336**	**3,920**	**2,258**	**1,107**	**20,621**
Acquisitions	-	-	194	286	480
Disposals and retirements	-	-	(170)	(90)	(261)
Changes in the scope of consolidation	(22)	-	1	2	(19)
Translation adjustment	(43)	(306)	(65)	(17)	(432)
Reclassifications	68	-	170	(231)	6
As of December 31, 2020	**13,339**	**3,614**	**2,388**	**1,056**	**20,397**

Amortization and impairment *(EUR millions)*	Brands	Trade names	Software, websites	Other intangible assets	Total
As of December 31, 2019	**(627)**	**(1,617)**	**(1,608)**	**(600)**	**(4,452)**
Amortization expense	(24)	(1)	(329)	(129)	(483)
Impairment expense	(32)	-	-	(1)	(33)
Disposals and retirements	-	-	172	87	259
Changes in the scope of consolidation	36	-	(1)	(1)	34
Translation adjustment	18	134	44	8	204
Reclassifications	1	-	(1)	52	51
As of December 31, 2020	**(628)**	**(1,484)**	**(1,723)**	**(585)**	**(4,419)**
Carrying amount as of December 31, 2020	**12,711**	**2,130**	**665**	**472**	**15,978**

3.2 Changes during prior fiscal years

Carrying amount *(EUR millions)*	**Brands**	**Trade names**	**Software, websites**	**Leasehold rights and *fonds de commerce* business assets**	**Other intangible assets**	**Total**
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**
Impact of changes in accounting standards[(a)]	-	-	-	(438)	59	(379)
As of January 1, 2019, after restatement	**12,570**	**2,265**	**544**	**-**	**453**	**15,832**
Acquisitions	-	-	225	-	303	528
Disposals and retirements	-	-	(2)	-	-	(2)
Changes in the scope of consolidation	140	-	1	-	44	185
Amortization expense	(17)	(1)	(267)	-	(137)	(421)
Impairment expense	(54)	-	-	-	4	(50)
Translation adjustment	70	39	5	-	6	120
Reclassifications	-	-	144	-	(166)	(22)
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 to the 2019 consolidated financial statements.

3.3 Brands and trade names

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

(EUR millions)			**December 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
	Gross	**Amortization and impairment**	**Net**	**Net**	**Net**
Wines and Spirits	2,866	(132)	2,734	2,691	2,677
Fashion and Leather Goods	5,005	(212)	4,792	4,821	4,826
Perfumes and Cosmetics	1,357	(69)	1,287	1,291	1,297
Watches and Jewelry	3,698	(92)	3,606	3,599	3,560
Selective Retailing	3,566	(1,437)	2,130	2,303	2,265
Other activities	462	(171)	292	308	210
Brands and trade names	**16,954**	**(2,112)**	**14,841**	**15,013**	**14,835**

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2020, the principal acquired brands and trade names were:

- Wines and Spirits: Hennessy, Moët & Chandon, Dom Pérignon, Veuve Clicquot, Krug, Château d'Yquem, Belvedere, Glenmorangie, Newton Vineyards, Bodega Numanthia and Château d'Esclans;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Celine, Loewe, Givenchy, Kenzo, 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 Echos-Investir, the daily newspaper Le Parisien-Aujourd'hui en France, the Royal Van Lent-Feadship brand, La Samaritaine, the Belmond hotel group 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 1.4.

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

Note 4. Goodwill

(EUR millions)	December 31, 2020			Dec. 31, 2019	Dec. 31, 2018
	Gross	**Impairment**	**Net**	**Net**	**Net**
Goodwill arising on consolidated investments	9,990	(1,722)	8,268	8,545	7,477
Goodwill arising on purchase commitments for minority interests' shares	6,597	-	6,597	6,312	5,073
Total	**16,587**	**(1,722)**	**14,865**	**14,857**	**12,550**

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

(EUR millions)	December 31, 2020			Dec. 31, 2019	Dec. 31, 2018
	Gross	**Impairment**	**Net**	**Net**	**Net**
As of January 1	**16,538**	**(1,680)**	**14,857**	**12,550**	**12,660**
Changes in the scope of consolidation	(72)	46	(27)	1,032	45
Changes in purchase commitments for minority interests' shares	278	-	278	1,247	(126)
Changes in impairment	-	(178)	(178)	(22)	(100)
Translation adjustment	(157)	90	(67)	50	71
As of December 31	**16,587**	**(1,722)**	**14,865**	**14,857**	**12,550**

See Note 21 for goodwill arising on purchase commitments for minority interests' shares.

Changes in the scope of consolidation during fiscal year 2019 mainly resulted from the acquisition of Belmond. See Note 2.

Note 5. Impairment testing of intangible assets with indefinite useful lives

The Covid-19 pandemic severely disrupted production and commercial operations, leading to a substantial decrease in the Group's revenue and profit from recurring operations in 2020. Nevertheless, although the effects of the decrease in levels of business travel and tourism will still be felt for some time, the Group believes that its activities will not be significantly affected over the long term.

For the purposes of preparing the financial statements for the fiscal year ended December 31, 2020, the business segments that are most sensitive to negative changes in the market environment have been identified. For these segments, multi-year plans drawn up previously have been adjusted to take into account the reduced business activity observed in 2020, as well as a scenario in which business activity returns to its 2019 level between 2022 and 2024, depending on the type of activity. For the other business segments, as the results of the impairment tests performed in 2019 were not called into question by the developments noted over the course of 2020, they were therefore reapplied, taking into account in particular the significant differences between recoverable and carrying amounts for intangible assets with indefinite useful lives.

As described in Note 1.16, 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 the forecast cash flows in the context of multi-year business plans are as follows:

Business group (as %)	December 31, 2020				December 31, 2019			December 31, 2018		
	Discount rate		Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan
	Post-tax	Pre-tax								
Wines and Spirits	6.0 to 10.8	8.1 to 14.6	5.8	2.0	6.0 to 10.8	5.8	2.0	6.5 to 11.0	5.7	2.0
Fashion and Leather Goods	7.1 to 9.6	9.6 to 13.0	10.5	2.0	7.1 to 9.6	10.4	2.0	8.0 to 10.5	9.7	2.0
Perfumes and Cosmetics	6.5 to 9.2	8.8 to 12.4	9.1	2.0	6.5 to 9.2	9.1	2.0	7.4 to 10.1	8.9	2.0
Watches and Jewelry	7.5 to 8.9	10.1 to 12.0	9.4	2.0	7.5 to 8.9	9.2	2.0	9.0 to 10.4	8.3	2.0
Selective Retailing	7.0 to 8.9	9.5 to 12.0	8.0	2.0	7.0 to 8.8	8.2	2.0	7.3 to 9.4	9.8	2.0
Other	6.0 to 9.0	8.1 to 12.1	6.6	2.0	6.0 to 7.5	2.3	2.0	6.5 to 9.3	4.5	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.

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

As of December 31, 2020, 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	391	2,450	7.1	2.0	5 years
Loro Piana[(a)]	1,300	1,048	2,348	N/A	N/A	N/A
Fendi	713	405	1,117	8.4	2.0	5 years
Bvlgari	2,100	1,547	3,647	7.5	2.0	5 years
TAG Heuer	1,148	218	1,366	7.5	2.0	5 years
DFS *Galleria*	1,865	-	1,865	8.8	2.0	5 years
Belmond	126	900	1,026	9.0	2.0	10 years
Hennessy	1,067	53	1,120	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, 2020, three business segments disclosed intangible assets with a carrying amount close to their recoverable amount (including two for which the net carrying amounts of intangible assets with indefinite useful lives are significant). 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, 2020 and the impairment loss that would result from a 1.0-point change in the post-tax discount rate or in the growth rate for the period not covered by the plans, or from a 4-point decrease in the compound annual growth rate for revenue compared to rates used as of December 31, 2020, break down as follows:

(EUR millions)	Amount of intangible assets concerned as of December 31, 2020	Amount of impairment if:		
		Post-tax discount rate increases by 1.0 point	Annual growth rate for revenue decreases by 4.0 points	Growth rate for the period after the plan decreases by 1.0 point
Watches and Jewelry	1,366	(171)	(179)	(130)
Other business groups	1,225	(41)	(143)	-
Total	**2,591**	**(212)**	**(322)**	**(130)**

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.

As of December 31, 2020, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or impairment charges in 2020 were 1,831 million euros and 1,328 million euros, respectively (325 million euros and 37 million euros as of December 31, 2019).

Impairment expenses recognized during fiscal year 2020 came to 235 million euros. See Note 26.

Note 6. Property, plant and equipment

(EUR millions)	December 31, 2020			Dec. 31, 2019	Dec. 31, 2018[(a)]
	Gross	Depreciation and impairment	Net	Net	Net
Land	3,957	(19)	3,938	3,863	2,265
Vineyard land and producing vineyards[(b)]	2,668	(117)	2,551	2,537	2,473
Buildings	5,640	(2,235)	3,405	3,120	2,189
Investment property	368	(35)	333	336	617
Leasehold improvements, machinery and equipment	14,432	(9,973)	4,459	4,717	4,078
Assets in progress	1,181	(5)	1,176	1,650	1,237
Other property, plant and equipment	2,318	(555)	1,763	1,706	1,616
Total	**30,564**	**(12,939)**	**17,626**	**17,929**	**14,475**
Of which: Historical cost of vineyard land and producing vineyards	*601*	*-*	*601*	*587*	*576*

(a) 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 2019 consolidated financial statements 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:

Gross value *(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, 2019	**2,655**	**9,130**	**375**	**9,801**	**2,964**	**1,478**	**1,652**	**2,229**	**30,284**
Acquisitions	19	295	1	464	135	91	911	67	1,984
Change in the market value of vineyard land	(3)	-	-	-	-	-	-	-	(3)
Disposals and retirements	(11)	(79)	(4)	(400)	(63)	(86)	(5)	(27)	(676)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Translation adjustment	(14)	(314)	(7)	(503)	(35)	(55)	(31)	(32)	(991)
Other movements, including transfers	23	566	2	404	97	138	(1345)	82	(33)
As of December 31, 2020	**2,668**	**9,597**	**368**	**9,767**	**3,098**	**1,566**	**1,181**	**2,318**	**30,564**

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, 2019	**(118)**	**(2,146)**	**(39)**	**(6,586)**	**(1,949)**	**(992)**	**(2)**	**(524)**	**(12,355)**
Depreciation expense	(6)	(238)	(2)	(1,024)	(211)	(149)	-	(75)	(1,706)
Impairment expense	(2)	(10)	-	(3)	(2)	-	(5)	(3)	(26)
Disposals and retirements	9	67	-	395	55	84	-	29	639
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Translation adjustment	1	75	-	347	18	42	-	18	502
Other movements, including transfers	(1)	(1)	6	62	2	(62)	1	1	8
As of December 31, 2020	**(117)**	**(2,254)**	**(35)**	**(6,810)**	**(2,087)**	**(1,076)**	**(5)**	**(555)**	**(12,939)**
Carrying amount as of December 31, 2020	**2,551**	**7,343**	**333**	**2,957**	**1,012**	**490**	**1,176**	**1,763**	**17,626**

"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 and Christian Dior Couture – 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.

The impact of marking vineyard land to market was 1,824 million euros as of December 31, 2020 (1,836 million euros as of December 31, 2019 and 1,793 million euros as of December 31, 2018). See Notes 1.10 and 1.14 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, 2020, at the level of LVMH. The valuation methods used are based on market data.

6.2 Changes during prior fiscal years

Changes in property, plant and equipment during prior fiscal years broke down as follows:

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, 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**
Impact of changes in accounting standards[(a)]		(260)	-	(61)	(22)	(9)	(4)	1	(355)
As of January 1, 2019	**2,473**	**4,194**	**617**	**2,664**	**924**	**398**	**1,233**	**1,617**	**14,120**
Acquisitions	11	260	15	806	165	143	1,375	124	2,899
Disposals and retirements	-	(8)	(23)	(1)	(1)	(2)	(8)	8	(35)
Depreciation expense	(6)	(213)	(5)	(1,030)	(189)	(144)	-	(68)	(1,655)
Impairment expense	-	62	(1)	(5)	(2)	-	(16)	-	38
Change in the market value of vineyard land	42	-	-	-	-	-	-	-	42
Changes in the scope of consolidation	15	2,117	-	218	8	-	22	8	2,388
Translation adjustment	1	64	8	53	5	4	8	4	146
Other, including transfers	1	506	(275)	512	106	87	(964)	13	(14)
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 to the 2019 consolidated financial statements.

Purchases of property, plant and equipment in fiscal years 2019 and 2018 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:

(EUR millions)			December 31, 2020	Dec. 31, 2019	Jan. 1, 2019
	Gross	Depreciation and impairment	Net	Net	Net
Stores	13,577	(3,523)	10,054	9,861	9,472
Offices	1,931	(498)	1,433	1,436	1,332
Other	922	(200)	722	749	718
Capitalized fixed lease payments	**16,429**	**(4,222)**	**12,207**	**12,047**	**11,522**
Leasehold rights	782	(474)	308	362	345
Total	**17,211**	**(4,696)**	**12,515**	**12,409**	**11,867**

The net amounts of right-of-use assets changed as follows during the fiscal year:

Gross value *(EUR millions)*	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
As of December 31, 2019	**11,817**	**1,724**	**860**	**14,402**	**738**	**15,140**
New leases entered into	2,112	417	115	2,643	7	2,650
Changes in assumptions	931	(84)	11	858	-	858
Leases ended or canceled	(475)	(76)	(39)	(590)	(8)	(598)
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	(795)	(58)	(44)	(897)	(11)	(908)
Other movements, including transfers	(13)	8	19	14	56	70
As of December 31, 2020	**13,577**	**1,931**	**922**	**16,429**	**782**	**17,211**

Depreciation and impairment *(EUR millions)*	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
As of December 31, 2019	**(1,956)**	**(288)**	**(111)**	**(2,355)**	**(376)**	**(2,731)**
Depreciation expense	(2,111)	(286)	(117)	(2,514)	(54)	(2,568)
Impairment expense	1	(2)	-	(1)	(3)	(4)
Leases ended or canceled	344	64	22	430	7	437
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	195	17	7	219	5	224
Other movements, including transfers	2	(3)	-	(1)	(53)	(54)
As of December 31, 2020	**(3,523)**	**(498)**	**(200)**	**(4,222)**	**(474)**	**(4,696)**
Carrying amount as of December 31, 2020	**10,054**	**1,433**	**722**	**12,207**	**308**	**12,515**

"New leases entered into" mainly involved store leases, in particular for Louis Vuitton, Sephora, Christian Dior Couture, Fendi and Loro Piana. They also included leases of office space, mainly for Wines and Spirits and Benefit Cosmetics. Changes in assumptions mainly related to the exercise of options to extend existing leases, in particular for DFS and Christian Dior. These two types of changes led to corresponding increases in right-of-use assets and lease liabilities.

7.2 Lease liabilities

Lease liabilities break down as follows:

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Jan. 1, 2019
Non-current lease liabilities	10,665	10,373	9,679
Current lease liabilities	2,163	2,172	2,149
Total	**12,829**	**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 December 31, 2019	**10,264**	**1,532**	**749**	**12,545**
New leases entered into	2,082	405	112	2,600
Principal repayments	(1,911)	(250)	(113)	(2,275)
Change in accrued interest	(12)	2	2	(8)
Leases ended or canceled	(138)	(10)	(9)	(158)
Changes in assumptions	911	(84)	11	837
Changes in the scope of consolidation	-	-	-	-
Translation adjustment	(629)	(46)	(33)	(708)
Other movements, including transfers	(13)	7	1	(5)
As of December 31, 2020	**10,556**	**1,555**	**718**	**12,829**

The following table presents the contractual schedule of disbursements for lease liabilities as of December 31, 2020:

(EUR millions)		As of December 31, 2020 Total minimum future payments
Maturity:	2021	2,388
	2022	2,065
	2023	1,791
	2024	1,552
	2025	1,318
	Between 2026 and 2030	3,560
	Between 2031 and 2035	778
	Thereafter	1,009
Total minimum future payments		**14,461**
Impact of discounting		(1,632)
Total lease liability		**12,829**

7.3 Breakdown of lease expense

The lease expense for the fiscal year breaks down as follows:

(EUR millions)	2020	2019
Depreciation and impairment of right-of-use assets	2,572	2,407
Interest on lease liabilities	281	290
Capitalized fixed lease expense	**2,853**	**2,697**
Variable lease payments	755	1,595
Short-term leases and/or low-value leases	320	376
Other lease expenses	**1,075**	**1,971**
Total	**3,928**	**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. “Other lease expenses” mainly relate to variable lease payments.

In 2020, apart from the consequences of the decline in activity levels in connection with the Covid-19 pandemic, the expense for variable lease payments reflects the 548 million euro impact of rent concessions from lessors, in accordance with the provisions set out in the amendment to IFRS 16 adopted in 2020 (see Note 1.2).

For leases not required to be capitalized, there is little difference between the expense recognized and the payments made.

7.4 Changes during the previous fiscal year

The change in right-of-use assets during the previous fiscal year breaks down as follows, by type of underlying asset:

Carrying amount *(EUR millions)*	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
As of January 1, 2019	**9,471**	**1,331**	**718**	**11,520**	**344**	**11,864**
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	(138)	(6)	(9)	(153)	(12)	(165)
Depreciation expense	(1,970)	(274)	(108)	(2,352)	(53)	(2,405)
Impairment expense	-	(7)	-	(7)	5	(2)
Changes in the scope of consolidation	22	5	36	64	(4)	61
Translation adjustment	194	16	12	222	4	226
Other movements, including transfers	9	(27)	3	(15)	13	(2)
As of December 31, 2019	**9,861**	**1,436**	**749**	**12,047**	**362**	**12,409**

The change in lease liabilities during the previous 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**

7.5 Off-balance sheet commitments

Off-balance sheet commitments relating to leases with fixed lease payments break down as follows:

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019
Contracts commencing after the balance sheet date	1,324	1,592
Low-value leases and short-term leases	180	195
Total undiscounted future payments	**1,504**	**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.

7.6 Discount rates

(as %)	Average rate for leases in effect as of December 31, 2020	Average rate for leases entered into in 2020
Euro	0.6	0.3
US dollar	3.1	2.0
Japanese yen	0.6	0.2
Hong Kong dollar	2.6	1.9
Other currencies	2.4	2.2
Average rate for the Group	**2.0**	**1.1**

7.7 Termination and renewal options

The term used to calculate the lease liability is generally the contractual term of the lease. Special cases may exist where an early termination option or a renewal option is reasonably certain to be exercised, and as such the lease term used to calculate the lease liability is reduced or extended, respectively.

The table below presents the impact of these assumptions on lease liabilities recognized as of December 31, 2020:

(EUR millions)	As of December 31, 2020				
	Lease liabilities	*Of which:*		**Impact of options not taken into account[a]**	
		Impact of early termination options	*Impact of renewal options*	**Renewal options**	**Early termination options**
Lease liabilities related to contracts:					
– with options	5,858	*(51)*	*1,767*	1,581	(938)
– without options	6,971				
Total	**12,829**	***(51)***	***1,767***	**1,581**	**(938)**

(a) The impact of options not taken into account presented in the table above was calculated by discounting future lease payments on the basis of the last known contractual term.

Note 8. Investments in joint ventures and associates

(EUR millions)	December 31, 2020				December 31, 2019		December 31, 2018	
	Gross	**Impairment**	**Net**	*Of which: Joint arrangements*	**Net**	*Of which: Joint arrangements*	**Net**	*Of which: Joint arrangements*
Share of net assets of joint ventures and associates as of January 1	**2,903**	**-**	**2,903**	***287***	**1,724**	***117***	**157**	***112***
Share of net profit/(loss) for the period	(25)	-	(25)	*(13)*	69	*11*	47	*12*
Dividends paid during the period	(24)	-	(24)	*(12)*	(20)	*(9)*	(28)	*(9)*
Changes in the scope of consolidation	80	-	80	*-*	415	*163*	(10)	*2*
Capital increases subscribed	10	-	10	*7*	5	*2*	3	*1*
Translation adjustment	(34)	-	(34)	*(14)*	5	*-*	7	*-*
Revaluation adjustments	435	-	435	*-*	702	*-*	44	*-*
Other, including transfers	6	-	6	*9*	3	*3*	4	*(1)*
Share of net assets of joint ventures and associates as of December 31	**3,352**	**-**	**3,352**	***264***	**2,903**	***287***	**1,724**	***117***

As of December 31, 2020, 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 SE;

- a stake of around 27% in Lagardère Capital, which holds 7.26% of Lagardère SCA and 99.88% of Arjil Commanditée-Arco, which acts as Managing General Partner of Lagardère SCA;
- 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.

Repossi – an Italian jewelry brand in which the Group acquired 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 to 68.9%.

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)	**2020**	**2019**	**2018**
As of January 1	**1,281**	**1,356**	**1,038**
Acquisitions	672	216	490
Disposals at net realized value	(224)	(76)	(72)
Changes in market value[(a)]	81	56	(108)
Changes in the scope of consolidation	-	-	-
Translation adjustment	(27)	6	17
Reclassifications[(b)]	(133)	(276)	(9)
As of December 31	**1,650**	**1,281**	**1,356**

(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) See Note 14.

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.10; see also Note 23.2 for the breakdown of these assets according to the measurement methods used.

Reclassifications mainly related to non-current available for sale financial assets used to hedge financial debt maturing in less than one year.

Acquisitions in fiscal years 2020 and 2019 included, for 342 and 126 million euros, respectively, 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.

Note 10. Other non-current assets

(EUR millions)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018[(a)]**
Warranty deposits	409	429	379
Derivatives (see Note 23)	110	782	257
Loans and receivables	295	308	303
Other	46	45	46
Total	**861**	**1,564**	**985**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Note 11. Inventories and work in progress

(EUR millions)			2020	2019	2018
	Gross	Impairment	Net	Net	Net
Wines and eaux-de-vie in the process of aging	5,337	(24)	5,313	5,017	4,784
Other raw materials and work in progress	2,284	(551)	1,732	1,900	1,700
	7,621	**(575)**	**7,046**	**6,917**	**6,484**
Goods purchased for resale	2,178	(234)	1,945	2,382	2,266
Finished products	5,597	(1,333)	4,264	4,611	3,910
	7,775	**(1,567)**	**6,209**	**6,993**	**6,176**
Total	**15,396**	**(2,142)**	**13,255**	**13,910**	**12,660**

See Note 1.18.

The change in net inventories for the fiscal years presented breaks down as follows:

(EUR millions)			2020	2019	2018
	Gross	Impairment	Net	Net	Net
As of January 1	**15,730**	**(1,820)**	**13,910**	**12,660**	**11,045**
Change in gross inventories	607	-	607	1,622	1,739
Impact of provision for returns[(a)]	12	-	12	2	7
Impact of marking harvests to market	(27)	-	(27)	(6)	16
Changes in provision for impairment	-	(797)	(797)	(559)	(285)
Changes in the scope of consolidation	(2)	2	-	36	25
Translation adjustment	(537)	80	(457)	154	109
Other, including reclassifications	(386)	393	7	-	4
As of December 31	**15,396**	**(2,142)**	**13,255**	**13,910**	**12,660**

(a) See Note 1.27.

In fiscal year 2020, due to the Covid-19 pandemic, more limited sales prospects for inventories led to the recognition of a non-recurring impairment charge of around 190 million euros.

The impact of marking harvests to market on Wines and Spirits' cost of sales and value of inventory is as follows:

(EUR millions)	2020	2019	2018
Impact of marking the fiscal year's harvest to market	(7)	14	41
Impact of inventory sold during the fiscal year	(20)	(20)	(25)
Net impact on cost of sales for the fiscal year	**(27)**	**(6)**	**16**
Net impact on the value of inventory as of December 31	**93**	**120**	**126**

See Notes 1.10 and 1.18 on the method of marking harvests to market.

Note 12. Trade accounts receivable

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Trade accounts receivable, nominal amount	2,880	3,539	3,300
Provision for impairment	(124)	(89)	(78)
Net amount	**2,756**	**3,450**	**3,222**

The change in trade accounts receivable for the fiscal years presented breaks down as follows:

(EUR millions)			2020	2019	2018
	Gross	Impairment	Net	Net	Net
As of January 1	**3,539**	**(89)**	**3,450**	**3,222**	**2,736**
Changes in gross receivables	(528)	-	(528)	121	179
Changes in provision for impairment	-	(41)	(41)	(10)	(1)
Changes in provision for product returns[a]	-	-	-	-	7
Changes in the scope of consolidation	1	-	1	50	5
Translation adjustment	(151)	3	(148)	72	24
Reclassifications	19	3	22	(5)	272
As of December 31	**2,880**	**(124)**	**2,756**	**3,450**	**3,222**

(a) See Note 1.27.

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, 2020, 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	2,462	(24)	2,439
	– more than 3 months	81	(11)	70
		2,544	**(35)**	**2,509**
Overdue:	– less than 3 months	214	(10)	204
	– more than 3 months	123	(79)	43
		336	**(89)**	**247**
Total		**2,880**	**(124)**	**2,756**

For each of the fiscal years presented, no single customer accounted for more than 5% 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, 2020	Dec. 31, 2019	Dec. 31, 2018[a]
Current available for sale financial assets (see Note 14)	1,820	1,855	3,381
Derivatives (see Note 23)	972	180	123
Tax accounts receivable, excluding income taxes	958	1,057	895
Advances and payments on account to vendors	209	254	216
Prepaid expenses	387	455	430
Other receivables	579	591	749
Total	**4,925**	**4,392**	**5,794**

(a) 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 2019 consolidated financial statements 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:

Disposals at net realized value and repayments of term deposits[a]	2020	2019	2018
As of January 1	**1,855**	**3,381**	**3,752**
Acquisitions	636	231	601
Disposals at net realized value and repayments of term deposits[a]	(936)	(2,199)	(958)
Changes in market value[b]	142	442	(13)
Changes in the scope of consolidation	-	-	-
Translation adjustment	(7)	-	(1)
Reclassifications[c]	130	-	-
As of December 31	**1,820**	**1,855**	**3,381**
Of which: Historical cost of current available for sale financial assets	*1,149*	*1,094*	*3,024*

(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.
(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 Note 9.

Reclassifications mainly related to non-current available for sale financial assets used to hedge financial debt maturing in less than one year (see Note 9). These financial instruments, entered into in 2016 to hedge cash-settled convertible bonds, were partially repaid as of December 31, 2020, following the early conversion of the hedged bonds. See also Note 19.

The market value of current available for sale financial assets is determined using the methods described in Note 1.10.

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, 2020	Dec. 31, 2019	Dec. 31, 2018
Term deposits (less than 3 months)	13,546	879	654
SICAV and FCP funds	1,943	413	3,061
Ordinary bank accounts	4,978	5,059	5,420
Cash and cash equivalents per balance sheet	**20,468**	**6,351**	**9,135**

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, 2020	Dec. 31, 2019	Dec. 31, 2018
Cash and cash equivalents	20,468	6,351	9,135
Bank overdrafts	(156)	(176)	(198)
Net cash and cash equivalents per cash flow statement	**20,311**	**6,175**	**8,937**

15.2 Change in working capital

The change in working capital breaks down as follows for the fiscal years presented:

(EUR millions)	Notes	2020	2019	2018
Change in inventories and work in progress	11	(607)	(1,622)	(1,739)
Change in trade accounts receivable	12	528	(121)	(179)
Change in balance of amounts owed to customers	22	(10)	9	8
Change in trade accounts payable	22	(558)	463	714
Change in other receivables and payables		235	98	91
Change in working capital[a]		**(413)**	**(1,173)**	**(1,105)**

(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	2020	2019	2018[a]
Purchase of intangible assets	3	(480)	(528)	(537)
Purchase of property, plant and equipment	6	(1,984)	(2,899)	(2,590)
Change in accounts payable related to fixed asset purchases		(55)	163	137
Initial direct costs	7	(7)	(64)	-
Net cash used in purchases of fixed assets		**(2,526)**	**(3,328)**	**(2,990)**
Net cash from fixed asset disposals		52	29	10
Guarantee deposits paid and other cash flows related to operating investments		(3)	(33)	(58)
Operating investments[b]		**(2,477)**	**(3,332)**	**(3,038)**

(a) 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 2019 consolidated financial statements 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 equity-related transactions

Interim and final dividends paid comprise the following elements for the fiscal years presented:

	2020	2019	2018
Interim and final dividends paid by Financière Agache SA	(63)	(166)	(222)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(1,723)	(2,507)	(1,936)
Tax paid related to interim and final dividends paid	(235)	(167)	(68)
Interim and final dividends paid	**(2,021)**	**(2,840)**	**(2,226)**

Other equity-related transactions comprise the following elements for the fiscal years presented:

	Notes	2020	2019	2018
Capital increases of subsidiaries subscribed by minority interests		40	57	41
Acquisitions and disposals of Financière Agache treasury shares	16.3	-	-	-
Other equity-related transactions		**40**	**57**	**41**

Note 16. Equity

16.1 Equity

(EUR millions)	Notes	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018[(a)]
Share capital	16.2	51	51	51
Share premium account	16.2	442	442	442
Financière Agache treasury shares	16.3	(6)	(6)	(6)
Cumulative translation adjustment	16.5	(292)	354	233
Revaluation reserves		3,046	2,588	1,619
Other reserves		8,456	5,668	3,601
Net profit, Group share		1,912	2,786	2,499
Equity, Group share		**13,609**	**11,883**	**8,439**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

16.2 Share capital and share premium account

As of December 31, 2020, the share capital of Financière Agache SA consisted of 3,173,352 fully paid-up shares (3,173,352 as of both December 31, 2019 and December 31, 2018), with a par value of 16 euros per share, including 3,169,676 shares with double voting rights (3,169,653 as of December 31, 2019 and 3,169,549 as of December 31, 2018). 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, 2020	Dec. 31, 2019	Dec. 31, 2018
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, 2020, the distributable amount was 15,636 million euros.

(EUR millions, except for data per share in EUR)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Interim dividend for the current fiscal year (2020: 20.0 euros; 2019: 52.5 euros; 2018: 70.0 euros)	63	166	222
Impact of treasury shares	-	-	-
Gross amount disbursed for the fiscal year	**63**	**166**	**222**
Final dividend for the previous fiscal year	-	-	-
Impact of treasury shares	-	-	-
Gross amount disbursed for the previous fiscal year	**-**	**-**	**-**
Total gross amount disbursed during the fiscal year[(a)]	**63**	**166**	**222**

(a) Excluding the impact of tax regulations applicable to the recipient.

No final dividend in respect of fiscal year 2020 will be proposed at the Shareholders' Meeting of April 26, 2021.

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, 2020**	**Change**	**Dec. 31, 2019**	**Dec. 31, 2018**
US dollar	(354)	(499)	145	114
Swiss franc	323	7	316	263
Japanese yen	41	(11)	51	46
Hong Kong dollar	117	(42)	160	145
Pound sterling	(46)	(15)	(31)	(47)
Other currencies	(188)	(95)	(93)	(103)
Foreign currency net investment hedges[(a)]	(185)	9	(194)	(185)
Total, Group share	**(292)**	**(645)**	**354**	**233**

(a) Including: -51 million euros with respect to the US dollar (-60 million euros as of December 31, 2019 and -58 million euros as of December 31, 2018), -48 million euros with respect to the Hong Kong dollar (-48 million euros as of December 31, 2019 and December 31, 2018) and -86 million euros with respect to the Swiss franc (-86 million euros as of December 31, 2019 and -79 million euros as of December 31, 2018). 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, 2020 nor in any of the other fiscal years presented.

Expense for the fiscal year

Expenses for share purchase option, bonus share and performance share plans in respect of the fiscal years presented below were as follows:

(EUR millions)	**2020**	**2019**	**2018**
Expense for the fiscal year	**62**	**75**	**87**

See Note 1.29 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 427.80 euros for the plan dated October 22, 2020. The average unit value of provisionally allocated bonus shares during the 2020 fiscal year was 408.37 euros.

The performance condition for 2020 under the October 24, 2019 bonus share plan was not met. However, given the exceptional circumstances related to the Covid-19 pandemic, LVMH's Board of Directors, at its meeting on October 22, 2020, voted to modify this plan's vesting rules: vesting may only concern 50% of the number of shares initially granted, and will be subject to consolidated profit from recurring operations for fiscal year 2021 being at least equal to the level recorded in the budget approved by the Board of Directors.

For Christian Dior

No share purchase option, bonus share or performance share plans involving Christian Dior shares were set up in fiscal year 2020.

Note 18. Minority interests

(EUR millions)	**2020**	**2019**	**2018**
As of January 1	**24,787**	**22,397**	**20,241**
Impact of the application of IFRS 16	-	(17)	-
Minority interests' share of net profit	3,040	4,888	4,406
Dividends paid or to be distributed to minority interests	(1,731)	(2,511)	(1,942)
Impact of changes in control of consolidated entities	(11)	26	36
Impact of acquisition and disposal of minority interests' shares	(32)	(48)	(247)
Capital increases subscribed by minority interests	54	70	50
Minority interests' share in gains and losses recognized in equity	(1,106)	146	28
Minority interests' share in expenses for bonus share and similar plans	36	42	47
Impact of changes in minority interests with purchase commitments	(107)	(206)	(222)
As of December 31	**24,930**	**24,787**	**22,397**

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	Employee benefit commitments	Minority interests' share in cumulative translation adjustment and revaluation reserves
As of December 31, 2017	**272**	**92**	**915**	**(112)**	**1,167**
Changes during the period	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 period	190	18	20	(83)	146
Changes due to purchase and proceeds from sale of minority interests	-	-	(1)	-	(1)
As of December 31, 2019	**652**	**(73)**	**937**	**(180)**	**1,337**
Changes during the period	(1,021)	(75)	-	(10)	(1,106)
Changes due to purchase and proceeds from sale of minority interests	-	-	-	-	-
As of December 31, 2020	**(369)**	**(148)**	**937**	**(190)**	**230**

Minority interests are essentially composed of the following:

- LVMH SE shareholders, excluding controlling interests (Christian Dior SE and Financière Agache), i.e. 57% of shares. They were paid a total of 1,316 million euros in dividends during the fiscal year;
- Christian Dior SE shareholders (5%) other than Financière Agache, the controlling shareholder. They were paid a total of 39 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 the period-end within "Purchase commitments for minority interests' shares" under "Other non-current liabilities" and is therefore excluded from the total amount of minority interests at the period-end. See Notes 1.13 and 21.

Dividends paid to Diageo during fiscal year 2020 amounted to 90 million euros, supplemented by an exceptional payment of 90 million euros in January 2021. Net profit attributable to Diageo for fiscal year 2020 was 289 million euros, and its share in accumulated minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,588 million euros as of December 31, 2020.

As of that date, the condensed consolidated balance sheet of Moët Hennessy is as follows:

(EUR billions)	Dec. 31, 2020
Property, plant and equipment and intangible assets	4.8
Other non-current assets	0.4
Non-current assets	**5.1**
Inventories and work in progress	6.0
Other current assets	1.2
Cash and cash equivalents	2.6
Current assets	**9.8**
Total assets	**14.9**

(EUR billions)	Dec. 31, 2020
Equity	10.5
Non-current liabilities	1.5
Equity and non-current liabilities	**12.0**
Short-term borrowings	1.3
Other current liabilities	1.6
Current liabilities	**2.9**
Total liabilities and equity	**14.9**

No dividends were paid to DFS's shareholders during fiscal year 2020. Net profit attributable to Mari-Cha Group Ltd for fiscal year 2020 was a loss of 89 million euros, and its share in accumulated minority interests as of December 31, 2020 came to 1,273 million euros.

Note 19. Borrowings

19.1 Net financial debt

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018[a]
Bonds and Euro Medium-Term Notes (EMTNs)	13,986	5,260	6,062
Finance leases	-	-	315
Bank borrowings	1,126	1,694	2,924
Other borrowings and credit facilities	709	571	-
Long-term borrowings	**15,820**	**7,525**	**9,301**
Bonds and Euro Medium-Term Notes (EMTNs)	1,444	1,854	1,496
Bank borrowings	440	478	4,720
Short-term negotiable debt securities[b]	9,344	5,576	3,987
Other borrowings and credit facilities	433	445	960
Bank overdrafts	156	176	198
Accrued interest	53	26	35
Short-term borrowings	**11,870**	**8,555**	**11,396**
Gross borrowings	**27,690**	**16,080**	**20,697**
Interest rate risk derivatives	(68)	(15)	(13)
Foreign exchange risk derivatives	317	47	146
Gross borrowings after derivatives	**27,939**	**16,112**	**20,830**
Current available for sale financial assets[c]	(1,820)	(1,855)	(3,381)
Non-current available for sale financial assets used to hedge financial debt[d]	-	(130)	(125)
Cash and cash equivalents[e]	(20,468)	(6,351)	(9,135)
Net financial debt	**5,651**	**7,775**	**8,189**
Belmond shares (presented within "Non-current available for sale financial assets")	-	-	(274)
Adjusted net financial debt, excluding the acquisition of Belmond shares	**5,651**	**7,775**	**7,915**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) NEU CP, euro- and US dollar-denominated commercial paper.
(c) See Note 14.
(d) See Note 9.
(e) See Note 15.1.

Net financial debt does not include purchase commitments for minority interests' shares (see Note 21) or lease liabilities (see Note 7).

The change in gross borrowings after derivatives during the fiscal year breaks down as follows:

(EUR millions)	December 31, 2019	Impact on cash[(a)]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclassifications and other	December 31, 2020
Long-term borrowings	7,525	10,437	(156)	17	-	(2,002)	15,820
Short-term borrowings	8,555	1,704	(453)	43	-	2,020	11,870
Gross borrowings	**16,080**	**12,140**	**(609)**	**60**	**-**	**18**	**27,689**
Derivatives	32	(26)	(1)	244	-	-	249
Gross borrowings after derivatives	**16,112**	**12,114**	**(610)**	**304**	**-**	**18**	**27,939**

(a) Including a positive impact of 17,762 million euros in respect of proceeds from borrowings, a negative impact of 5,800 million euros in respect of repayment of borrowings, and a negative impact of 152 million euros in respect of the increase in accounts payable to affiliated companies.

In February and April 2020, LVMH completed eight bond issues totaling 10.7 billion euros to finance in particular the acquisition of Tiffany & Co., which was completed on January 7, 2021. The details of those bond issues are presented in the table below:

Nominal amount	Maturity	Initial effective interest rate *(%)*	Floating-rate swap	December 31, 2020 *(EUR millions)*
EUR 1,500,000,000	2031	0.375	-	1,487
EUR 1,750,000,000	2028	0.125	-	1,734
GBP 850,000,000	2027	1.125	Total	970
EUR 1,250,000,000	2026	-	-	1,244
EUR 1,500,000,000	2025	0.375	-	1,494
EUR 1,250,000,000	2024	-	-	1,251
GBP 700,000,000	2023	1.000	Total	788
EUR 1,750,000,000	2022	Floating	-	1,754
Total bonds and EMTNs issued during the fiscal year				**10,722**

At the time the sterling-denominated bonds were issued, swaps were entered into that converted them into euro-denominated borrowings.

During the fiscal year, LVMH repaid the 1,250 million euro bond issued in 2017 and the 600 million euro bond issued in 2013.

During the same period, conversion requests were filed for virtually all of the cash-settled convertible bonds issued in 2016, with a face value of 750 million US dollars. As of December 31, payments made in line with these requests related to convertible bonds with a total face value of 594 million US dollars. The remaining payments are expected to be made in 2021, after noting the average prices of the LVMH share serving as the reference for the calculation of the amounts due to the holders. In 2016, in addition to these issues of cash-settled convertible bonds, LVMH had entered into similar financial instruments enabling it to fully hedge its exposure to any positive or negative changes in the LVMH share price. These financial instruments were also converted.

The option component of convertible bonds and financial instruments entered into for hedging purposes is recorded under "Derivatives" (see Note 23). The non-option component of these bonds and financial instruments is recorded under "Short-term borrowings" and "Current available for sale financial assets", respectively. The remaining amounts recognized in the balance sheet as of December 31, 2020 correspond to the portion of bonds that had not been converted at the balance sheet date.

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 at the end of 2019, in addition to the amounts due during the fiscal year, which came to 0.8 billion euros.

During the 2019 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 2019 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.

The market value of gross borrowings, based on market data and commonly used valuation models, was 28,122 million euros as of December 31, 2020 (16,143 million euros as of December 31, 2019 and 20,745 million euros as of December 31, 2018), including 11,835 million euros in short-term borrowings (8,563 million euros as of December 31, 2019 and 11,403 million euros as of December 31, 2018) and 16,286 million euros in long-term borrowings (7,579 million euros as of December 31, 2019 and 9,343 million euros as of December 31, 2018).

As of December 31, 2020, 2019 and 2018, no financial debt was recognized using the fair value option. See Note 1.22.

19.2 Bonds and EMTNs

Nominal amount *(in currency)*	**Year issued**	**Maturity**	**Initial effective interest rate**[a] *(as %)*	**Dec. 31, 2020** *(EUR millions)*	**Dec. 31, 2019** *(EUR millions)*	**Dec. 31, 2018** *(EUR millions)*
GBP 850,000,000	2020	2027	1.125	970	-	-
EUR 1,250,000,000	2020	2024	-	1,251	-	-
EUR 1,250,000,000	2020	2026	-	1,244	-	-
EUR 1,750,000,000	2020	2028	0.125	1,734	-	-
EUR 1,500,000,000	2020	2031	0.375	1,487	-	-
GBP 700,000,000	2020	2023	1.000	788	-	-
EUR 1,500,000,000	2020	2025	0.375	1,494	-	-
EUR 1,750,000,000	2020	2022	Floating	1,754	-	-
EUR 300,000,000	2019	2021	0.030	300	300	-
EUR 700,000,000	2019	2023	0.260	698	697	-
EUR 1,200,000,000	2017	2024	0.820	1,206	1,203	1,197
EUR 120,000,000[b]	2017	2022	1.160	120	120	121
EUR 800,000,000	2017	2022	0.460	801	800	799
GBP 400,000,000	2017	2022	1.090	449	469	439
EUR 1,250,000,000	2017	2020	0.130	-	1,249	1,248
USD 750,000,000[c]	2016	2021	1.920	127	660	639
EUR 350,000,000	2016	2021	0.860	350	349	349
EUR 650,000,000	2014	2021	1.120	656	662	664
AUD 150,000,000	2014	2019	3.680	-	-	94
EUR 500,000,000	2014	2019	1.560	-	-	499
EUR 300,000,000	2014	2019	Floating	-	-	300
EUR 600,000,000	2013	2020	1.890	-	605	606
EUR 600,000,000[d]	2013	2019	1.250	-	-	603
Total bonds and EMTNs				**15,429**	**7,114**	**7,558**

(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%.

19.3 Breakdown of gross borrowings by payment date and type of interest rate

(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, 2021	2,020	9,849	11,870	(638)	818	180	1,382	10,667	12,049
	December 31, 2022	1,412	2,076	3,488	(630)	650	20	782	2,726	3,508
	December 31, 2023	1,533	503	2,036	(759)	801	42	774	1,305	2,079
	December 31, 2024	2,472	801	3,272	(301)	292	(9)	2,170	1,093	3,263
	December 31, 2025	1,508	-	1,508	-	-	-	1,508	-	1,508
	December 31, 2026	1,257	-	1,257	-	-	-	1,257	-	1,257
	Thereafter	4,259	-	4,259	(925)	942	17	3,333	942	4,275
Total		**14,461**	**13,229**	**27,690**	**(3,254)**	**3,503**	**249**	**11,207**	**16,732**	**27,939**

See Note 23.4 on the market value of interest rate risk derivatives.

The breakdown by quarter of gross borrowings falling due in 2021 is as follows:

(EUR millions)	**Falling due in 2021**
First quarter	7,361
Second quarter	2,461
Third quarter	1,696
Fourth quarter	351
Total	**11,870**

19.4 Breakdown of gross borrowings by currency after derivatives

(EUR millions)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Euro	23,971	10,934	15,671
US dollar	3,407	3,666	3,649
Swiss franc	80	48	46
Japanese yen	762	622	662
Other currencies	(282)	843	802
Total	**27,939**	**16,112**	**20,830**

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.

19.5 Undrawn confirmed credit lines and covenants

As of December 31, 2020, undrawn confirmed credit lines totaled 17.9 billion euros. This amount exceeded the outstanding portion of the short-term negotiable debt securities programs (NEU CP, euro- and US dollar-denominated commercial paper), which totaled 9.3 billion euros as of December 31, 2020.

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. As of December 31, 2020, no significant credit lines were concerned by these provisions.

19.6 Sensitivity

On the basis of debt as of December 31, 2020:

- an instantaneous 1-point increase in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 141 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 444 million euros after hedging;
- an instantaneous 1-point decrease in these same yield curves would lower the cost of net financial debt by 141 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 441 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 Guarantees and collateral

As of December 31, 2020, borrowings secured by collateral were less than 350 million euros.

Note 20. Provisions and other non-current liabilities

Non-current provisions and other liabilities comprise the following:

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018[a]
Non-current provisions	1,473	1,457	1,244
Uncertain tax positions	1,142	1,169	1,261
Derivatives[b]	146	713	286
Employee profit sharing	86	96	89
Other liabilities	438	374	386
Non-current provisions and other liabilities	**3,286**	**3,809**	**3,266**

(a) 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 2019 consolidated financial statements 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, 2020	Dec. 31, 2019	Dec. 31, 2018
Provisions for pensions, medical costs and similar commitments	784	812	605
Provisions for contingencies and losses	690	646	639
Non-current provisions	**1,473**	**1,457**	**1,244**
Provisions for pensions, medical costs and similar commitments	9	8	7
Provisions for contingencies and losses	504	408	365
Current provisions	**513**	**416**	**372**
Total	**1,987**	**1,873**	**1,616**

Provisions changed as follows during the fiscal year:

(EUR millions)	Dec. 31, 2019	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other[a]	Dec. 31, 2020
Provisions for pensions, medical costs and similar commitments	820	101	(89)	(48)	-	9	793
Provisions for contingencies and losses	1,054	450	(208)	(87)	(2)	(12)	1,194
Total	**1,874**	**551**	**(297)**	**(135)**	**(2)**	**(4)**	**1,987**

(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, 2020, purchase commitments for minority interests' shares mainly included 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, 2020	Dec. 31, 2019	Dec. 31, 2018[a]
As of January 1	**5,815**	**5,207**	**4,541**
Change in trade accounts payable	(558)	335	714
Change in amounts owed to customers	(10)	9	8
Changes in the scope of consolidation	-	216	7
Translation adjustment	(160)	56	50
Reclassifications	14	(8)	(5)
As of December 31	**5,100**	**5,815**	**5,315**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

22.2 Current provisions and other liabilities

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018[(a)]
Current provisions[(b)]	513	416	372
Derivatives[(c)]	604	138	166
Employees and social security	1,530	1,788	1,670
Employee profit sharing	116	123	105
Taxes other than income taxes	823	753	687
Advances and payments on account from customers	723	559	398
Provisions for product returns[(d)]	463	399	356
Deferred payment for non-current assets	538	770	646
Deferred income	354	275	274
Other liabilities	1,036	1,098	1,293
Total	**6,701**	**6,316**	**5,967**

(a) 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 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) See Note 20.
(c) See Note 23.
(d) See Note 1.27.

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 arising from Group activity 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 (middle office), hedging (front office), administration (back office) and financial control.

This organization relies on information systems that allow hedging transactions to be monitored quickly.

Hedging decisions are made according to an 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

(EUR millions)	December 31, 2020			December 31, 2019			December 31, 2018		
	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	2,098	-	20,468	2,084	-	6,351	3,900	-	9,135
Valuation model based on market data	181	1,082	-	467	962	-	389	380	-
Private quotations	1,191	-	-	585	-	-	448	-	-
Assets	**3,470**	**1,082**	**20,468**	**3,136**	**962**	**6,351**	**4,737**	**380**	**9,135**
Valuation based on:(a)									
Published price quotations		-			-			-	
Valuation model based on market data		751			852			452	
Private quotations		-			-			-	
Liabilities		**751**			**852**			**452**	

(a) See Note 1.10 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, 2020, December 31, 2019 and December 31, 2018.

The amount of financial assets valued on the basis of private quotations changed as follows in the fiscal year ended December 31, 2020:

(EUR millions)	Dec. 31, 2020
As of January 1	**585**
Acquisitions	629
Disposals (at net realized value)	(25)
Gains and losses recognized in the income statement	(12)
Gains and losses recognized in equity	16
Reclassifications	(2)
As of December 31	**1,191**

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, 2020	Dec. 31, 2019	Dec. 31, 2018
Interest rate risk	Assets:	Non-current		57	20	23
		Current		33	12	12
	Liabilities:	Non-current		(10)	(4)	(10)
		Current		(12)	(14)	(12)
			23.4	**68**	**15**	**13**
Foreign exchange risk	Assets:	Non-current		52	68	18
		Current		674	165	108
	Liabilities:	Non-current		(136)	(15)	(60)
		Current		(330)	(124)	(154)
			23.5	**261**	**93**	**(88)**
Other risks	Assets:	Non-current		-	694	216
		Current		266	3	3
	Liabilities:	Non-current		-	(694)	(216)
		Current		(263)	-	-
			23.6	**3**	**3**	**3**
Total	Assets:	Non-current	10	110	782	257
		Current	13	972	180	123
	Liabilities:	Non-current	20	(146)	(713)	(286)
		Current	22	(604)	(138)	(166)
				332	**110**	**(72)**

The impact of financial instruments on the consolidated statement of comprehensive gains and losses for the fiscal year breaks down as follows:

(EUR millions)	Foreign exchange risk[(a)]						Interest rate risk[(b)]			Total[(c)]
	Revaluation of effective portions, of which:				Revaluation of cost of hedging	Total	Revaluation of effective portions	Ineffective portion	Total	
	Hedges of future foreign currency cash flows	Fair value hedges	Foreign currency net investment hedges	Total						
Changes in the income statement	-	(233)	-	(233)	-	(233)	39	4	43	(190)
Changes in consolidated gains and losses	439	-	33	472	20	492	(9)	3	(6)	486

(a) See Notes 1.9 and 1.23 on the principles of fair value adjustments to foreign exchange risk hedging instruments.
(b) See Notes 1.22 and 1.23 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 1.22), 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, 2020 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value[(a) (b)]			
	Less than 1 year	**From 1 to 5 years**	**More than 5 years**	**Total**	**Future cash flow hedges**	**Fair value hedges**	**Not allocated**	**Total**
Euro interest rate swaps: floating-rate payer	650	1,724	945	3,319	-	83	-	83
Euro interest rate swaps: fixed-rate payer	-	750	-	750	(13)	-	(4)	(17)
Foreign currency swaps: euro-rate payer	-	1,224	945	2,169	-	-	5	5
Foreign currency swaps: euro-rate receiver	78	133	-	211	-	-	(2)	(2)
Total					**(13)**	**83**	**(1)**	**68**

(a) Gain/(Loss).
(b) See Note 1.10 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.

In addition, the Group is exposed to foreign exchange risk with respect to the Group's net assets, as it owns assets denominated in currencies other than the euro. This foreign exchange risk may be hedged either partially or in full through foreign currency borrowings or by hedging the net worth of subsidiaries outside the eurozone, using appropriate financial instruments with the aim of limiting the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2020 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation[(a)]				Market value[(b) (c)]				
	2020	**2021**	**Thereafter**	**Total**	**Future cash flow hedges**	**Fair value hedges**	**Foreign currency net investment hedges**	**Not allocated**	**Total**
Options purchased									
Call USD	-	46	-	46	2	-	-	-	2
Put JPY	-	113	-	113	5	-	-	-	5
Put GBP	-	10	-	10	-	-	-	-	-
Other	25	184	-	209	4	-	-	-	4
	25	**353**	**-**	**378**	**12**	**-**	**-**	**-**	**12**
Collars									
Written USD	102	3,887	624	4,613	389	10	-	-	399
Written JPY	12	1,100	126	1,238	66	1	-	-	67
Written GBP	6	458	25	489	18	-	-	-	18
Written HKD	-	243	-	243	26	-	-	-	26
Written CNY	-	2,256	150	2,406	64	-	-	-	64
	120	**7,944**	**925**	**8,989**	**564**	**11**	**-**	**-**	**575**
Forward exchange contracts									
USD	-	75	-	75	(27)	-	-	-	(26)
ZAR	-	21	-	21	(1)	-	-	-	(1)
MYR	-	19	-	19	-	-	-	-	-
BRL	-	11	-	11	-	(1)	-	-	(1)
Other	24	2	-	26	-	(1)	-	-	(1)
	24	**128**	**-**	**152**	**(27)**	**(2)**	**-**	**-**	**(29)**
Foreign exchange swaps									
USD	146	(5,055)	-	(4,909)	-	(166)	12	-	(154)
GBP	6	588	(2,169)	(1,574)	-	(127)	-	-	(127)
JPY	13	369	142	524	-	(6)	-	-	(5)
CNY	-	(1,212)	14	(1,198)	-	(11)	-	-	(11)
Other	10	(49)	-	(39)	-	(2)	2	-	-
	174	**(5,359)**	**(2,013)**	**(7,197)**	**-**	**(311)**	**14**	**-**	**(297)**
Total	**343**	**3,067**	**(1,088)**	**2,322**	**548**	**(302)**	**14**	**-**	**261**

(a) Sale/(Purchase).
(b) See Note 1.10 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 2021; the amount will depend on exchange rates at that date.

The impact on net profit for fiscal year 2020 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 the impact of foreign exchange derivatives outstanding during the fiscal year, compared with the rates applying to transactions in 2020, would have been as follows:

(EUR millions)	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Impact of:								
– change in exchange rates of cash receipts in respect of foreign currency-denominated sales	194	(87)	73	(20)	-	-	13	(5)
– conversion of net profit of entities outside the eurozone	40	(40)	22	(22)	9	(9)	5	(5)
Impact on net profit	**234**	**(127)**	**95**	**(42)**	**9**	**(9)**	**18**	**(10)**

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2020, mainly comprising options and collars.

As of December 31, 2020, forecast cash collections for 2021 in US dollars and Japanese yen were 91% and 85% hedged, respectively. For the hedged portion, the exchange rate upon sale will be more favorable than 1.13 USD/EUR for the US dollar and 121 JPY/EUR for the Japanese yen.

The Group's net equity (excluding net profit) exposure to foreign currency fluctuations as of December 31, 2020 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:

(EUR millions)	US dollar		Japanese yen		Swiss franc		Hong Kong dollar	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Conversion of foreign currency-denominated net assets	1,671	(1,671)	66	(66)	324	(324)	112	(112)
Change in market value of net investment hedges, after tax	(285)	328	(39)	80	(47)	38	(17)	16
Net impact on equity, excluding net profit	**1,386**	**(1,343)**	**27**	**14**	**277**	**(286)**	**95**	**(96)**

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 risks of share price changes either directly (as a result of its holding of subsidiaries, equity investments and current available for sale financial assets) or indirectly (as a result of its holding of funds, which are themselves partially invested in shares).

The Group 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 19 above as well as Note 18 to the 2016 consolidated financial statements), LVMH had entered into financial instruments enabling it to fully hedge the exposure to any positive or negative changes in the LVMH share price. As of December 31, 2020, the majority of these instruments had been settled following the exercise of the bond conversion clause at the end of 2020.

As provided by applicable accounting policies, the option components of convertible bonds and financial instruments entered into for hedging purposes are recorded under "Derivatives", within current assets and liabilities. 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, 2020, derivatives outstanding relating to the hedging of precious metal prices had a negative market value of 0.5 million euros.

23.7 Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Group's exposure to liquidity risk can be assessed in relation to its short-term borrowings excluding derivatives, i.e. 11.9 billion euros, significantly lower than the 20.5 billion euro balance of cash and cash equivalents; or in relation to the outstanding amount of its short-term negotiable debt securities programs, i.e. 9.3 billion euros. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 17.9 billion euros.

The Group's liquidity is based on the amount of its investments, its capacity to secure long-term borrowings, the diversity of its investor base (short-term paper 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, 2020, at nominal value and with interest, excluding discounting effects:

(EUR millions)	**2021**	**2022**	**2023**	**2024**	**2025**	**More than 5 years**	**Total**
Bonds and EMTNs	1,497	3,180	1,534	2,495	1,524	5,497	15,727
Bank borrowings	455	54	167	820	14	80	1,589
Other borrowings and credit facilities	437	323	390	-	-	-	1,149
Short-term negotiable debt securities	9,344	-	-	-	-	-	9,344
Bank overdrafts	156	-	-	-	-	-	156
Gross borrowings	**11,888**	**3,556**	**2,091**	**3,315**	**1,538**	**5,577**	**27,965**
Other current and non-current liabilities[(a)]	5,235	88	42	33	31	41	5,470
Trade accounts payable	5,100	-	-	-	-	-	5,100
Other financial liabilities	**10,334**	**88**	**42**	**33**	**31**	**41**	**10,570**
Total financial liabilities	**22,222**	**3,644**	**2,133**	**3,348**	**1,569**	**5,618**	**38,535**

(a) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 5,230 million euros and to "Other non-current liabilities" for 240 million euros (excluding derivatives and deferred income of 354 million euros as of December 31, 2020).

See also Note 7 for the schedule of lease payments.

See Note 31.2 regarding contractual maturity dates of collateral and other guarantee commitments, Notes 19.4 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 2020

(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[(a)]**	**Total**
Sales outside the Group	4,744	21,172	4,456	3,315	10,115	849	-	44,651
Intra-Group sales	11	35	792	41	40	19	(938)	-
Total revenue	**4,755**	**21,207**	**5,248**	**3,356**	**10,155**	**868**	**(938)**	**44,651**
Profit from recurring operations	1,388	7,188	80	302	(203)	(532)	71	8,294
Other operating income and expenses	(43)	(68)	(20)	(3)	(87)	(111)	-	(332)
Depreciation, amortization and impairment expenses	(253)	(2,069)	(460)	(475)	(1,549)	(313)	117	(5,002)
Of which: Right-of-use assets	*(34)*	*(1,226)*	*(145)*	*(254)*	*(941)*	*(93)*	*117*	*(2,575)*
Other	*(219)*	*(843)*	*(315)*	*(221)*	*(608)*	*(220)*	-	*(2,427)*
Intangible assets and goodwill[(b)]	9,909	7,378	2,056	5,752	3,153	2,594	-	30,843
Right-of-use assets	162	5,730	503	1,151	4,699	888	(618)	12,515
Property, plant and equipment	3,232	3,482	709	577	1,723	7,910	(8)	17,626
Inventories	6,040	2,726	742	1,641	2,111	275	(281)	13,255
Other operating assets	1,306	1,919	1,151	672	696	1,619	29,409[(c)]	36,772
Total assets	**20,650**	**21,235**	**5,161**	**9,794**	**12,383**	**13,286**	**28,502**	**111,009**
Equity	-	-	-	-	-	-	38,540	38,540
Lease liabilities	170	5,766	516	1,117	4,912	959	(611)	12,828
Other liabilities	1,608	4,885	2,164	1,252	2,338	1,684	45,710[(d)]	59,642
Total liabilities and equity	**1,778**	**10,651**	**2,680**	**2,369**	**7,250**	**2,643**	**83,638**	**111,009**
Operating investments[(e)]	(320)	(827)	(280)	(210)	(410)	(429)	-	(2,477)

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[a]	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)	11,487
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[b]	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[c]	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[d]	48,690
Total liabilities and equity	**1,845**	**9,910**	**2,802**	**2,187**	**8,098**	**2,579**	**70,484**	**97,905**
Operating investments[e]	(325)	(1,199)	(378)	(296)	(659)	(475)	-	(3,332)

Fiscal year 2018[f]

(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[a]	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[b]	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[c]	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[d]	49,678
Total liabilities and equity	**1,580**	**4,262**	**2,115**	**1,075**	**3,005**	**1,262**	**67,215**	**80,514**
Operating investments[e]	(298)	(827)	(330)	(303)	(537)	(743)	-	(3,038)

(a) 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.
(b) Intangible assets and goodwill correspond to the carrying amounts shown in Notes 3 and 4.
(c) Assets not allocated include available for sale financial assets, other financial assets, and current and deferred tax assets.
(d) Liabilities not allocated include financial debt, current and deferred tax liabilities, and liabilities related to purchase commitments for minority interests' shares.
(e) Increase/(Decrease) in cash and cash equivalents.
(f) 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.

24.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
France	3,333	4,726	4,496
Europe (excl. France)	7,337	10,203	8,731
United States	10,647	12,613	11,207
Japan	3,164	3,878	3,351
Asia (excl. Japan)	15,366	16,189	13,723
Other countries	4,804	6,062	5,323
Revenue	**44,651**	**53,671**	**46,831**

Operating investments by geographic region are as follows:

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
France	1,001	1,277	1,054
Europe (excl. France)	444	687	539
United States	336	453	765
Japan	134	133	80
Asia (excl. Japan)	342	534	411
Other countries	220	248	189
Operating investments	**2,477**	**3,332**	**3,038**

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	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	1,175	4,643	1,382	792	2,626	251	(273)	10,596
Second quarter	810	3,346	922	527	2,218	153	(179)	7,797
Third quarter	1,364	5,945	1,370	947	2,332	232	(235)	11,955
Fourth quarter	1,406	7,273	1,574	1,090	2,979	232	(251)	14,303
Total for 2020	**4,755**	**21,207**	**5,248**	**3,356**	**10,155**	**868**	**(938)**	**44,651**
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 [(a)]	(335)	13,316
Fourth quarter	1,657	6,364	1,923	1,144	4,236	324	(375)	15,273
Total for 2019	**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
Total for 2018	**5,143**	**18,455**	**6,092**	**4,123**	**13,646**	**720**	**(1,348)**	**46,831**

(a) Including the entire revenue of Belmond for the period from April to September 2019.

Note 25. Revenue and expenses by nature

25.1 Breakdown of revenue

Revenue consists of the following:

(EUR millions)	2020	2019	2018
Revenue generated by brands and trade names	44,421	53,302	46,427
Royalties and license revenue	96	110	114
Income from investment property	14	20	23
Other revenue	119	239	267
Total	**44,651**	**53,671**	**46,831**

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 2020 (70% in fiscal year 2019 and 69% in fiscal year 2018), i.e. 31,461 million euros in 2020 (37,356 million euros in 2019 and 32,081 million euros in 2018).

25.2 Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	2020	2019	2018
Advertising and promotion expenses	4,869	6,265	5,518
Personnel costs	8,538	9,423	8,295
Research and development expenses	139	140	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; they also include the personnel costs dedicated to this function.

As of December 31, 2020, a total of 5,003 stores were operated by the Group worldwide (4,915 as of December 31, 2019; 4,592 as of December 31, 2018), particularly by Fashion and Leather Goods and Selective Retailing.

Personnel costs consist of the following elements:

(EUR millions)	2020	2019	2018
Salaries and social security contributions	8,410	9,180	8,081
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans[a]	66	167	127
Expenses related to bonus share and similar plans[b]	62	75	87
Total	**8,538**	**9,423**	**8,295**

(a) See Note 30.
(b) See Note 17.

The average full-time equivalent workforce broke down as follows by job category during the fiscal years presented:

(in number and as %)	Dec. 31, 2020	%	Dec. 31, 201%	%	Dec. 31, 2018	%
Executives and managers	33,298	22	30,883	21	27,924	21
Technicians and supervisors	14,760	10	14,774	10	14,057	10
Administrative and sales staff	76,197	51	81,376	55	76,772	56
Production workers	24,089	16	20,682	14	17,880	13
Total	**148,344**	**100**	**147,715**	**100**	**136,633**	**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 2020 fiscal year breaks down as follows:

(EUR millions, excluding VAT)			2020
	ERNST & YOUNG et Autres	MAZARS	Total
Audit-related fees	**9**	**8**	**17**
Tax services	3	NS	3
Other	3	NS	3
Non-audit-related fees	**6**	**NS**	**6**
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 lessors concerning the revenue of certain stores, and specific checks run at the Group's request, mainly in countries where statutory audit is not required.

Note 26. Other operating income and expenses

(EUR millions)	2020	2019	2018
Net gains/(losses) on disposals	(21)	-	(5)
Restructuring costs	(6)	(57)	1
Transaction costs relating to the acquisition of consolidated companies	(35)	(45)	(10)
Impairment or amortization of brands, trade names, goodwill and other fixed assets	(235)	(26)	(117)
Other items, net	(35)	(104)	5
Other operating income and expenses	**(332)**	**(231)**	**(126)**

Impairment and amortization expenses recorded are mostly for brands and goodwill. "Other items, net" mainly comprised a 20 million euro donation to Fondation Hôpitaux de Paris – Hôpitaux de France. In 2020 as in 2019, "Transaction costs relating to the acquisition of consolidated companies" mainly related to the acquisition of Tiffany & Co.

In fiscal year 2019, "Other items, net" notably included the donation of 100 million euros for the reconstruction of Notre-Dame de Paris.

Note 27. Net financial income/(expense)

(EUR millions)	2020	2019	2018[a]
Borrowing costs	(118)	(243)	(272)
Income from cash, cash equivalents, current available for sale financial assets, and receivables	56	65	71
Fair value adjustment of borrowings and interest rate hedges	4	(2)	(3)
Cost of net financial debt	**(59)**	**(180)**	**(204)**
Interest on lease liabilities	**(281)**	**(290)**	**-**
Income/(loss) from non-operating joint ventures and associates	**17**	**41**	**24**
Dividends received from non-current available for sale financial assets	12	9	39
Cost of foreign exchange derivatives	(255)	(235)	(175)
Fair value adjustment of available for sale financial assets	(3)	70	(99)
Other items, net	(42)	(29)	(26)
Other financial income and expenses	**(287)**	**(186)**	**(261)**
Net financial income/(expense)	**(610)**	**(615)**	**(441)**

(a) 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 2019 consolidated financial statements 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)	2020	2019	2018
Income from cash and cash equivalents	39	33	26
Income from loans and receivables and current available for sale financial assets	16	32	45
Income from cash, cash equivalents, current available for sale financial assets, and receivables	**56**	**65**	**71**

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

(EUR millions)	2020	2019	2018
Hedged financial debt	(39)	(3)	1
Hedging instruments	40	3	(1)
Unallocated derivatives	3	(1)	(3)
Fair value adjustment of borrowings and interest rate hedges	**4**	**(2)**	**(3)**

The cost of foreign exchange derivatives breaks down as follows:

(EUR millions)	2020	2019	2018
Cost of commercial foreign exchange derivatives	(234)	(230)	(159)
Cost of foreign exchange derivatives related to net investments denominated in foreign currency	(20)	5	4
Cost and other items related to other foreign exchange derivatives	(1)	(11)	(20)
Cost of foreign exchange derivatives	**(255)**	**(235)**	**(175)**

Note 28. Income taxes

28.1 Breakdown of the income tax expense

(EUR millions)	2020	2019	2018
Current income taxes for the fiscal year	(2,631)	(3,351)	(2,660)
Current income taxes relating to previous fiscal years	(13)	12	76
Current income taxes	**(2,644)**	**(3,339)**	**(2,584)**
Change in deferred income taxes	329	383	57
Impact of changes in tax rates on deferred income taxes	(85)	(10)	(1)
Deferred income taxes	**245**	**373**	**56**
Total tax expense per income statement	**(2,400)**	**(2,966)**	**(2,528)**
Tax on items recognized in equity	**(166)**	**(31)**	**111**

28.2 Breakdown of the net deferred tax asset/(liability)

The net deferred tax asset/(liability) broke down as follows:

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Deferred tax assets	2,328	2,278	1,937
Deferred tax liabilities	(5,152)	(5,124)	(4,603)
Net deferred tax asset/(liability)	**(2,824)**	**(2,846)**	**(2,666)**

28.3 Breakdown of the difference between statutory and effective tax rates

The effective tax rate is as follows:

(EUR millions)	2020	2019	2018
Profit before tax	7,352	10,640	9,433
Of which: Joint ventures and associates subject to corporate income tax	17	41	24
Taxable profit before tax	**7,335**	**10,599**	**9,409**
Total income tax expense	(2,400)	(2,966)	(2,528)
Effective tax rate	**32.7%**	**28.0%**	**26.9%**

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)	2020	2019	2018
French statutory tax rate	**32.0**	**34.4**	**34.4**
Changes in tax rates	1.1	(0.1)	-
Differences in tax rates for foreign companies	(6.0)	(8.9)	(8.9)
Tax losses, tax loss carryforwards and other changes in deferred tax	0.9	(0.2)	0.7
Differences between consolidated and taxable income, and income taxable at reduced rates	2.5	(0.0)	(1.0)
Tax on distribution[(a)]	2.2	2.8	1.7
Effective tax rate of the Group	**32.7**	**28.0**	**26.9**

(a) Tax on distribution is mainly related to intra-Group dividends.

The Group's effective tax rate was 32.7%. It diverged from the Group's French statutory tax rate due to its geographic footprint and as a result of recurring and non-recurring items. Recurring items that raised the tax rate mainly included the impact of tax on intra-Group dividends and the impact of non-deductible expenses. The main impacts of non-recurring items related to the impact on inventories of deferred tax of the change in certain corporate income tax rates and the impact on losses of certain Maisons which could not be offset against taxable profits, or which did not give rise to the recognition of deferred tax assets.

28.4 Sources of deferred tax

In the income statement[(a)]

(EUR millions)	**2020**	**2019**	**2018**
Valuation of brands	(6)	32	(1)
Other revaluation adjustments	17	11	2
Gains and losses on available for sale financial assets	47	(15)	6
Gains and losses on hedges of future foreign currency cash flows	3	-	(3)
Provisions for contingencies and losses	77	182	(63)
Intra-Group margin included in inventories	(101)	118	85
Other consolidation adjustments	143	9	14
Losses carried forward	65	36	16
Total	**245**	**373**	**56**

(a) Income/(Expenses).

In the statement of changes in equity[(a)]

(EUR millions)	**2020**	**2019**	**2018**
Fair value adjustment of vineyard land	3	(11)	(2)
Gains and losses on available for sale financial assets	(44)	(59)	23
Gains and losses on hedges of future foreign currency cash flows	(121)	(11)	112
Gains and losses on employee benefit commitments	6	39	(5)
Total	**(156)**	**(41)**	**128**

(a) Gains/(Losses).

In the balance sheet[(a)]

(EUR millions)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Valuation of brands	(3,597)	(3,640)	(3,629)
Fair value adjustment of vineyard land	(580)	(585)	(574)
Other revaluation adjustments	(716)	(720)	(280)
Gains and losses on available for sale financial assets	(137)	(139)	(65)
Gains and losses on hedges of future foreign currency cash flows	(78)	40	50
Provisions for contingencies and losses	719	693	551
Intra-Group margin included in inventories	802	921	795
Other consolidation adjustments	616	507	448
Losses carried forward	148	77	38
Total	**(2,824)**	**(2,846)**	**(2,666)**

(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 Agache SE.

  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 Agache.

  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. This tax consolidation system generated a decrease in the current tax expense of 251 million euros in 2020 (decrease of 138 million euros in 2019 and 225 million euros in 2018).
- The other tax consolidation systems in place, particularly in the United States, generated current tax savings of 93 million euros in fiscal year 2020 (61 million euros in 2019 and 2018).

28.6 Losses carried forward

As of December 31, 2020, unused tax loss carryforwards and tax credits for which no assets were recognized (deferred tax assets or receivables) represented potential tax savings of 590 million euros (623 million euros as of December 31, 2019 and 677 million euros as of December 31, 2018).

Note 29. Earnings per share

	2020	2019	2018
Net profit, Group share *(EUR millions)*	**1,912**	**2,786**	**2,499**
Impact of dilutive instruments on the subsidiaries *(EUR millions)*	(2)	(4)	(8)
Net profit, diluted Group share *(EUR millions)*	**1,910**	**2,782**	**2,491**
Average number of shares outstanding during the period	3,173,352	3,173,352	3,173,352
Average number of Financière Agache treasury shares owned during the period	(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)*	**603.35**	**878.90**	**788.39**
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 and bonus share plans	-	-	-
Average number of shares outstanding after dilution	**3,169,733**	**3,169,733**	**3,169,733**
Diluted Group share of net earnings per share *(EUR)*	**602.69**	**877.64**	**785.87**

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, 2020 and 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)	**2020**	**2019**	**2018**
Service cost	106	112	113
Net interest cost	8	12	12
Actuarial gains and losses	-	(2)	(1)
Changes in plans	(48)	46	3
Total expense for the fiscal year for defined-benefit plans	**66**	**167**	**127**

In 2020 and 2019, changes in plans concerned the impact of the lock-in of benefits in respect of supplementary pension plans covering LVMH's Executive Committee members and the Group's 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, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Benefits covered by plan assets		1,894	1,867	1,515
Benefits not covered by plan assets		250	250	189
Defined-benefit obligation		**2,144**	**2,117**	**1,704**
Market value of plan assets		**(1,397)**	**(1,340)**	**(1,137)**
Net recognized commitment		**747**	**777**	**567**
Of which: Non-current provisions	20	*784*	*812*	*605*
Current provisions	20	*9*	*8*	*7*
Other assets		*(45)*	*(43)*	*(45)*
Total		**747**	**777**	**567**

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, 2019	**2,117**	**(1,340)**	**777**
Service cost	106	-	106
Net interest cost	25	(17)	8
Payments to recipients	(89)	68	(21)
Contributions to plan assets	-	(78)	(78)
Employee contributions	9	(9)	-
Changes in scope and reclassifications	3	(3)	-
Changes in plans	(48)	-	(48)
Actuarial gains and losses, of which:	88	(67)	21
– *experience adjustments*[(a)]	*(12)*	*(67)*	*(79)*
– *changes in demographic assumptions*[(a)]	*1*	-	*1*
– *changes in financial assumptions*[(a)]	*99*	-	*99*
Translation adjustment	(67)	49	(18)
As of December 31, 2020	**2,144**	**(1,397)**	**747**

(a) (Gains)/Losses.

Actuarial gains and losses resulting from experience adjustments related to the four previous fiscal years were as follows:

(EUR millions)	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019
Experience adjustments on the defined-benefit obligation	(1)	4	4	31
Experience adjustments on the market value of plan assets	(25)	(49)	(41)	(82)
Actuarial gains and losses resulting from experience adjustments[(a)]	**(26)**	**(45)**	**(37)**	**(51)**

(a) (Gains)/Losses.

The actuarial assumptions applied to estimate commitments for the fiscal years presented in the main countries concerned were as follows:

(as %)	December 31, 2020					December 31, 2019					December 31, 2018				
	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland	France	United States	United Kingdom	Japan	Switzerland
Discount rate[(a)]	0.44	2.49	1.43	1.00	0.05	0.46	2.99	2.05	0.50	0.10	1.50	4.43	2.90	0.50	0.83
Future salary increase rate	2.75	4.10	N/A	2.00	1.69	2.75	4.39	N/A	1.87	1.79	2.75	4.59	N/A	1.99	1.74

(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 5.80% for 2021, 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 148 million euro reduction in the amount of the defined-benefit obligation as of December 31, 2020; a 0.5-point decrease in the discount rate would result in a 164 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, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Supplementary pensions	1,627	1,597	1,300
Retirement bonuses and similar benefits	432	427	326
Medical costs of retirees	45	54	42
Long-service awards	33	32	27
Other	7	7	9
Defined-benefit obligation	**2,144**	**2,117**	**1,704**

The geographic breakdown of the defined-benefit obligation is as follows:

(EUR millions)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
France	833	887	615
Europe (excl. France)	614	581	556
United States	506	454	347
Japan	137	144	136
Asia (excl. Japan)	47	44	41
Other countries	7	7	9
Defined-benefit obligation	**2,144**	**2,117**	**1,704**

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2020 are as follows:

- In France:
  - these commitments include the commitment to the Group's senior executives and members of LVMH's Executive Committee, who were covered by a supplementary pension plan after a certain number of years of service, the amount of which was determined on the basis of the average of their three highest amounts of annual compensation. Pursuant to the Order of July 3, 2019, this supplementary pension plan has been closed, and the rights frozen as of December 31, 2019;
  - 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, 2020**	**Dec. 31, 2019**	**Dec. 31, 2018**
Shares	22	19	23
Bonds:			
– Private issues	32	35	36
– Public issues	9	8	5
Cash, investment funds, real estate and other assets	37	38	36
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 2021 by paying in approximately 120 million euros.

Note 31. Off-balance sheet commitments

31.1 Purchase commitments

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Grapes, wines and eaux-de-vie	2,725	2,840	2,040
Other purchase commitments for raw materials	250	211	215
Industrial and commercial fixed assets	428	674	721
Investments in joint venture shares and non-current available for sale financial assets	13,459	14,763	2,153

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, 2020, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co. at a unit price of 131.50 US dollars. The acquisition was completed on January 7, 2021. See also Notes 2.1 and 34.

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. at a unit price of 135 US dollars, for a total of 16.2 billion US dollars.

As of December 31, 2020, the maturity schedule of these commitments was as follows:

(EUR millions)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Grapes, wines and eaux-de-vie	788	1,903	35	2,725
Other purchase commitments for raw materials	190	60	-	250
Industrial and commercial fixed assets	299	129	-	428
Investments in joint venture shares and non-current available for sale financial assets	13,459	-	-	13,459

31.2 Collateral and other guarantees

As of December 31, 2020, these commitments broke down as follows:

(EUR millions)	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Securities and deposits	444	371	342
Other guarantees	169	163	160
Guarantees given	**613**	**534**	**502**
Guarantees received	**(47)**	**(53)**	**(70)**

The maturity dates of these commitments are as follows:

(EUR millions)	Less than 1 year	From 1 to 5 years	More than 5 years	Total
Securities and deposits	313	121	9	444
Other guarantees	76	89	4	169
Guarantees given	**389**	**210**	**14**	**613**
Guarantees received	**(21)**	**(24)**	**(2)**	**(47)**

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.

There were no significant developments in fiscal year 2020 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 the Agache group

The Financière Agache group is consolidated in the accounts of Agache.

Agache SE, which has specialist teams, provides assistance to the Financière Agache group, primarily in the areas of financial engineering, strategy, development, and corporate and real estate law. Agache SE also leases office premises to the Financière Agache group.

Agache leases office space from the Financière Agache group, and the Financière Agache group also provides Agache with various forms of administrative assistance.

In 2020, subsidiaries of Agache sold shares and units in investment funds to Financière Agache, in an arm's-length transaction, for a total of 318 million euros.

Excluding these, the value of transactions between the Financière Agache group and the Agache group may be summarized as follows:

(EUR millions)	**2020**	**2019**	**2018**
– Services billed by the Agache group to the Financière Agache group[(a)]	(5)	(7)	(8)
Amount payable outstanding as of December 31[(b)]	-	-	-
– Interest billed by the Agache group to the Financière Agache group[(a)]	(7)	(15)	(21)
Balance of loans granted to the Financière Agache group and accrued interest not yet due[(b)]	(709)	(572)	(524)
– Tax consolidation expense[(a)]	(30)	(117)	(29)
Balance of tax consolidation accounts[(b)]	41	(90)	85
– Amounts billed by the Financière Agache group to the Agache group[(a)]	9	6	6
Amount receivable outstanding as of December 31[(b)]	2	-	-
– Interest billed by the Financière Agache group to the Agache group[(a)]	-	4	17
Balance of loans granted by the Financière Agache group and accrued interest not yet due[(b)]	-	4	204

(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 2020 (14% in 2019 and 15% in 2018), 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 22 million euros for 2020 (25 million euros in 2019 and 17 million euros in 2018).

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 cultural sponsorship 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 SE. These guarantees are recognized as 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)	**2020**	**2019**	**2018**
Gross compensation, employer social security contributions and benefits in kind	5	6	7
Post-employment benefits	7	10	4
Other long-term benefits	-	-	-
End-of-contract bonuses	-	-	-
Cost of bonus share and similar plans	4	5	6
Total	**16**	**21**	**17**

The commitment recognized as of December 31, 2020 for post-employment benefits net of related financial assets was 16 million euros (17 million euros as of December 31, 2019 and 11 million euros as of December 31, 2018). See Note 30 on the impact of the French PACTE law on the commitment recognized for post-employment benefits for members of the Group's management and supervisory bodies.

Note 34. Subsequent events

On January 7, 2021, LVMH acquired 100% of the shares of Tiffany & Co. (NYSE: TIF), in accordance with the agreement signed in November 2019 and amended in October 2020. The acquisition was completed at the price of 131.50 US dollars per share, for a total of 16.1 billion US dollars, paid in cash. Tiffany & Co. will be consolidated as of January 2021, and the purchase price allocation will be carried out in 2021. The annual report of Tiffany & Co. as of January 31, 2020 and the quarterly publications as of April 30, July 31 and October 31, 2020 are available on the SEC website (www.sec.report).

No other significant subsequent events occurred between December 31, 2020 and April 9, 2021, the date at which the financial statements were approved for publication by the Board of Directors.

7. 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[(a)]	Paris, France	100%
Coromandel SAS	Paris, France	100%
Montaigne Services SNC	Paris, France	100%
Agache Développement SA	Paris, France	100%
Aglaé Ventures II	Paris, France	99%
Aglaé Management	Paris, France	100%
Transept SAS	Paris, France	100%
Markas Holding BV	Baarn, Netherlands	100%
Westley International SA and its subsidiaries	Luxembourg City, Luxembourg	100%
Lagardère Capital[(b)]	Paris, France	27%
Le Peigné SA and its subsidiaries[(b)]	Brussels, Belgium	40%

(a) Company merged during the fiscal year with another fully consolidated company.
(b) Joint venture or associate.

8. Companies not included in the scope of consolidation

Company	Registered office	Ownership interest
Sévrilux SNC	Paris, France	100%
JGPG SAS	Paris, France	100%
Semyrh-Europe	Luxembourg City, Luxembourg	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'Edition	Paris, France	41%
Samos 1850	Paris, France	41%
BRN Invest NV	Baarn, Netherlands	41%
Toiltech	Paris, France	37%
Bvlgari Austria Ltd	Vienna, Austria	41%
Sephora Macau Limited	Macao, China	41%
Les Beaux Monts	Paris, 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%
L. Courtage Réassurance SAS	Paris, France	41%
Sofpar 136	Paris, France	41%
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%
Sofpar 143	Paris, France	41%
Sofpar 144	Paris, France	41%
Sofpar 145	Paris, France	41%
Prolepsis	Paris, France	41%
Prolepsis Investment Ltd	Paris, France	41%
Innovación en Marcas de Prestigio SA	Paris, France	27%
MS 33 Expansion	Paris, France	41%
Shinsegae International Co. Ltd LLC	Paris, France	21%
Crystal Pumpkin	Florence, Italy	41%
Loewe Nederland BV	Madrid, Spain	41%
Groupement Forestier des Bois de la Celle	Cognac, France	27%
Augesco	Paris, France	21%
Hugo	Paris, 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.

9. 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, 2020.

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, 2020 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 the independence rules provided by the French Commercial Code *(Code de commerce)* and the French Code of Ethics *(Code de déontologie)* for Statutory Auditors, for the period from January 1, 2020 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.

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 consequences of the initial application of the amendment to IFRS 16 on the recognition of rent concessions granted by lessors in connection with the Covid-19 pandemic.

IV. Justification of assessments – Key audit matters

The global crisis arising from the Covid-19 pandemic imposed particular conditions on the preparation and audit of the financial statements for this fiscal year. The crisis and the exceptional measures taken in response to the public health emergency had wide-ranging consequences on companies, especially on their business activity and financing, and heightened uncertainty regarding their outlook for the future. Some of these measures, such as travel restrictions and remote working, also had an impact on the internal organization of companies and on the conditions under which audits were run.

Within this complex, changing context, 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, 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, 2020, the value of the Group's fixed assets totaled 61 billion euros. These fixed assets mainly comprise brands, trade names and goodwill recognized on external growth transactions; property, plant and equipment (land, vineyard land, buildings, and fixtures and fittings at stores and hotels in particular); and right-of-use assets.

We considered the valuation of these fixed assets to be a key audit matter, due to their significance in the Group's financial statements and because the determination of their recoverable amount, which is usually based on discounted forecast cash flows, requires the use of assumptions, estimates and other forms of judgment, as specified in Notes 1.3 and 1.6 to the consolidated financial statements, while the context of the Covid-19 pandemic increases the degree of uncertainty and makes it more difficult to assess the outlook.

Our response

The Group tests these assets for impairment, as described in Notes 1.16 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 the Maisons most affected by the negative changes in the current business environment, or 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, assumptions regarding a return to 2019 business levels, 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 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 1.18 to the consolidated financial statements. Amidst the Covid-19 pandemic, provisions for inventory impairment were updated to reflect slower inventory turnover and more limited sales prospects for seasonal products, as indicated in Note 1.3 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. Due to the Covid-19 pandemic, the closure of points of sale increases the level of uncertainty regarding the sale of inventories and generates a heightened risk of product returns. Furthermore, inventories are present at a large number of subsidiaries, and determining this impairment depends in particular 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, including the impact of the Covid-19 pandemic, in order to corroborate the resulting impairment amounts. Where applicable, we assessed the assumptions made by the Group for the recognition of non-recurring impairment. The consequences of slower inventory turnover, more limited sales prospects for seasonal products and return risks were also analyzed.

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 Group's 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 the income tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Within this context, the Group's activities may give rise to risks, disputes or litigation, and the 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 1.21 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 – with our experts, tax specialists in particular – the main risks identified and assessing the relevance 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 – 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.

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 provided in the Board of Directors' report on Group management.

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 Group's 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. Other verifications or information required by laws and regulations

Presentation format for the consolidated financial statements to be included in the Annual Financial Report

In accordance with Article 222-3 III of the AMF's General Regulation, your Company's management has informed us of its decision to postpone the application of the European Single Electronic Format as defined by Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 to fiscal years beginning on or after January 1, 2021. Consequently, this report does not include a conclusion on compliance with this format in the presentation of the consolidated financial statements to be included in the Annual Financial Report mentioned in Article L. 451-1-2 I of the French Monetary and Financial Code *(Code monétaire et financier).*

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, 2020, MAZARS was in the twenty-fourth consecutive year of its engagement (including twenty-two years since the Company's shares were admitted to trading on a regulated market) and ERNST & YOUNG et Autres was in its twelfth 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 the 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 or the quality of management of your 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 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 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, April 9, 2021

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

1. Income statement

Income/(Expenses) *(EUR millions)*	Notes	**2020**[(a)]	**2019**
Financial income from subsidiaries and investments		11,472.2	618.0
Investment portfolio: Impairment and provisions		(7.9)	21.4
Gains and losses on disposal		-	-
Other		(1.6)	(1.4)
Income from managing subsidiaries and investments	4.1	**11,462.7**	**638.0**
Income from managing investments	4.2	57.3	52.3
Proceeds/(cost) of net financial debt	4.3	(19.0)	(1.7)
Foreign exchange gains and losses	4.4	(3.6)	0.2
Other financial income and expenses		-	-
NET FINANCIAL INCOME/(EXPENSE)	4	**11,497.3**	**688.8**
Services provided and other income	5	0.1	0.1
Personnel costs	6	(0.1)	(0.1)
Other net management charges	7	(1.4)	(0.7)
OPERATING PROFIT/(LOSS)		**(1.4)**	**(0.7)**
RECURRING PROFIT BEFORE TAX		**11,495.9**	**688.1**
NET EXCEPTIONAL INCOME/(EXPENSE)		**1.6**	**0.0**
Income tax income/(expense)	8	(20.7)	(25.4)
NET PROFIT		**11,476.8**	**662.7**

(a) After taking into account the merger by absorption of Semyrhamis by Financière Agache on December 15, 2020, with retroactive effect as of January 1, 2020.

2. Balance sheet

ASSETS

(EUR millions)	Notes			2020[a]	2019
		Gross	Depreciation, amortization and impairment	Net	Net
Property, plant and equipment		0.7	0.3	0.4	0.5
Intangible assets and property, plant and equipment	9	**0.7**	**0.3**	**0.4**	**0.5**
Equity investments	10	16,972.2	85.9	16,886.3	4,979.8
Receivables from equity investments	11	74.6	-	74.6	75.8
Other non-current financial assets	12	229.9		229.9	21.6
Non-current financial assets		**17,276.7**	**85.9**	**17,190.8**	**5,077.2**
NON-CURRENT ASSETS		**17,277.4**	**86.2**	**17,191.2**	**5,077.7**
Receivables	13	36.9	-	36.9	0.0
Short-term investments	18.5	698.3	6.8	691.5	73.8
Cash and cash equivalents		100.0	-	100.0	45.9
CURRENT ASSETS		**835.2**	**6.8**	**828.4**	**119.8**
Prepayments and accrued income		0.4	-	0.4	0.3
TOTAL ASSETS		**18,112.9**	**93.0**	**18,019.9**	**5,197.8**

LIABILITIES AND EQUITY

(EUR millions)	Notes	2020[a]	2019
		Before appropriation	Before appropriation
Share capital (of which, fully paid up: 50.8)		50.8	50.8
Share premium account		441.9	441.9
Reserves and revaluation adjustments		601.2	601.2
Retained earnings		3,241.1	2,744.8
Net profit for the fiscal year		**11,476.8**	**662.7**
Interim dividend		(63.5)	(166.6)
EQUITY	14	**15,748.3**	**4,334.8**
PROVISIONS FOR CONTINGENCIES AND LOSSES	15	**1.0**	**0.0**
Borrowings	16	2,268.2	842.7
Other debt	17	1.6	19.4
OTHER LIABILITIES		**2,269.8**	**862.1**
Accruals and deferred income		0.8	0.9
TOTAL LIABILITIES AND EQUITY		**18,019.9**	**5,197.8**

(a) After taking into account the merger by absorption of Semyrhamis by Financière Agache on December 15, 2020, with retroactive effect as of January 1, 2020.

3. Cash flow statement

(EUR millions)		2020[a]	2019
I – OPERATING ACTIVITIES			
Net profit		11,476.4	662.7
Net depreciation, amortization, impairment and provisions		0.0	0.0
Net short-term provisions		11.4	(21.5)
Net gain/(loss) on disposals		(1.6)	(0.0)
Cash from operations before changes in working capital		**11,486.2**	**641.2**
Change in current assets		(36.6)	0.2
Change in other short-term investments		(621.3)	(44.8)
Change in current liabilities		(17.7)	13.3
Change in working capital		**(675.5)**	**(31.3)**
Net cash from operating activities	**I**	**10,810.6**	**609.9**
II – INVESTING ACTIVITIES			
Proceeds from sale of fixed assets		1.7	0.0
Purchase of property, plant and equipment		-	-
Acquisitions of equity investments		(11,913.5)	(350.3)
Change in other non-current financial assets		(207.1)	77.0
Net cash from/(used in) investing activities	**II**	**(12,118.9)**	**(273.4)**
III – FINANCING ACTIVITIES			
Contribution to equity (dividends paid)		0.2	0.3
Change in borrowings		1,035.8	(194.5)
Change in receivables from the Group		-	-
Change in payables to the Group		389.8	-
Net cash from/(used in) financing activities	**III**	**1,425.8**	**(194.3)**
IV – DIVIDENDS PAID DURING THE FISCAL YEAR	IV	(63.5)	(166.6)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**I + II + III + IV**	**54.0**	**(24.4)**
Cash and cash equivalents at beginning of fiscal year		**45.8**	**70.2**
Cash and cash equivalents at end of fiscal year		**99.9**	**45.8**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**54.0**	**(24.4)**

(a) After taking into account the merger by absorption of Semyrhamis by Financière Agache on December 15, 2020, with retroactive effect as of January 1, 2020.

The cash flow statement breaks down the changes in cash from one fiscal year to the next (after deducting bank overdrafts) as well as cash equivalents comprised of short-term investments, net of any impairment.

4. Notes to the parent company financial statements

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, a subsidiary of Agache SE, directly controls Christian Dior SE and indirectly (via Christian Dior SE) controls LVMH Moët Hennessy Louis Vuitton SE. The Company also holds a diversified portfolio of financial investments.

On December 15, 2020, Financière Agache SA absorbed its wholly owned subsidiary Semyrhamis in a merger by absorption, with retroactive effect as of January 1, 2020. This transaction generated a merger gain of 10,640.1 million euros, resulting from the positive difference between the amount of net assets transferred by Semyrhamis (14,306.4 million euros) and the net carrying amount of the Semyrhamis shares previously held by Financière Agache (3,666.3 million euros).

As part of the Group's ongoing legal simplification and functional reorganization, in 2020 Financière Agache acquired 335 million euros in financial assets from affiliated companies.

Financière Agache acquired a 27.08% stake in Lagardère Capital SAS and a 7.75% stake in Lagardère SCA.

Financial income from subsidiaries and investments (excluding merger gains) totaled 832.1 million euros in 2020, compared with 618.0 million euros in 2019.

Net financial income totaled 11,497.3 million euros (including 10,640.1 million euros arising from the Semyrhamis merger gain) in 2020, compared with 688.8 million euros in 2019.

Net profit was 11,476.8 million euros, compared with 662.7 million euros in 2019.

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 Regulations 2014-03 dated June 5, 2014 and 2015-05 dated July 2, 2015 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.

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; it should be noted that the presentation of the income statement was modified in 2019.

The 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 managing subsidiaries and investments; the cost of net financial debt relating, in essence, to the holding of these investments; and other items mainly related to managing investments and foreign exchange gains and losses. Net income from managing subsidiaries and investments includes all portfolio management items: dividends, changes in impairment of securities, changes in provisions for contingencies and losses related to the portfolio, and gains or losses arising on the disposal of securities.

"Operating profit/(loss)" includes services provided and other income, personnel costs and other net management charges.

"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)".

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. If their value in use as of the fiscal 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 securities: Average share price during the last month of the fiscal year, translated, where applicable, at year-end exchange rates;
- other securities: 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 9, 2021, 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, 2020.

Note 4. Net financial income/(expense)

4.1 Income from managing subsidiaries and investments

The income from managing subsidiaries and investments breaks down as follows:

(EUR millions)	**2020**	**2019**
Dividends received from French companies	832.1	618.0
Merger gains	10,640.14	-
Financial income from subsidiaries and investments	**11,472.2**	**618.0**
Changes in impairment	(7.0)	13.0
Changes in provisions for contingencies and losses	(0.9)	8.4
Impairment and provisions related to subsidiaries and investments	**(7.9)**	**21.4**
Other	(1.6)	(1.4)
Gains and losses on disposal	**-**	**-**
Income from managing subsidiaries and investments	**11,462.7**	**638.0**

Starting in 2020, dividends received include all dividends paid by subsidiaries and equity investments, including those relating to shares recognized as short-term investments.

In 2020, the merger gain arose from the transaction described in Note 1.

See also Note 15 concerning the change in impairment and provisions.

4.2 Income from managing investments

Income from managing investments breaks down as follows:

(EUR millions)	**2020**	**2019**
Income	3.4	51.9
Changes in impairment	(4.4)	(0.0)
Gains and losses on disposal	59.5	0.5
Other income/(expenses)	(1.2)	-
Income from managing investments	**57.3**	**52.3**

In 2019, investment income included, for the Christian Dior SE shares recognized as short-term investments, the distribution by Christian Dior of an exceptional interim dividend.

See also Note 15 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)	2020	2019
Interest on borrowings	(20.3)	(8.6)
Financial income and revenue	1.5	1.7
Proceeds/(cost) of non-Group net financial debt	**(18.8)**	**(6.9)**
Intra-Group interest expense	(1.2)	-
Intra-Group interest income	1.0	5.2
Proceeds/(cost) of intra-Group net financial debt	**(0.2)**	**5.2**
Proceeds/(cost) of net financial debt	**(19.0)**	**(1.7)**

The increase in "Interest on borrowings" mainly resulted from the interest expense arising on borrowings and drawdowns subscribed by Semyrhamis, the absorbed subsidiary (see Notes 1 and 16).

4.4 Foreign exchange gains and losses

Foreign exchange gains and losses comprise the following items:

(EUR millions)	2020	2019
Foreign exchange gains	-	0.3
Foreign exchange losses	(8.6)	-
Changes in provisions for unrealized foreign exchange losses	0.8	-
Other	4.1	(0.0)
Foreign exchange gains and losses	**(3.6)**	**0.2**

See also Note 15 concerning changes in provisions.

4.4.1 Foreign exchange derivatives

The nominal value of hedges outstanding as of December 31, 2020, as well as the impact of revaluation at December 31 exchange rates, are as follows:

Type of hedge *(EUR millions)*	**Type of item hedged**	**Currency**	**Nominal amount**[(a)]	**Market value**[(b)]
Forward exchange contract	Investments	USD	203.5	4.1

(a) Sale/(Purchase).
(b) Gain/(Loss).

Note 5. Services provided and other income

Services provided and other income consists of rental income.

Note 6. Personnel costs

Personnel costs included gross compensation and employer social security contributions.

The gross amount of directors' fees for fiscal year 2020 came to 90 thousand euros. It was paid in December 2020 and January 2021.

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)	**Pre-tax**	**Tax (expense)/ income**	**Post-tax**
Recurring profit	11,495.9	(20.7)	11,475.2
Net exceptional income/(expense)	1.6	-	1.6
	11,497.5	**(20.7)**	**11,476.8**

8.2 Tax position

Since 2004, Financière Agache SA has been a member of the tax consolidation group of which Agache SE 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)	**2020**
Carrying amount of fixed assets as of December 31, 2019	**0.5**
Additions	-
Disposals and retirements	(0.2)
Net change in depreciation/amortization	0.1
Carrying amount of fixed assets as of December 31, 2020	**0.4**

Note 10. Equity investments

(EUR millions)	**2020**	**2019**
Gross amount of equity investments	16,972.2	5,058.7
Impairment	(85.9)	(78.9)
Carrying amount of equity investments	**16,886.3**	**4,979.8**

The investment portfolio is presented in the "Subsidiaries and equity investments" table.

The change in the gross amount of equity investments mainly resulted from the merger by absorption of Semyrhamis SA (see Note 1).

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 broken down in Note 15.

Note 11. Receivables from equity investments

The balance of receivables from equity investments breaks down as follows:

(EUR millions)			2020	Gross amounts by maturity		*Of which: Related companies*
	Gross	Impairment	Net	Up to 1 year	More than 1 year	
Receivables from equity investments	74.6	-	74.6	0.0	74.6	*74.6*
Total	**74.6**	**-**	**74.6**	**0.0**	**74.6**	***74.6***

Receivables from equity investments comprise advances granted to Group companies under bilateral medium-term agreements.

Note 12. Other non-current financial assets

(EUR millions)	2020	2019
Other long-term investments	229.4	21.1
Other non-current financial assets	0.5	0.4
Impairment	-	-
Carrying amount of other non-current financial assets	**229.9**	**21.6**

In 2020, Financière Agache SA notably acquired 7.75% of the share capital of Lagardère SCA.

The methods used to calculate the impairment of other non-current financial assets are described in Note 2.3.

The change in impairment of the investment portfolio is broken down in Note 15.

Note 13. Receivables

Receivables break down as follows:

(EUR millions)			2020	2019
	Gross	Impairment	Net	Net
Receivables from related companies	32.8	-	32.8	-
Of which: Tax consolidation current accounts	*32.2*	-	*32.2*	-
Other receivables	4.1	-	4.1	0.0
Total	**36.9**	**-**	**36.9**	**0.0**

All these receivables mature within one year.

Note 14. Equity

14.1 Share capital

As of December 31, 2020, the share capital consisted of 3,173,352 fully paid-up shares, each with a par value of 16 euros per share, including 3,169,676 shares with double voting rights.

14.2 Change in equity

(EUR millions)	
Equity as of December 31, 2019 (prior to appropriation of net profit)	**4,334.8**
Net profit for the fiscal year ended December 31, 2020	11,476.8
Impact of treasury shares	0.2
Interim dividends for the fiscal year ended December 31, 2020	(63.5)
Equity as of December 31, 2020 (prior to appropriation of net profit)	**15,748.3**

The appropriation of net profit for fiscal year 2019 was approved at the Ordinary Shareholders' Meeting of June 4, 2020.

Note 15. 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)	2019	Increases	Decreases	2020
Equity investments	78.9	7.3[a]	0.2	85.9
Short-term investments	1.0	6.6[a]	0.8	6.8
Asset impairment	**79.9**	**13.9**	**1.0**	**92.7**
Subsidiaries	0.0	0.9	0.0	1.0
Foreign exchange losses	-	0.8[a]	0.8	-
Provisions for contingencies and losses	**0.0**	**1.8**	**0.8**	**1.0**
Total	**79.9**	**15.6**	**1.8**	**93.7**
Of which: Net financial income/(expense)	*79.9*	*15.6*	*1.8*	*93.7*

(a) With respect to these line items, 2.3 million euros arose from the merger by absorption of Semyrhamis SA, with retroactive effect as of January 1, 2020 (see Note 1).

Changes in impairment of equity investments and provisions for contingencies related to subsidiaries mainly reflect changes in the net assets of the subsidiaries concerned.

Note 16. Gross borrowings

16.1 Gross borrowings

Gross borrowings break down as follows:

(EUR millions)	2020	2019
Bonds	120.6	120.6
Bank loans and borrowings	988.9	14.6
Miscellaneous loans and borrowings	1,158.7	707.5
Gross borrowings	**2,268.2**	**842.7**

Bank loans and borrowings mainly comprise borrowings and drawdowns subscribed by Semyrhamis (absorbed subsidiary) under syndicated credit lines set up in 2017 on the occasion of the simplified public offer for Christian Dior shares.

Miscellaneous loans and borrowings include short-term negotiable debt securities outstanding (NEU CP and other euro-denominated commercial paper) in the amount of 769.0 million euros, and borrowings from affiliated companies amounting to 389.8 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.

16.2 Bonds

Nominal interest rate	Issue price *(as % of the par value)*	Maturity	Par value as of December 31, 2020	Accrued interest	Total
1.204%	100.604%	2022	120	0.6	120.6
			120	**0.6**	**120.6**

16.3 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:

(EUR millions)	Total	Amount			*Of which: Accrued expenses*
		Less than 1 year	From 1 to 5 years	More than 5 years	
Bonds	120.6	0.6	120.0	-	*0.6*
Bank loans and borrowings	988.9	94.4	894.5	-	*0.3*
Miscellaneous loans and borrowings	1,158.7	769.0	389.7	-	*0.0*
Gross borrowings	**2,268.2**	**864.0**	**1,404.3**	**-**	***0.9***

16.4 Guarantees and collateral

As of December 31, 2020, financial debt was not subject to any guarantees or collateral.

Note 17. Other debt and other liabilities

(EUR millions)	Total		Amount		*Of which: Accrued expenses*	*Of which: Related companies*
		Less than 1 year	From 1 to 5 years	More than 5 years		
Trade accounts payable	0.7	0.7	-	-	*0.5*	*0.0*
Tax and social security liabilities	0.4	0.4	-	-	*0.4*	-
Other debt	0.5	0.5	-	-	*0.1*	-
Deferred income	0.8	0.7	0.1	-	-	*0.1*
Other debt and other liabilities	**2.4**	**2.3**	**0.1**	**-**	***1.0***	***0.1***

Note 18. Other information

18.1 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.

18.2 Financial commitments

Off-balance sheet commitments

As of December 31, 2020, Financière Agache SA had 205.5 million euros in investment commitments in these funds.

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 2020, the nominal amount of these financial instruments came to 203.5 million dollars.

Commitments received

Financière Agache SA has access to confirmed credit lines entered into with banks, of which the undrawn amount available totaled 1,921.5 million euros as of December 31, 2020.

18.3 Identity of the consolidating parent company

Company name	SIREN	Registered office
Agache	314,685,454	41 avenue Montaigne 75008 Paris (France)

18.4 Subsidiaries and equity investments

(EUR millions)	Carrying amount of shares held		Loans and advances provided 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. Details on subsidiaries and equity investments					
1. Subsidiaries (more than 50% held)					
– Agache Développement	18.9	-	-	-	-
– Aglaé Ventures II	26.7	26.7	-	-	-
– Christian Dior	15,914.8	15,914.8	-	-	790.8
– Coromandel	52.5	52.5	-	-	-
– Markas Holding	18.5	1.5	-	-	-
– Montaigne Services	4.5	0.0	-	-	-
– Transept	3.0	0.5	74.6	-	-
– Westley International	52.1	9.1	-	-	-
2. Equity investments (between 10% and 50% held)					
– Lagardère Capital	80.0	80.0	-	-	-
– LC Investissements	109.1	109.1	-	-	-
– Le Peigné	65.4	65.4	-	-	-
3. Other					
– LVMH Moët Hennessy Louis Vuitton	626.6	626.6	-	-	41.2
– Other	0.2	0.1	-	-	-
B. Summary information relating to other subsidiaries and equity investments[b]					
1. French subsidiaries and equity investments	227.3	227.3			
2. Foreign subsidiaries and equity investments	2.1	2.1			
Total	**17,201.6**	**17,115.7**	**74.6**	**-**	**832.1**

(a) Including dividends on shares in subsidiaries recognized as short-term investments.
(b) Shares recognized as long-term investments.

18.5 Securities

(EUR millions)	**2020 carrying amount**
Shares	421.6
Bonds	0.4
Investment funds	269.5
Short-term investments	691.5

5. Company results and other significant components over the last five fiscal years

(EUR millions, except earnings per share, expressed in euros)	**2016**	**2017**	**2018**	**2019**	**2020**
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	100.9	70.0	139.3	666.6	11,508.2
Income taxes	6.0	4.0	8.4	25.4	20.5
Profit after taxes, depreciation, amortization, impairment and movements in provisions	113.5	181.5	150.1	662.7	11,476.4
Profit distributed as dividends[(a)]	82.5	317.3	222.1	166.6	63.5
3. Earnings per share *(EUR)*					
Earnings per share before taxes and before depreciation, amortization, impairment and movements in provisions	31.8	22.1	43.9	210.1	3,626.5
Earnings per share after taxes, depreciation, amortization, impairment and movements in provisions	35.8	57.2	47.3	208.8	3,616.5
Gross dividend distributed per share[(b)]	26.0	100.0	70.0	52.5	20.0
4. Employees					
Average number of employees	-	-	-	-	-
Total payroll	-	-	-	-	-
Amounts paid in respect of employee benefits	-	-	-	-	-

(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 fiscal year 2020, amount proposed at the Shareholders' Meeting of April 26, 2021.
(b) Excluding the impact of tax regulations applicable to recipients.

6. 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, 2020.

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, 2020 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 the independence rules provided by the French Commercial Code (*Code de commerce*) and the French Code of Ethics *(Code de déontologie)* for Statutory Auditors, for the period from January 1, 2020 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.

III. Justification of assessments – Key audit matters

The global crisis arising from the Covid-19 pandemic imposed particular conditions on the preparation and audit of the financial statements for this fiscal year. The crisis and the exceptional measures taken in response to the public health emergency had wide-ranging consequences on companies, especially on their business activity and financing, and heightened uncertainty regarding their outlook for the future. Some of these measures, such as travel restrictions and remote working, also had an impact on the internal organization of companies and on the conditions under which audits were run.

Within this complex, changing context, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code 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.

IV. 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 and in the other documents given to shareholders related to the financial position and the parent company 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. 441-6 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 Articles L. 225-37-4 and L. 22-10-10 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.

V. Other verifications or information required by laws and regulations

Presentation format for the parent company financial statements to be included in the Annual Financial Report

In accordance with Article 222-3 III of the AMF's General Regulation, your Company's management has informed us of its decision to postpone the application of the European Single Electronic Format as defined by Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 to fiscal years beginning on or after January 1, 2021. Consequently, this report does not include a conclusion on compliance with this format in the presentation of the parent company financial statements to be included in the Annual Financial Report mentioned in Article L. 451-1-2 I of the French Monetary and Financial Code (*Code monétaire et financier*).

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, 2020, MAZARS was in the twenty-fourth consecutive year of its engagement (including twenty-two years since the Company's shares were admitted to trading on a regulated market) and ERNST & YOUNG et Autres was in its twelfth year.

ERNST & YOUNG Audit previously served as Statutory Auditor beginning in 1992.

VI. 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 parent company 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.

VII. 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 or the quality of management of your 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 a report to the Performance Audit Committee 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, April 9, 2021

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. 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.

7. Statutory Auditors' special report on 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.

I. 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.

II. 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 agreement, which was approved at a Shareholders' Meeting in a prior fiscal year, remained in effect during the fiscal year under review.

With Agache SE (formerly Groupe Arnault)

Persons concerned

Nicolas Bazire and Florian Ollivier, Directors.

Nature and purpose

Assistance agreement

Your Company does not have any employees of its own. The assistance agreement entered into with Agache SE provides for the sharing of skills as well as certain costs, thus reducing expenses.

Conditions

In 2020, your Company paid Agache SE the sum of 217,439.04 euros including VAT (181,199.20 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, April 9, 2021

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. 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.

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, April 9, 2021

Florian OLLIVIER

Chairman and Chief Executive Officer

Design and production: Agence Marc Praquin

FINANCIERE AGACHE

11, rue François 1er – Paris 8e