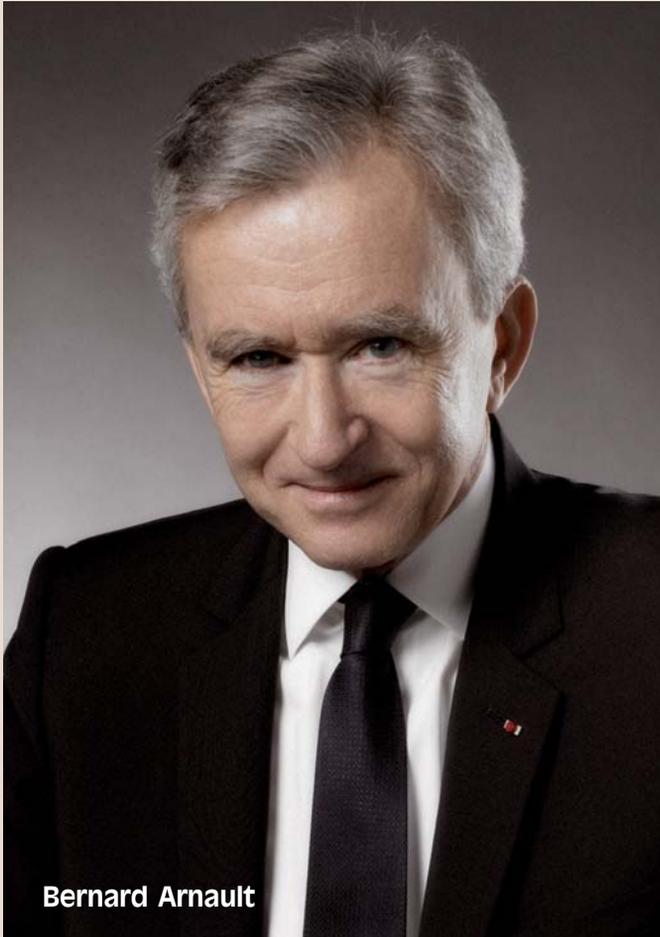


# LVMH

## MOËT HENNESSY • LOUIS VUITTON

### LETTER TO SHAREHOLDERS - JULY 2010



**Bernard Arnault**

**The strategy of value creation, to which we remained firmly committed during the significant challenges of the global economic climate, has borne fruit. By focusing on excellence, our Group has strengthened its leadership position and continues to invest selectively in its key growth drivers.**

## FOCUSING ON EXCELLENCE

The first half of 2010 has confirmed the rebound seen at the end of last year, leading to double-digit organic revenue growth at all our business groups and a strong improvement in our results. As we anticipated, having demonstrated its resilience and responsiveness even amid the most turbulent moments of the financial crisis, LVMH rapidly took advantage of the first signs of economic improvement.

### QUALITY AND CREATIVITY: SOLID, RELIABLE AND POWERFUL FOUNDATIONS

We were pleased to see that in an environment which encourages increased selectivity, with the onus being placed on the true intrinsic value of goods, our customers have demonstrated their loyalty to our brands and star products in all our business groups. Monogram and Damier, Louis Vuitton's signature creations, Miss Dior, Eau Sauvage and J'adore, Dom Pérignon, Guerlain's Shalimar, TAG Heuer's Monaco and Carrera are still, as ever, in the limelight. There have been some exceptional new products too. These include Hennessy's Paradis Horus, Hublot's King Power watch, the Joséphine jewelry collection at Chaumet and Orchidée Impériale "New Generation" at Guerlain... More than ever, in periods of uncertainty, quality and creativity – the intrinsic values of luxury – are solid, reliable and powerful foundations. At the heart of our Maisons, our creative and commercial teams highlighted our brands' heritage of excellence to meet these expectations throughout the global marketplace. Harnessing the exceptional savoir-faire of our artisans, proposing powerful, genuine innovations, creating an emotional buzz at our stores, providing our customers with a truly unique experience of luxury and devoting the attention needed; all of these make a difference.

### A GEOGRAPHICAL FOOTPRINT THAT FACILITATES THE TAKING OF GROWTH OPPORTUNITIES

Global economies may have emerged from their contraction phase, but factors of instability still exist and the timescale of a solid and durable recovery is uncertain. We will continue to be rigorous and selective, notions which continue to be needed in this context, especially since the basis of comparison will be more challenging in the second half of the year. However, we are approaching the coming months calmly. Calmly because LVMH is fundamentally a solid group and because such an unusually severe crisis has further strengthened us. Calmly because our global presence enables us to take every appropriate growth opportunity: major, developed economies



## CHAIRMAN'S MESSAGE



where, over time, our brands have built leadership positions, continue to hold considerable potential for true luxury products. Elsewhere, demand is extremely dynamic and will continue to expand in the emerging markets where we have established solid foundations, and we will accelerate this growth when the timing is right.

We continue to invest selectively in key performance drivers. Firstly, we are developing our production capacity in order to support our growth. For example, Louis Vuitton, which recently completed its Fiesco d'Artico footwear production facility in Italy, is building a new center of excellence where the highest-end leather used in its products will be tanned and is preparing to open a new leather goods workshop. In the world of watch movements, TAG Heuer and Hublot are carrying out similar projects.

Enhancing the quality of our distribution networks is also a priority. Louis Vuitton, which recently inaugurated magnificent new stores in Shanghai, Kobe and London, will open in two new countries during the second half of the year. Sephora has established a bridgehead in Brazil, a market where the distribution of beauty products holds considerable potential.

## CONFIDENCE SHARED WITH INVESTORS

Finally, an array of innovations and substantial marketing efforts will be directed towards the most profitable projects in our business lines. Our Wines & Spirits brands will implement ambitious programs to stimulate sales at the end of the year, our Perfumes & Cosmetics product ranges are being strengthened, Louis Vuitton will launch new products, in particular a very promising supple leather range. These are just a few examples.

As the world leader in a growing market, this year LVMH has once again set itself the objective of improving its performance and strengthening market share. This will be driven by its highly-motivated, talented teams across the world who share the Group's culture of excellence and give us the sense of confidence that inspires us. And we are pleased to see that the financial markets share our confidence, as can be seen in the performance of the LVMH share price over the last six months. I would like to thank the Group's shareholders who have placed their support in the management of our businesses and in our long-term strategy.

July 27, 2010

**Bernard Arnault**  
Chairman & Chief Executive Officer



### Revenue

EUR million

June 30, 2010	9,099
June 30, 2009	7,811
June 30, 2008	7,799

### Profit from recurring operations

EUR million

June 30, 2010	1,816
June 30, 2009	1,363
June 30, 2008	1,541

### Group share of net profit

EUR million

June 30, 2010	1,050
June 30, 2009	687
June 30, 2008	891

### Basic Group share of net profit per share

EUR

June 30, 2010	2.21
June 30, 2009	1.45
June 30, 2008	1.88

### Cash flow from operations before changes in working capital

EUR million

June 30, 2010	2,022
June 30, 2009	1,566
June 30, 2008	1,701

### Operating investments <sup>(1)</sup>

EUR million

June 30, 2010	435
June 30, 2009	349
June 30, 2008	490

(1) Acquisitions of tangible and intangible fixed assets

# Excellent first half of the year for LVMH



Revenue: + 16%

Profit from recurring operations: + 33%

Group share of net profit: + 53%



LVMH Moët Hennessy Louis Vuitton, the world's leading luxury products group, recorded revenue of €9.1 billion in the first half of 2010, an increase of 16%. All business groups achieved double-digit organic revenue growth. The Group performed particularly well in Asia, the United States and Europe.

Profit from recurring operations in the first half of 2010 increased by 33% to €1,816 million.

Group share of net profit increased by 53% to €1,050 million.

Bernard Arnault, Chairman and CEO of LVMH, commented:

"The 2010 first half results, once again, demonstrate the exceptional appeal of our brands as well as the effectiveness of our strategy, as pertinent in the context of a recovery in 2010 as it was during the global economic crisis in 2009. All LVMH's business groups contributed to this excellent half year. Operating margin has improved considerably thanks to robust revenue growth and the control over operating costs. This focus on cost control will continue into the second half of the year despite the momentum in the markets. The Group approaches the end of the year with confidence and is relying upon the creativity and quality of its products as well as the effectiveness of its teams to pursue further market share gains in its historical markets as well as in high potential emerging markets."



## Highlights of the first half of 2010 include:

- Double-digit organic\* revenue growth in all business groups,
- Market share gains of all our brands notably with double-digit revenue growth at Louis Vuitton, whose profitability continues to be at an exceptional level,
- Strong revenue growth in emerging markets,
- A record level of first half current operating margin,
- Robust rebound in orders from distributors of Wines & Spirits and Watches & Jewelry,
- Rapid progress and market share gains at Christian Dior and Sephora,
- Net cash flow from operations before changes in working capital increased by 37%,
- Solid financial position with a net debt ratio under 20%.

\* with comparable structure and exchange rate

## WINES &amp; SPIRITS



## Increase in orders

Following considerable destocking in 2009, the **Wines & Spirits** business group recorded revenue growth of 21% and an increase of 35% in profit from recurring operations.

Champagne sales saw a significant rebound during the period thanks to improvements at prestige brands, which had been affected in 2009.

In the Cognac business, Hennessy experienced strong momentum in its key markets, notably China and the United States. All qualities of cognac achieved strong growth.

Revenue  
EUR million

June 30, 2010	1,302
June 30, 2009	1,079
June 30, 2008	1,292

Profit from recurring operations  
EUR million

June 30, 2010	326
June 30, 2009	241
June 30, 2008	409

Exceptional momentum  
at Louis Vuitton

The **Fashion & Leather Goods** business group recorded revenue growth of 18% in the first half of 2010. Profit from recurring operations increased by 28% to €1,179 million. Louis Vuitton registered very strong revenue growth, which is particularly remarkable considering its already strong first half of 2009. Asian and European markets confirmed their growth momentum and the United States, which showed good resilience in 2009, continued to improve during the period. Louis Vuitton continues to rely on its incomparable creativity and the fact that it is the only luxury brand in the world to sell its products exclusively through its own store network. Fendi, Donna Karan and the other fashion brands had a good start to the year.

Revenue  
EUR million

June 30, 2010	3,516
June 30, 2009	2,988
June 30, 2008	2,768

Profit from recurring operations  
EUR million

June 30, 2010	1,179
June 30, 2009	919
June 30, 2008	858

## FASHION &amp; LEATHER GOODS



## PERFUMES &amp; COSMETICS



## Success of iconic fragrances

In the first half of 2010, the **Perfumes & Cosmetics** business group registered revenue growth of 12%, and a 50% increase in profit from recurring operations. LVMH's brands benefited from strong growth in Asian markets and a return of demand in Europe as well as in the United States. By accelerating the development of its star lines, Christian Dior achieved strong growth and gained market share. Beyond the global success of *J'Adore*, the first half was notable for the progress of *Miss Dior Chérie* and *Eau Sauvage*, the leading French male fragrance. In make-up, the new foundation, *Diorskin Nude*, and the lipstick *Rouge Dior* were a major success. Guerlain benefited from the 2009 launch of its *Idylle* perfume and from the growth of *Orchidée Impériale* which is proving to be an exceptional product. The ongoing success of *Ange ou Démon* and its major classics were the key highlights for Parfums Givenchy. Benefit and Make Up For Ever enjoyed particularly strong growth.

Revenue  
EUR million

June 30, 2010	1,441
June 30, 2009	1,285
June 30, 2008	1,362

Profit from recurring operations  
EUR million

June 30, 2010	181
June 30, 2009	121
June 30, 2008	132

WATCHES & JEWELRY



## Strong recovery

In the first half of 2010, the **Watches & Jewelry** business group registered revenue growth of 28% and a 145% increase in profit from recurring operations. The increase in purchases by retailers, coupled with the rise in consumer demand, contributed to the performance of our brands. TAG Heuer celebrated its 150<sup>th</sup> anniversary and grew strongly in China and the United States. At Hublot, the *King Power* line was extraordinarily well received and the recent integration of the "Confrérie Horlogère" team has strengthened the brand's expertise. Zenith benefited from the success of its new models. Fred, Chaumet and De Beers enjoyed momentum in their networks of stores. The launch of the *Joséphine* collection was one of the highlights of the period for Chaumet.

**Revenue**  
EUR million

June 30, 2010	443
June 30, 2009	346
June 30, 2008	417

**Profit from recurring operations**  
EUR million

June 30, 2010	49
June 30, 2009	20
June 30, 2008	74

## Robust expansion of Sephora on all continents

In the first half of 2010, the **Selective retailing** business group saw a 14% increase in revenue and recorded growth of 36% in profit from recurring operations.

DFS benefited from the growth in Asian tourism and saw a considerable increase in revenue. The renovation of the Hong Kong's Sun Plaza Galleria continued. Macao has seen strong growth and will benefit in the second half of the year from the full opening of the City of Dreams.

Sephora performed exceptionally well and strengthened its position in all of its markets. It sustained its growth momentum on a comparable store basis and online sales have continued to grow rapidly. The brand expanded its presence in all markets, and is ready to develop in South America through the acquisition of Sack's, the leading Brazilian online specialty beauty retailer.

**Revenue**  
EUR million

June 30, 2010	2,419
June 30, 2009	2,127
June 30, 2008	1,990

**Profit from recurring operations**  
EUR million

June 30, 2010	176
June 30, 2009	129
June 30, 2008	151

SELECTIVE RETAILING



## 2010 Outlook

In the current recovery from the economic crisis, LVMH will continue to gain market share thanks to the numerous product launches planned before the end of the year, to its geographic expansion in promising markets and to its cost management.

Our strategy of focusing on quality across our entire product range, combined with the dynamism and unparalleled creativity of our teams, will enable us to reinforce, once again in 2010, LVMH's global leadership position in luxury products.

### The French Shareholders' Club – An Initiative to Strengthen Ties

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

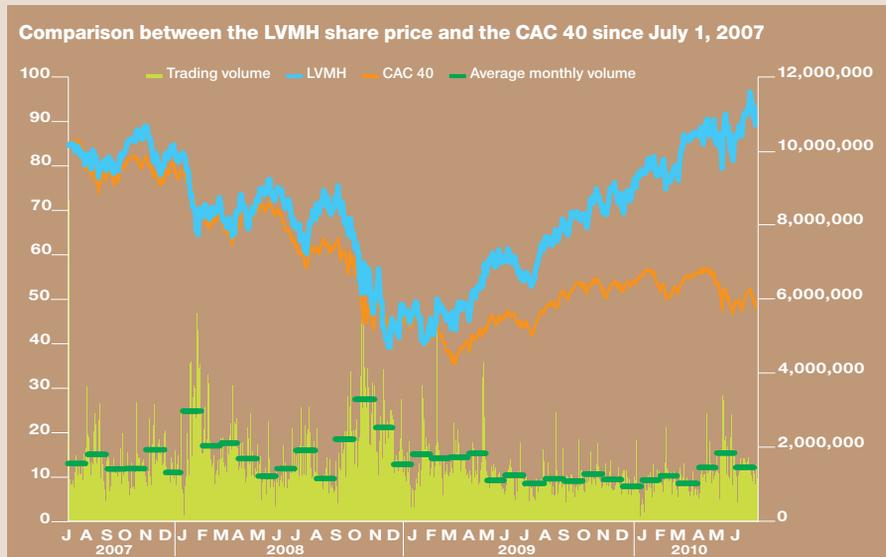
The magazine "Apartés", published in French for Club members, lets them order products to be delivered to addresses in France, subscribe to *Les Echos*, *Investir* and *Connaissance des Arts* at special rates and be special guests on certain sites adapted for

tours (cellars and storehouses) as well as benefit from special priority tickets for exhibits supported by LVMH.

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**CHANGES IN THE LVMH SHARE PRICE**

In the first half of 2010, stock markets recorded very high volatility as in 2009. The leading markets fluctuated according to investor expectations about the speed and permanence of the economic recovery. Questions focused primarily on changes in the job market and the real estate market in the United States and on the sustainability of the level of public debt, particularly in the countries in southern Europe. After establishing a support plan for Greece, the euro zone countries were forced, because of the problems some countries had in refinancing their debt, to establish a much more extensive mutual guarantee plan and, one after another, to announce tighter budget policies. These various measures did not, however, completely reassure the markets which are concerned both about the ability of the countries to contain their debt and about the impact of more restrictive budget policies on growth, which remains fragile. In this still uncertain environment, the leading market indices ended the first half of the year on a decline.

Benefiting from the solid performance of its business, particularly in the emerging markets, and from a favorable trend in exchange rates, the LVMH share price nevertheless continued to rise in the first half of 2010. The LVMH share price rose nearly 15% over the period. At the same time, the European CAC 40 and Eurostoxx 50 indices were down 13% over the first six months of the year, and the Dow Jones US Industrials index dropped 6%.

The LVMH share closed at €89.81 on June 30. On that date LVMH's market capitalization amounted to €44 billion, making LVMH the 7<sup>th</sup> largest company on the Paris stock exchange.

LVMH is included in the major French and European indices used by fund managers: CAC 40, DJ-Eurostoxx 50, MSCI Europe, FTSE-Eurotop 100. LVMH is also included in the Global Dow, a new index composed of the most innovative, dynamic and influential companies, and in the FTSE4Good, the main European index that measures the performance of companies which meet criteria for social and environmental responsibility.

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

**MARKET CAPITALIZATION**

Millions of euros	
June 30, 2008	32,622
June 30, 2009	26,653
June 30, 2010	43,989

**INTERIM DIVIDEND**

The Board of Directors approved the payment of an interim dividend of €0.70 as of December 2, 2010.

**BREAKDOWN OF CAPITAL AND VOTING RIGHTS AS AT JUNE 30, 2010**

	Number of shares	Number of voting rights <sup>(1)</sup>	% of capital	% of voting rights
Arnault Group	232,345,436	446,935,826	47.42%	63.51%
Other	257,636,771	256,753,870	52.58%	36.49%
Total	489,982,207	703 689,696	100.00%	100.00%

(1) Total number of voting rights exercisable at Shareholders' Meetings.

**AGENDA**

**Tuesday, July 27, 2010**

Publication of 2010 half-year revenue and results

**October 2010**

Publication of 2010 third quarter revenue

**February 2011**

Publication of 2010 annual revenue and results

**March 2011**

Annual Shareholders' Meeting

**LVMH**  
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