LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH FINANCIAL DOCUMENTS

YEAR ENDED DECEMBER 31, 2009

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This document is a free translation into English of the original French "Documents financiers - 31 décembre 2009", hereafter referred to as the "Financial Documents". 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; STATUTORY AUDITORS

BOARD OF DIRECTORS

Bernard Arnault
Chairman and Chief Executive Officer

Antoine Bernheim*
Vice-Chairman

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Jean Arnault

Nicolas Bazire

Nicholas Clive Worms*

Charles de Croisset*

Diego Della Valle*

Albert Frère

Gilles Hennessy

Patrick Houël

Lord Powell of Bayswater

Felix G. Rohatyn

Yves-Thibault de Silguy*

Hubert Védrine*

ADVISORY BOARD MEMBER

Kilian Hennessy*

PERFORMANCE AUDIT COMMITTEE

Antoine Bernheim*
Chairman

Nicholas Clive Worms*

Gilles Hennessy

NOMINATIONS AND COMPENSATION COMMITTEE

Antoine Bernheim*
Chairman

Charles de Croisset*

Albert Frère

* *Independent Director.*

EXECUTIVE COMMITTEE

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Pierre Godé
Vice-Chairman

Nicolas Bazire
Development and Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion and Leather Goods

Chantal Gaemperle
Human Resources

Jean-Jacques Guiony
Finance

Christophe Navarre
Wines and Spirits

Patrick Ouart
Advisor to the Chairman

Philippe Pascal
Watches and Jewelry

Daniel Piette
Investment Funds

Pierre-Yves Roussel
Fashion

Mark Weber
Donna Karan, LVMH Inc.

General secretary

Marc-Antoine Jamet

STATUTORY AUDITORS

ERNST & YOUNG Audit
represented by Jeanne Boillet and Olivier Breillot

DELOITTE & ASSOCIÉS
represented by Alain Pons

FINANCIAL HIGHLIGHTS

Key consolidated data

(EUR millions and percentage)	**2009**	2008	2007
Revenue	17,053	17,193	16,481
Profit from recurring operations	3,352	3,628	3,555
Net profit	1,973	2,318	2,331
Net profit, Group share	1,755	2,026	2,025
Cash from operations before changes in working capital [(1)]	3,928	4,096	4,039
Operating investments	748	1,039	990
Total equity	14,785	13,793 [(2)]	12,434 [(2)]
Net financial debt [(3)]	2,994	3,869	3,094
Net financial debt / Total equity ratio	20%	28%	25%

(1) Before tax and interest paid.
(2) Restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended. See Note 1.2 of notes to the condensed consolidated financial statements.
(3) Net financial debt does not take into consideration purchase commitments for minority interests included in Other non-current liabilities. See Note 17.1 of notes to the condensed consolidated financial statements for definition of net financial debt.

Data per share

(EUR)	**2009**	2008	2007
Earnings per share			
Basic Group share of net profit	3.71	4.28	4.27
Diluted Group share of net profit	3.70	4.26	4.22
Dividend per share			
Gross amount paid for fiscal year [(4)(5)]	1.65	1.60	1.60

(4) Excludes the impact of tax regulations applicable to the beneficiary.
(5) For fiscal year 2009, amount proposed at the Ordinary Shareholders' Meeting of April 15, 2010.

LVMH GROUP

BUSINESS REVIEW AND COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

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BUSINESS REVIEW

1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Revenue by business group

(EUR millions)	2009	2008	2007 [(1)]
Wines and Spirits	2,740	3,126	3,226
Fashion and Leather Goods	6,302	6,010	5,628
Perfumes and Cosmetics	2,741	2,868	2,731
Watches and Jewelry	764	879	833
Selective Retailing	4,533	4,376	4,164
Other activities and eliminations	(27)	(66)	(101)
Total	**17,053**	**17,193**	**16,481**

(1) Restated after reclassifying La Samaritaine from Selective Retailing to Other activities.

Profit from recurring operations by business group

(EUR millions)	2009	2008	2007 [(1)]
Wines and Spirits	760	1,060	1,058
Fashion and Leather Goods	1,986	1,927	1,829
Perfumes and Cosmetics	291	290	256
Watches and Jewelry	63	118	141
Selective Retailing	388	388	426
Other activities and eliminations	(136)	(155)	(155)
Total	**3,352**	**3,628**	**3,555**

(1) Restated after reclassifying La Samaritaine from Selective Retailing to Other activities.

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

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

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

Revenue by invoicing currency

(percentage)	2009	2008	2007
Euro	30	32	31
US dollar	27	28	30
Japanese yen	10	10	11
Hong Kong dollar	5	4	4
Other currencies	28	26	24
Total	**100**	**100**	**100**

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

Revenue by geographic region of delivery

(percentage)	2009	2008	2007
France	14	14	14
Europe (excluding France)	21	24	23
United States	23	23	25
Japan	10	10	11
Asia (excluding Japan)	23	20	19
Other markets	9	9	8
Total	**100**	**100**	**100**

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

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

Wines and Spirits saw a decline in revenue of 12% based on published figures. On a constant consolidation scope and currency basis, revenue decreased by 14%, with the favorable impact of exchange rate fluctuations increasing revenue by nearly 2 points. The economic crisis and substantial destocking at retailers weighed heavily on revenue in the United States, Japan and Europe.

Demand remained more robust in the Asian markets, especially in Vietnam. China is still the second largest market for the Wines and Spirits business group.

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

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

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

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

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

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

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

The geographical breakdown of retail network is as follows:

(Number)	**2009**	2008	2007
France	353	331	306
Europe (excluding France)	620	596	523
United States	531	531	463
Japan	307	256	253
Asia (excluding Japan)	470	485	409
Other markets	142	115	94
Total	**2,423**	**2,314**	**2,048**

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

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

Exchange rate fluctuations had a negative net impact on the Group's profit from recurring operations of 2 million euros compared with the previous year. This total comprises the following three items: the impact of changes in exchange rate parities on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the euro zone. On a constant currency basis excluding changes in the net impact of currency hedges, the Group's profit from recurring operations would still have decreased by 8%.

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

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

Profit from recurring operations for Perfumes and Cosmetics was 291 million euros, remaining stable compared to 2008. Tight control over product costs and other operating expenses once again improved profitability. Operating margin as a percentage of revenue for this business group thus increased by 1 point to 11%.

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

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

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

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

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

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

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

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

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

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

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

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

2. WINES AND SPIRITS

	2009	2008	2007
Revenue *(EUR millions)*	**2,740**	**3,126**	**3,226**
Sales volume *(millions of bottles)*			
Champagne	48.4	57.6	62.2
Cognac	54.6	57.7	60.9
Other spirits	12.3	25.1	28.8
Still and sparkling wines	36.2	36.9	38.9
Revenue by geographic region of delivery *(%)*			
France	9	8	8
Europe (excluding France)	25	31	29
United States	26	24	29
Japan	6	6	8
Asia (excluding Japan)	22	19	16
Other markets	12	12	10
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**760**	**1,060**	**1,058**
Operating margin *(%)*	**27.7**	**33.9**	**32.8**
Operating investments *(EUR millions)*	**103**	**158**	**189**

Champagne and Wines

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cognac and Spirits

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

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

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

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

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

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

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

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

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

Belvedere vodka had a good year with stable revenue in the United States, where it increased market share, and strong growth in Canada, Europe and Asia. Sales were revitalized with an aggressive and effective policy of innovation: the introduction of Belvedere *Intense*, a super premium vodka, Belvedere *IX* targeted for the

nightlife segment, an offer of spectacular bottles and packaging, like Belvedere *Silver* at the end of the year, are just a few examples of these innovations.

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

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

Outlook

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

3. FASHION AND LEATHER GOODS

	2009	2008	2007
Revenue *(EUR millions)*	6,302	6,010	5,628
Revenue by geographic region of delivery *(%)*			
France	8	8	9
Europe (excluding France)	21	21	20
United States	18	19	20
Japan	18	20	22
Asia (excluding Japan)	28	25	23
Other markets	7	7	6
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	50	47	49
Wholesale	42	44	38
Licenses	8	8	8
Other	-	1	5
Total	100	100	100
Profit from recurring operations *(EUR millions)*	1,986	1,927	1,829
Operating margin *(%)*	31.5	32.1	32.5
Number of stores	1,164	1,090	989
Operating investments *(EUR millions)*	262	311	246

Louis Vuitton

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

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

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

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

The first months of the year were very intense with the successful launch of a collection in tribute to Stephen Sprouse, an American artist, now no longer with us, who was the first designer to collaborate with Marc Jacobs. This colorful collection, which includes two leather goods lines, *Monogram Graffiti* and *Monogram Roses*, was reflected in a whole series of products: ready-to-wear, footwear and a large number of accessories. Louis Vuitton expanded its men's *Damier Graphite* line created in 2008, with articles available in all segments. The success of this line reflects the ongoing growth of Louis Vuitton in the men's segment and is a key factor in that growth. New very successful models were added to the historical lines of leather goods. Finally, the second half of the year was highlighted very specifically by the launch of *L'Ame du Voyage*, a collection of daring and exceptional high-end jewelry, the result of the collaboration between Louis Vuitton and the creative talent of Lorenz Bäumer, one of the most talented jewelers of his generation.

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

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

Fendi

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

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

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

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

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

Other brands

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

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

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

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

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

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

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

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

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

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

Outlook

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

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

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

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

4. PERFUMES AND COSMETICS

	2009	2008	2007
Revenue *(EUR millions)*	**2,741**	**2,868**	**2,731**
Revenue by product category *(%)*			
Perfumes	53	54	55
Cosmetics	28	28	26
Skincare products	19	18	19
Total	**100**	**100**	**100**
Revenue by geographic region of delivery *(%)*			
France	17	16	16
Europe (excluding France)	39	42	43
United States	8	8	8
Japan	7	6	6
Asia (excluding Japan)	16	14	13
Other markets	13	14	14
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**291**	**290**	**256**
Operating margin *(%)*	**10.6**	**10.1**	**9.4**
Operating investments *(EUR millions)*	**99**	**144**	**115**
Number of stores	**65**	**62**	**55**

Parfums Christian Dior

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

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

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

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

Guerlain

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

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

Under the creative leadership of Thierry Wasser, the brand's new perfumer working alongside Jean-Paul Guerlain, the brand continued to demonstrate its roots in the world of luxury perfumes, with re-introductions of legendary perfumes and exclusive creations throughout the year bearing witness to its unique expertise.

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

Other brands

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

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

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

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

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

Outlook

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

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

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

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

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

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

5. WATCHES AND JEWELRY

	2009	2008	2007
Revenue *(EUR millions)*	764	879	833
Revenue by geographic region of delivery *(%)*			
France	9	8	7
Europe (excluding France)	27	28	24
United States	18	19	25
Japan	12	12	13
Asia (excluding Japan)	17	16	15
Other markets	17	17	16
Total	100	100	100
Profit from recurring operations *(EUR millions)*	63	118	141
Operating margin *(%)*	8.2	13.4	16.9
Operating investments *(EUR millions)*	23	39	28
Number of stores	114	104	90

TAG Heuer

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

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

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

Hublot

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

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

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

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

Zenith

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

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

Two boutiques were opened in Moscow and Dubai in 2009.

Other brands

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

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

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

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

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

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

Outlook

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

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

6. SELECTIVE RETAILING

	2009	2008	2007 (1)
Revenue *(EUR millions)*	**4,533**	**4,376**	**4,164**
Revenue by geographic region of delivery *(%)*			
France	24	24	24
Europe (excluding France)	10	11	10
United States	37	38	39
Japan	2	3	3
Asia (excluding Japan)	20	19	20
Other markets	7	5	4
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**388**	**388**	**426**
Operating margin *(%)*	**8.6**	**8.9**	**10.3**
Operating investments *(EUR millions)*	**183**	**228**	**236**
Number of stores			
Sephora	986	898	756
Other trade names (2)	89	155	153

(1) Restated after reclassifying La Samaritaine from Selective Retailing to Other activities.
(2) The method for counting DFS stores was changed as of 2009. Had the new method been applied in 2008, the number of stores for that year would have been 80.

DFS

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

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

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

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

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

Miami Cruiseline

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

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

Sephora

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

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

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

In line with its positioning perfectly reflected in the slogan "The Beauty Authority", Sephora continued to implement its

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

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

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

Le Bon Marché

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

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

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

Outlook

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

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

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

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

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

LVMH's consolidated balance sheet, which is shown on page 24, totaled 32.1 billion euros as of December 31, 2009, representing a year-on-year increase of 2.0%.

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

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

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

Property, plant and equipment increased slightly to 6.1 billion euros. This growth is chiefly attributable to the levels of the Group's operating investments made by Louis Vuitton, Sephora and DFS in their retail networks as well as those made by Parfums Christian Dior in new display counters and production facilities, together with those made by Hennessy and Veuve Clicquot in their production facilities, and to changes in the scope of consolidation, which exceeded the depreciation charge for the year and the effects of foreign currency fluctuations.

Investments in associates, non-current available for sale financial assets, other non-current assets and deferred tax amounted to 2.0 billion euros and were thus stable compared to 2008.

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents exceeded short term borrowings.

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

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement, which is shown on page 25, details the main cash flows for the 2009 fiscal year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2009	2008	2007
Revenue	22	**17,053**	**17,193**	**16,481**
Cost of sales		(6,164)	(6,012)	(5,786)
Gross margin		**10,889**	**11,181**	**10,695**
Marketing and selling expenses		(6,051)	(6,104)	(5,752)
General and administrative expenses		(1,486)	(1,449)	(1,388)
Profit from recurring operations	22-23	**3,352**	**3,628**	**3,555**
Other operating income and expenses	24	(191)	(143)	(126)
Operating profit		**3,161**	**3,485**	**3,429**
Cost of net financial debt		(187)	(257)	(207)
Other financial income and expenses		(155)	(24)	(45)
Net financial income (expense)	25	**(342)**	**(281)**	**(252)**
Income taxes	26	(849)	(893)	(853)
Income (loss) from investments in associates	7	3	7	7
Net profit before minority interests		**1,973**	**2,318**	**2,331**
Minority interests		(218)	(292)	(306)
Net profit, Group share		**1,755**	**2,026**	**2,025**
Basic Group share of net earnings per share *(in euros)*	27	**3.71**	**4.28**	**4.27**
Number of shares on which the calculation is based		473,597,075	473,554,813	474,327,943
Diluted Group share of net earnings per share *(in euros)*	27	**3.70**	**4.26**	**4.22**
Number of shares on which the calculation is based		474,838,025	475,610,672	479,891,713

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	2009	2008	2007
Net profit before minority interests	**1,973**	**2,318**	**2,331**
Translation adjustments	(128)	257	(575)
Tax impact	(20)	25	-
	(148)	**282**	**(575)**
Change in value of available for sale financial assets	114	(186)	8
Amounts transferred to income statement	(11)	(66)	(29)
Tax impact	(26)	21	18
	77	**(231)**	**(3)**
Change in value of hedges of future foreign currency cash flows	133	138	228
Amounts transferred to income statement	(125)	(206)	(168)
Tax impact	(2)	43	(33)
	6	**(25)**	**27**
Change in value of vineyard land	(53)	172	80
Tax impact	18	(59)	(26)
	(35)	**113**	**54**
Gains and losses recognized in equity	**(100)**	**139**	**(497)**
Comprehensive gains and losses	**1,873**	**2,457**	**1,834**
Minority interests	(189)	(352)	(239)
Comprehensive gains and losses, Group share	**1,684**	**2,105**	**1,595**

CONSOLIDATED BALANCE SHEET

ASSETS (EUR millions)	Notes	2009	2008 [1]	2007 [1]
Brands and other intangible assets - net	3	8,697	8,523	7,986
Goodwill - net	4	4,270	4,423	4,824
Property, plant and equipment - net	6	6,140	6,081	5,412
Investments in associates	7	213	216	129
Non-current available for sale financial assets	8	540	375	823
Other non-current assets		750	841	586
Deferred tax		521	670	532
Non-current assets		**21,131**	**21,129**	**20,292**
Inventories and work in progress	9	5,644	5,764	4,809
Trade accounts receivable	10	1,455	1,650	1,595
Income taxes [2]		217	229	151
Other current assets	11	1,213	1,698	1,884
Cash and cash equivalents	13	2,446	1,013	1,559
Current assets		**10,975**	**10,354**	**9,998**
Total assets		**32,106**	**31,483**	**30,290**

LIABILITIES AND EQUITY (EUR millions)	Notes	2009	2008 [1]	2007 [1]
Share capital		147	147	147
Share premium account		1,763	1,737	1,736
Treasury shares and LVMH-share settled derivatives		(929)	(983)	(877)
Revaluation reserves		871	818	976
Other reserves		10,684	9,430	8,098
Cumulative translation adjustment		(495)	(371)	(608)
Net profit, Group share		1,755	2,026	2,025
Equity, Group share	14	13,796	12,804	11,497
Minority interests	16	989	989	937
Total equity		**14,785**	**13,793**	**12,434**
Long term borrowings	17	4,077	3,738	2,477
Provisions	18	990	971	976
Deferred tax		3,117	3,113	2,843
Other non-current liabilities	19	3,089	3,253	4,147
Non-current liabilities		**11,273**	**11,075**	**10,443**
Short term borrowings	17	1,708	1,847	3,138
Trade accounts payable		1,911	2,292	2,095
Income taxes [2]		221	304	332
Provisions	18	334	306	296
Other current liabilities	20	1,874	1,866	1,552
Current liabilities		**6,048**	**6,615**	**7,413**
Total liabilities and equity		**32,106**	**31,483**	**30,290**

(1) The balance sheets as of December 31, 2008 and 2007 have been restated to reflect the retrospective application as of January 1, 2007 of IAS 38 Intangible assets as amended. See Note 1.2.

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2009	2008	2007
I. OPERATING ACTIVITIES AND INVESTMENTS				
Operating profit		3,161	3,485	3,429
Net increase in depreciation, amortization and provisions, excluding tax and financial items		826	695	638
Other computed expenses, excluding financial items		(37)	(42)	(39)
Dividends received		21	17	33
Other adjustments		(43)	(59)	(22)
Cash from operations before changes in working capital		**3,928**	**4,096**	**4,039**
Cost of net financial debt: interest paid		(185)	(222)	(191)
Income taxes paid		(900)	(866)	(916)
Net cash from operating activities before changes in working capital		**2,843**	**3,008**	**2,932**
Change in inventories and work in progress		69	(826)	(565)
Change in trade accounts receivable		206	(29)	(197)
Change in trade accounts payable		(362)	135	222
Change in other receivables and payables		178	(10)	66
Total change in working capital		**91**	**(730)**	**(474)**
Net cash from operating activities		**2,934**	**2,278**	**2,458**
Purchase of tangible and intangible fixed assets		(748)	(1,039)	(990)
Proceeds from sale of tangible and intangible fixed assets		26	100	58
Guarantee deposits paid and other operating investments		(7)	(8)	(20)
Operating investments		**(729)**	**(947)**	**(952)**
Net cash from (used in) operating activities and investments		**2,205**	**1,331**	**1,506**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets	8	(93)	(155)	(45)
Proceeds from sale of non-current available for sale financial assets	8	49	184	33
Impact of purchase and sale of consolidated investments	2	(278)	(642)	(329)
Net cash from (used in) financial investments		**(322)**	**(613)**	**(341)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH	14	30	5	-
Capital increases of subsidiaries subscribed by minority interests	16	11	4	1
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	14.2	34	(143)	14
Interim and final dividends paid by LVMH	14.3	(758)	(758)	(686)
Interim and final dividends paid to minority interests in consolidated subsidiaries	16	(175)	(188)	(156)
Net cash from (used in) transactions relating to equity		**(858)**	**(1,080)**	**(827)**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings		2,442	2,254	2,006
Repayment of borrowings		(2,112)	(2,301)	(1,700)
Purchase and proceeds from sale of current available for sale financial assets	12	321	(47)	(278)
Net cash from (used in) financing activities		**651**	**(94)**	**28**
V. EFFECT OF EXCHANGE RATE CHANGES		**(120)**	**87**	**(44)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**1,556**	**(369)**	**322**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13	**718**	**1,087**	**765**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	13	**2,274**	**718**	**1,087**
Transactions included in the table above, generating no change in cash:				
- acquisition of assets by means of finance leases		12	11	6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Translation and revaluation reserves					Net profit and other reserves	Total equity		
					Cumulative translation adjustment	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Total		Group share	Minority interests	Total
Notes		**14.1**		**14.2**	**14.4**							**16**	
As of December 31, 2006	**489,937,410**	**147**	**1,736**	**(1,019)**	**(119)**	**370**	**56**	**491**	**798**	**8,941**	**10,603**	**991**	**11,594**
Impact of application of IAS 38 as amended. See Note 1.2										(93)	(93)	(1)	(94)
As of December 31, 2006, after restatement	**489,937,410**	**147**	**1,736**	**(1,019)**	**(119)**	**370**	**56**	**491**	**798**	**8,848**	**10,510**	**990**	**11,500**
Gains and losses recognized in equity					(489)	(3)	20	42	(430)		(430)	(67)	(497)
Net profit										2,025	2,025	306	2,331
Comprehensive gains and losses		**-**	**-**	**-**	**(489)**	**(3)**	**20**	**42**	**(430)**	**2,025**	**1,595**	**239**	**1,834**
Stock option plan and similar expenses										40	40	4	44
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				142						(104)	38	-	38
Capital increase in subsidiaries											-	1	1
Interim and final dividends paid										(686)	(686)	(156)	(842)
Changes in consolidation scope											-	(15)	(15)
Effects of purchase commitments for minority interests											-	(126)	(126)
As of December 31, 2007	**489,937,410**	**147**	**1,736**	**(877)**	**(608)**	**367**	**76**	**533**	**368**	**10,123**	**11,497**	**937**	**12,434**
Gains and losses recognized in equity					237	(231)	(17)	90	79		79	60	139
Net profit										2,026	2,026	292	2,318
Comprehensive gains and losses		**-**	**-**	**-**	**237**	**(231)**	**(17)**	**90**	**79**	**2,026**	**2,105**	**352**	**2,457**
Stock option plan and similar expenses										41	41	3	44
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				(110)						24	(86)	-	(86)
Exercise of share subscription options	92,600		5								5	-	5
Retirement of LVMH shares	(92,600)		(4)	4							-	-	-
Capital increase in subsidiaries											-	4	4
Interim and final dividends paid										(758)	(758)	(188)	(946)
Changes in consolidation scope											-	20	20
Effects of purchase commitments for minority interests											-	(139)	(139)
As of December 31, 2008	**489,937,410**	**147**	**1,737**	**(983)**	**(371)**	**136**	**59**	**623**	**447**	**11,456**	**12,804**	**989**	**13,793**

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Translation and revaluation reserves					Net profit and other reserves	Total equity		
					Cumulative translation adjustment	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Total		Group share	Minority interests	Total
Notes		14.1		14.2	14.4							16	
As of December 31, 2008	**489,937,410**	**147**	**1,737**	**(983)**	**(371)**	**136**	**59**	**623**	**447**	**11,456**	**12,804**	**989**	**13,793**
Gains and losses recognized in equity					(124)	77	4	(28)	(71)		(71)	(29)	(100)
Net profit										1,755	1,755	218	1,973
Comprehensive gains and losses		**-**	**-**	**-**	**(124)**	**77**	**4**	**(28)**	**(71)**	**1,755**	**1,684**	**189**	**1,873**
Stock option plan and similar expenses										43	43	3	46
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				50						(57)	(7)	-	(7)
Exercise of share subscription options	557,204		30								30	-	30
Retirement of LVMH shares	(88,960)		(4)	4							-		-
Capital increase in subsidiaries										-	-	11	11
Interim and final dividends paid										(758)	(758)	(176)	(934)
Changes in consolidation scope											-	3	3
Effects of purchase commitments for minority interests											-	(30)	(30)
As of December 31, 2009	**490,405,654**	**147**	**1,763**	**(929)**	**(495)**	**213**	**63**	**595**	**376**	**12,439**	**13,796**	**989**	**14,785**

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 General framework and environment

The consolidated financial statements for the year ended December 31, 2009 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2009. These standards and interpretations have been applied consistently to the fiscal years presented. The 2009 consolidated financial statements were approved for publication by the Board of Directors on February 4, 2010.

The consolidated financial statements presented are "condensed", which means that they only include notes that are significant or facilitate understanding of changes in the Group's business activity and financial position during the year. They are extracted from the consolidated financial statements approved by the Board of Directors which include all of the notes to the financial statements required under IFRS, as adopted in the European Union.

Fiscal year 2009 was affected by the consequences of the economic and financial crisis which started in 2008. The Group's consolidated financial statements for the year ended December 31, 2009 were prepared taking into consideration this context, particularly with respect to the valuation of current and non-current available for sale financial assets and financial instruments, the expected level of inventory turnover and the recoverability of trade receivables. Assets whose value is assessed with reference to longer term prospects, especially intangible or real estate assets, have been valued using assumptions taking into account a progressive recovery of economic activity in 2010, and moderate growth rates in the following years.

1.2 Changes in the accounting framework in 2009

Standards, amendments and interpretations for which application is mandatory in 2009

The standards, amendments and interpretations applicable to LVMH group that have been implemented since January 1, 2009 relate to:

- IFRS 8 Operating segments;
- amendments to IAS 1 Presentation of financial statements;
- amendment to IAS 38 Intangible assets, relating to the recognition of advertising and promotion expenses;
- amendments to IAS 23 on the capitalization of borrowing costs;
- amendments to IFRS 2 relating to the vesting conditions of share-based payments and the treatment of cancellations;
- interpretation IFRIC 14 IAS 19 on the minimum funding requirements of defined benefit plans and their interaction with the limit on a defined benefit asset;
- amendments to IFRS 7 relating to disclosures of financial instruments.

These standards, amendments and interpretations do not have a material impact on the Group's consolidated financial statements. The application of IFRS 8 does not alter the structure of published figures nor the amount of goodwill allocated to each business segment. The IAS 23 standard as amended has no impact on the determination of Wines and Spirits' inventories' production cost, given that assets produced in large quantities on a repetitive basis are outside its application scope. The impacts of IAS 38 as amended are described below.

Impacts of the amendment to IAS 38 Intangible assets

As of fiscal year 2009, advertising and promotion expenses are recorded upon the receipt or production of goods or upon completion of services rendered. Previously, such costs were recognized as expenses for the period in which they were incurred, the cost of media campaigns in particular was time-apportioned over the duration of these campaigns and the cost of samples and catalogs was recognized when they were made available to customers. The impact of this change in accounting policy on consolidated equity amounts to 94 million euros as of January 1, 2007; this amount breaks down as follows:

(EUR millions)	**Impact as of January 1, 2007**
Intangible assets	(13)
Goodwill	6
Property, plant and equipment	(7)
Deferred tax	40
Inventories and work in progress	(3)
Other current assets	(117)
Consolidated equity	(94)
of which: Group share	(93)
minority interests	(1)

Other current assets relate to prepaid expenses recognized in respect of samples and advertising materials (primarily for Perfumes and Cosmetics).

Net profit for fiscal years 2007 and 2008 was not restated, as the impact of applying IAS 38 as amended was considered not significant, when compared to the impact as of January 1, 2007.

Standards, amendments and interpretations for which application is optional in 2009

The following standards, amendments and interpretations applicable to LVMH, whose mandatory application date is January 1, 2010, were not applied early in 2009; they relate to:

- IFRS 3 (Revised) on business combinations;
- IAS 27 (Revised) on consolidated and separate financial statements;
- amendment to IAS 17 relating to land leases.

The application of these standards, amendments and interpretations in 2010 is not expected to have a material impact on the Group's consolidated financial statements. In particular, since IAS 27 (Revised) and IFRS 3 (Revised) will be applied prospectively, goodwill recognized as of December 31, 2009 in relation to purchase commitments for minority interests will be maintained in the balance sheet assets. See Note 1.10.

1.3 First-time adoption of IFRS

The first accounts prepared by the Group in accordance with IFRS were the financial statements for the year ended December 31, 2005, with a transition date of January 1, 2004. IFRS 1 allowed for exceptions to the retrospective application of IFRS at the transition date. The procedures implemented by the Group with respect to these exceptions are listed below:

- business combinations: the exemption from retrospective application was not applied. The recognition of the merger of Moët Hennessy and Louis Vuitton in 1987 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 this date;
- measurement of property, plant and equipment and intangible assets: the option to measure these assets at fair value at the date of transition was not applied;
- employee benefits: actuarial gains and losses previously deferred under French GAAP at the date of transition were recognized;
- foreign currency translation of the financial statements of foreign subsidiaries: 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";
- share-based payment: IFRS 2 Share-Based Payment was applied to all share subscription and share purchase option plans that were open at the date of transition, including those created before November 7, 2002, the date before which application is not mandatory.

1.4 Use of estimates

For the purpose of preparing the consolidated financial statements, 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, purchase commitments for minority interests and of the determination of the amount of provisions for contingencies and losses or for impairment of inventories and, if applicable, deferred tax assets. Such hypotheses, estimates or other forms of judgment which are undertaken on the basis of the information available, or situations prevalent at the date of preparation of the accounts, may prove different from the subsequent actual events.

1.5 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 are consolidated on a proportionate basis.

For distribution subsidiaries operating in accordance with the contractual distribution arrangements with the Diageo Group, only the portion of assets and liabilities and results of operations relating to LVMH Group activities is included in the consolidated financial statements (see Note 1.23).

Companies where the Group has significant influence but no controlling interest are accounted for using the equity method.

1.6 Foreign currency translation of the financial statements of foreign subsidiaries

The consolidated financial statements are stated in euros; the financial statements of subsidiaries stated 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".

1.7 Foreign currency transactions and hedging of exchange rate risks

Foreign currency transactions of consolidated companies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in foreign currencies are translated at the applicable exchange rates at the balance sheet date. Unrealized gains and losses resulting from this translation are recognized:

- within cost of sales in the case of commercial transactions;
- within net financial income/expense in the case of financial transactions.

Foreign exchange gains and losses arising from the translation of inter-company transactions or receivables and payables denominated in foreign currencies, or from their elimination, are

recorded in the income statement unless they relate to long term inter-company 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 which are designated as hedges of commercial foreign currency transactions are recognized in the balance sheet at their market value at the balance sheet date and any change in the market value of such derivatives is recognized:

- within cost of sales for the effective portion of hedges of receivables and payables recognized in the balance sheet at the end of the period;
- within equity (as a revaluation reserve) for the effective portion of hedges of future cash flows (this part is transferred to cost of sales at the time of recognition of the hedged assets and liabilities);
- within net financial income/expense for the ineffective portion of hedges; changes in the value of discount and premium associated with forward contracts, as well as the time value component of options, are systematically considered as ineffective portions.

When derivatives are designated as hedges of subsidiaries' equity in foreign currency (net investment hedge), any change in market value of the derivatives is recognized within equity under "Cumulative translation adjustment" for the effective portion and within net financial income/expense for the ineffective portion.

Market value changes of derivatives not designated as hedges are recorded within net financial income/expense.

1.8 Brands, trade names and other intangible assets

Only acquired brands and trade names that are well known and individually identifiable are recorded as assets at their values calculated on their dates of acquisition.

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 useful lives. The classification of a brand or trade name as an asset of definite or indefinite useful life is generally based on the following criteria:

- the brand or trade name's positioning in its market expressed in terms of volume of activity, international presence and notoriety;
- 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, depending on their estimated longevity, range from 15 to 40 years.

Amortization and any impairment expense of brands and trade names are recognized within "Other operating income and expenses".

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.12.

Research expenditure is not capitalized. New product development expenditure is not capitalized unless the final decision to launch the product has been taken.

Intangible assets other than brands and trade names are amortized over the following periods:

- leasehold rights, key money: based on market conditions generally between 100% and 200% of the lease period;
- development expenditure: 3 years at most;
- software: 1 to 5 years.

1.9 Goodwill

When the Group takes *de jure* or *de facto* control of an enterprise, its assets, liabilities and contingent liabilities are estimated at their fair value and the difference between the cost of taking exclusive control and the Group's share of the fair 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.

Pending specific guidance from standards applicable as of December 31, 2009, the difference between the cost and carrying amount of minority interests purchased after control is acquired is recognized as goodwill. Starting January 1, 2010, in accordance with IAS 27 (Revised), this difference will be 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 1.12. Any impairment expense recognized is included within "Other operating income and expenses".

1.10 Purchase commitments for minority interests

The Group has granted put options to minority shareholders of certain fully consolidated subsidiaries.

Since IFRSs do not specifically address this issue, the Group recognizes such commitments as follows:

- the contractual value of the commitment at closing date appears in "Other non-current liabilities";
- the corresponding minority interests are reclassified and included in the above amount;
- the difference between the amount of the commitment and the reclassified minority interests is recorded as goodwill.

This accounting policy has no effect on the presentation of minority interests within the income statement.

Pursuant to IAS 27 (Revised), as of January 1, 2010, fluctuations between the amount of the commitment and that of minority interests recorded in the balance sheet will be recognized as a deduction from equity. Since this provision will be applied prospectively, goodwill recognized as of December 31, 2009 for commitments existing at that date will be maintained as assets on the balance sheet and the impact of any subsequent fluctuations in such commitments, net of minority interests, will continue to be recorded as goodwill.

1.11 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, or on independent appraisals. Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If market value falls below acquisition cost the resulting impairment is charged to the income statement.

Vines for champagnes, cognacs and other wines produced by the Group, are considered as biological assets as defined in IAS 41 Agriculture. As their valuation at market value differs little from that recognized at historical cost, no revaluation is undertaken for these assets.

Investment property is measured at cost.

Assets acquired under finance leases are capitalized on the basis of the lower of their market value and the present value of future lease payments.

Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life:

- buildings including investment property	20 to 50 years
- machinery and equipment	3 to 25 years
- store improvements	3 to 10 years
- producing vineyards	18 to 25 years

The depreciable amount of property, plant and equipment comprises its acquisition cost less estimated residual value.

Expenses for maintenance and repairs are charged to the income statement as incurred.

1.12 Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired, 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 such assets is greater than the higher of their value in use or net selling price, the resulting impairment loss is recognized within "Other operating income and expenses", allocated in priority to any existing goodwill.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Net selling price is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts.

Cash flows are forecast for each business segment defined as one or several brands or trade names under the responsibility of a specific management team. Smaller scale cash generating units, e.g. a group of stores, may be distinguished within a particular business segment.

Brands and goodwill are chiefly valued on the basis of the present value of forecast cash flows, or of comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands), or of stock market multiples observed for related businesses. Other complementary methods may also be employed: the 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 between the amount of revenue generated by a branded product in comparison with an unbranded product; and finally the equivalent brand reconstitution method involving, in particular, estimation of the amount of advertising required to generate a similar brand.

The forecast data required for the cash flow methods is based on budgets and business plans prepared by management of the related business segments. Detailed forecasts cover a five-year period, a period which may be extended in the case of certain brands undergoing strategic repositioning, or which have a production cycle exceeding five years. Moreover, a final value is also estimated, which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and include assessment of the risk factor associated with each business.

1.13 Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their nature and the estimated period for which they will be held.

Non-current available for sale financial assets mainly include participating investments (strategic and non-strategic).

Current available for sale financial assets include temporary investments in shares, shares of "SICAV", "FCP" and other mutual funds, excluding investments made as part of the daily cash management, accounted for as cash and cash equivalents (see Note 1.16).

Available for sale financial assets are measured at their listed value at balance sheet date in the case of quoted investments, and at their net realizable value at that date in the case of unquoted investments.

Positive or negative changes in value are taken to equity within "Revaluation reserves". If an impairment loss is judged to be definitive, an impairment is recognized and charged to net financial income/expense; the impairment is only reversed through the income statement at the time of sale of the corresponding available for sale financial assets.

1.14 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, especially champagne, is measured at the applicable harvest market value, as if the harvested grapes had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated *pro rata temporis* on the basis of the estimated yield and market value.

Inventories are valued using the weighted average cost or FIFO methods.

Due to the length of the aging process required for champagne and cognac, the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are nevertheless 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 (date of expiry, end of season or collection, etc.) or lack of sales prospects.

1.15 Trade accounts receivable, loans and other receivables

Trade accounts receivable are recorded at their face value. A provision for impairment is recorded if their net realizable value, based on the probability of their collection, is less than their carrying amount.

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 rate method.

1.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and highly liquid monetary investments subject to an insignificant risk of changes in value.

Monetary investments are measured at their market value and at the exchange rate prevailing at the balance sheet date, with any changes in value recognized as part of net financial income/expense.

1.17 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.

When execution of its obligation is expected to be deferred by 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.

1.18 Borrowings

Borrowings are measured at amortized cost, i.e. nominal value net of premium and issue expenses, which are charged progressively to net financial income/expense using the effective interest method.

In the case of hedging against fluctuations in the capital amount of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedges are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/expense for the period. Market value of hedged borrowings is determined using similar methods as those described hereafter in Note 1.19.

In the case of hedging against fluctuations in future interest payments, the related borrowings remain measured at their amortized cost whilst any changes in value of the effective hedge portions are taken to equity as part of revaluation reserves.

Changes in value of non-hedge derivatives, and of the ineffective portions of hedges, are recognized within net financial income/expense.

Financial debt bearing embedded derivatives is measured at market value; changes in market value 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 value of current available for sale financial assets, other current financial assets, in addition to the market value at the balance sheet date of related foreign exchange derivatives, and cash and cash equivalents at that date.

1.19 Derivatives

The Group enters into derivative transactions as part of its strategy for hedging foreign exchange and interest rate risks.

IAS 39 subordinates the use of hedge accounting to demonstration and documentation of the effectiveness of hedging relationships when hedges are implemented and subsequently throughout their existence. A hedge is considered to be effective if the ratio of changes in the value of the derivative to changes in the value of the hedged underlying remains within a range of 80 to 125%.

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 1.7 in the case of foreign exchange hedges, and as described in Note 1.18 in the case of interest rate hedges.

Market value is based on market data and on commonly used valuation models, and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

Derivatives with maturities in excess of twelve months are disclosed as non-current assets and liabilities.

1.20 Treasury shares and LVMH-share settled derivatives

LVMH shares and options to purchase LVMH shares that are 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.

The cost of disposals of shares is determined by allocation category (see Note 14.2) using the FIFO method with the exception of shares held under stock option plans for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal, net of income taxes, are taken directly to equity.

1.21 Pensions, medical costs and other employee or retired employee commitments

When payments are made by the Group in respect of retirement benefits, pensions, medical costs and other commitments to third party organizations which assume the payment of benefits or medical expense reimbursements, these contributions are expensed in the period in which they fall due with no liability recorded on the balance sheet.

When retirement benefits, pensions, medical costs and other commitments are to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment, and any changes in this commitment are expensed within profit from recurring operations over the period, including effects of discounting.

When this commitment is either partially or wholly funded by payments made by the Group to external financial organizations, these payments 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 salary increases, inflation, life expectancy, staff turnover and the return on plan assets.

Cumulative actuarial gains or losses are amortized if, at the year-end, they exceed 10% of the higher of the total commitment or the market value of the funded plan assets. These gains or losses are amortized in the period following their recognition over the average residual active life of the relevant employees.

1.22 Current and deferred tax

Deferred tax is recognized in respect of temporary differences arising between the amounts of assets and liabilities for purposes of consolidation and the amounts resulting from 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 where appropriate; 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 are provided for if distribution is deemed probable.

1.23 Revenue recognition

Revenue

Revenue mainly comprises direct sales to customers and sales through distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

Direct sales to customers are made through retail stores for Fashion and Leather Goods, certain Perfumes and Cosmetics, certain Watches and Jewelry brands and Selective Retailing. These sales are recognized at the time of purchase by retail customers.

Wholesale sales through distributors are made for Wines and Spirits, and certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third party customers, generally upon shipment.

Revenue includes shipment and transportation costs re-billed to customers only when these costs are included in products' selling prices as a lump sum.

Revenue is presented net of all forms of discount. In particular, payments made in order to have products referenced or, in accordance with agreements, to participate in advertising campaigns with the distributors, are deducted from related revenue.

Provisions for product returns

Perfumes and Cosmetics and, to a lesser extent, Fashion and Leather Goods and Watches and Jewelry companies may accept the return of unsold or outdated products from their customers and distributors.

Where this practice is applied, revenue and the corresponding trade receivables are reduced by the estimated amount of such returns, and a corresponding entry is made to inventories. The estimated rate of returns is based on statistics of historical returns.

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses are achieved within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' brands to customers. On the basis of the distribution agreements, which provide specific rules for allocating these entities' net profit and assets and liabilities between LVMH and Diageo, LVMH only recognizes the portion of their revenue and expenses attributable to its own brands.

1.24 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 upon receipt or production of goods or upon completion of services rendered.

1.25 Stock option and similar plans

Share purchase and subscription option plans give rise to recognition of an expense based on the expected benefit granted to beneficiaries calculated, using the Black & Scholes method, at the date of the Board Meeting that granted the options.

For bonus share plans, the expected benefit is calculated on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted, and dividends expected to accrue during the vesting period.

For cash-settled compensation plans index-linked to the change in LVMH share price, the gain over the vesting period is estimated based on the type of plan as described above.

For all plans, the expense is apportioned on a straight-line basis over the vesting period, with a corresponding impact on reserves for share purchase and subscription option plans, and on provisions for cash-settled plans.

After the vesting period has expired, only cash-settled plans have an impact on the income statement, in the amount of the change in the LVMH share price.

1.26 Definition 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 as inherent to the Group's recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation and the impairment of brands and goodwill, as well as any significant amount of 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 which may otherwise distort the comparability of profit from recurring operations from one period to the next.

1.27 Earnings per share

Earnings per share are calculated based on the weighted average number of shares outstanding during the period, excluding treasury shares.

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of all existing subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, supplemented by the expense to be recognized for stock option and similar plans (see Note 1.25), would be employed to re-purchase LVMH shares at a price corresponding to their average trading price over the period.

2. CHANGES IN THE SCOPE OF CONSOLIDATION

Wines and Spirits

In August 2009, the Group acquired from Groupe Arnault for 238 million euros a 50% stake in the wine estate Château Cheval Blanc (Gironde, France), producer of the eponymous premium Saint-Emilion wine classified as *premier grand cru classé A*. Château Cheval Blanc has been consolidated on proportionate basis since August 2009.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)	2009			2008 [1]	2007 [1]
	Gross	Amortization and impairment	Net	Net	Net
Brands	6,874	(385)	6,489	6,244	5,867
Trade names	3,119	(1,266)	1,853	1,909	1,819
License rights	105	(64)	41	43	46
Leasehold rights	255	(164)	91	102	101
Software	405	(295)	110	110	83
Other	238	(125)	113	115	70
Total	**10,996**	**(2,299)**	**8,697**	**8,523**	**7,986**
Of which: assets held under finance leases	14	(14)	-	-	-

Movements during the year ended December 31, 2009 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	Brands	Trade names	Other intangible assets	Total
As of December 31, 2008 [1]	**6,599**	**3,218**	**955**	**10,772**
Acquisitions	-	-	81	81
Disposals and retirements	-	-	(23)	(23)
Changes in the scope of consolidation	277	-	(4)	273
Translation adjustment	(2)	(99)	(6)	(107)
As of December 31, 2009	**6,874**	**3,119**	**1,003**	**10,996**

(1) See Note 1.2 Application of IAS 38 as amended.

Accumulated amortization and impairment *(EUR millions)*	**Brands**	**Trade names**	**Other intangible assets**	**Total**
As of December 31, 2008 [(1)]	**(355)**	**(1,309)**	**(585)**	**(2,249)**
Amortization expense	(32)	-	(97)	(129)
Impairment expense	-	-	-	-
Disposals and retirements	-	-	23	23
Changes in the scope of consolidation	-	-	6	6
Translation adjustment	2	43	5	50
As of December 31, 2009	**(385)**	**(1,266)**	**(648)**	**(2,299)**
Net carrying amount as of December 31, 2009	**6,489**	**1,853**	**355**	**8,697**

(1) See Note 1.2 Application of IAS 38 as amended.

Changes in the scope of consolidation are mainly attributable to the acquisition of a 50% stake in Château Cheval Blanc in the amount of 183 million euros, and the recognition of the Royal Van Lent – Feadship brand in the amount of 92 million euros.

The translation adjustment is mainly attributable to intangible assets recognized in US dollars, following the change in the exchange rate of this currency with respect to the euro during the fiscal year. The DFS trade name and the Donna Karan brand were particularly affected.

The gross value of amortized brands was 752 million euros as of December 31, 2009.

4. GOODWILL

(EUR millions)		**2009**		2008 [(1)]	2007 [(1)]
	Gross	**Impairment**	**Net**	Net	Net
Goodwill arising on consolidated investments	4,429	(1,094)	3,335	3,338	2,742
Goodwill arising on purchase commitments for minority interests	938	(3)	935	1,085	2,082
Total	**5,367**	**(1,097)**	**4,270**	**4,423**	**4,824**

(1) See Note 1.2 Application of IAS 38 as amended.

Please refer also to Note 19 for goodwill arising on purchase commitments for minority interests.

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

(EUR millions)		**2009**		2008 [(1)]	2007 [(1)]
	Gross	**Impairment**	**Net**	Net	Net
As of January 1	**5,511**	**(1,088)**	**4,423**	**4,824**	**4,543**
Changes in the scope of consolidation	(7)	27	20	639	69
Changes in purchase commitments for minority interests	(96)	-	(96)	(1,061)	272
Changes in impairment		(56)	(56)	(31)	-
Translation adjustment	(41)	20	(21)	52	(60)
As of December 31	**5,367**	**(1,097)**	**4,270**	**4,423**	**4,824**

(1) See Note 1.2 Application of IAS 38 as amended.

Changes in the scope of consolidation for 2009 were attributable to the acquisition of a 50% stake in Château Cheval Blanc for 87 million euros, the allocation of purchase price of Royal Van Lent to the brand in the amount of 67 million euros, and the finalization of the purchase price allocations of Montaudon and Hublot for 26 million euros.

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition have been subject to annual impairment testing. No significant impairment expense has been recognized in respect of these items during the course of fiscal year 2009.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	2009			2008 [1]	2007 [1]
	Gross	Depreciation and impairment	Net	Net	Net
Land	859	-	859	862	821
Vineyard land and producing vineyards	1,695	(84)	1,611	1,613	1,426
Buildings	1,596	(706)	890	880	861
Investment property	342	(56)	286	291	286
Machinery and equipment	4,427	(2,780)	1,647	1,631	1,423
Other tangible fixed assets (including assets in progress)	1,305	(458)	847	804	595
Total	**10,224**	**(4,084)**	**6,140**	**6,081**	**5,412**
Of which:					
assets held under finance leases	257	(121)	136	147	161
historical cost of vineyard land and producing vineyards	615	(84)	531	480	464

(1) See Note 1.2 Application of IAS 38 as amended.

Movements in property, plant and equipment during 2009 break down as follows:

Gross value *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2008 [1]	**1,690**	**2,398**	**343**	**4,141**	**1,226**	**9,798**
Acquisitions	4	44	3	316	326	693
Change in the market value of vineyard land	(53)					(53)
Disposals and retirements	(3)	(20)	-	(145)	(34)	(202)
Changes in the scope of consolidation	43	18	-	(5)	(4)	52
Translation adjustment	4	(23)	(3)	(25)	(9)	(56)
Other movements, including transfers	10	38	(1)	145	(200)	(8)
As of December 31, 2009	**1,695**	**2,455**	**342**	**4,427**	**1,305**	**10,224**

(1) See Note 1.2 Application of IAS 38 as amended.

Accumulated depreciation and impairment (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2008 [1]	**(77)**	**(656)**	**(52)**	**(2,510)**	**(422)**	**(3,717)**
Depreciation expense	(6)	(57)	(4)	(432)	(75)	(574)
Impairment expense	-	-	-	-	-	-
Disposals and retirements	2	17	-	137	25	181
Changes in the scope of consolidation	-	(2)	-	6	3	7
Translation adjustment	(1)	2	-	14	4	19
Other movements, including transfers	(2)	(10)	-	5	7	-
As of December 31, 2009	**(84)**	**(706)**	**(56)**	**(2,780)**	**(458)**	**(4,084)**
Net carrying amount as of December 31, 2009	**1,611**	**1,749**	**286**	**1,647**	**847**	**6,140**

(1) See Note 1.2 Application of IAS 38 as amended.

Acquisitions of property, plant and equipment are attributable to the levels of investments made by Louis Vuitton, Sephora and DFS in their retail networks as well as those made by Parfums Christian Dior in new display counters and production facilities, together with those made by Hennessy and Veuve Clicquot in their production facilities.

7. INVESTMENTS IN ASSOCIATES

(EUR millions)	2009			2008	2007
	Gross	Impairment	Net	Net	Net
Share of net assets of associates as of January 1	**216**	**-**	**216**	**129**	**126**
Share of net profit (loss) for the period	3		3	7	7
Dividends paid	(9)		(9)	(7)	(4)
Changes in the scope of consolidation	8		8	84	-
Translation adjustment	(5)		(5)	3	-
Share of net assets of associates as of December 31	**213**	**-**	**213**	**216**	**129**

As of December 31, 2009, investments in associates consisted primarily of:

- a 40% equity stake in Mongoual SA, a real estate company which owns a property held for rental in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SA; total rents invoiced by Mongoual SA to the Group amounted to 16 million euros in 2009 (15 million euros in 2008 and 2007);
- a 45% equity stake in the group owning Ile de Beauté stores, one of the leading perfume and cosmetics retail chains in Russia; sales by the Perfumes and Cosmetics business group to Ile de Beauté amounted to 22 million euros in 2009 (11 million euros from October to December 2008);
- a 49% equity stake in Edun, a fashion clothing company focused on ethical trade and sustainable development, acquired during the first half of 2009.

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	2009			2008	2007
	Gross	Impairment	Net	Net	Net
Total	**597**	**(57)**	**540**	**375**	**823**

Non-current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	2009	2008	2007
As of January 1	**375**	**823**	**504**
Acquisitions	89	62	374
Disposals at net realized value	(38)	(114)	(33)
Changes in market value	93	(14)	(8)
Reclassifications as consolidated investments	(30)	(352)	-
Reclassifications from current available for sale assets	59	-	-
Changes in impairment	(1)	(34)	-
Changes in the scope of consolidation	(2)	-	-
Translation adjustment	(5)	4	(14)
As of December 31	**540**	**375**	**823**

Certain current available for sale financial assets, whose liquidity levels have evolved in the current economic environment to the extent that such assets can no longer be regarded as rapidly realizable, have been reclassified as non-current available for sale financial assets.

Impairment is determined on the basis of the accounting policies described in Note 1.13.

9. INVENTORIES AND WORK IN PROGRESS

(EUR millions)	2009	2008 (1)	2007(1)
Wines and distilled alcohol in the process of aging	3,189	2,928	2,683
Other raw materials and work in progress	720	705	457
	3,909	3,633	3,140
Goods purchased for resale	527	579	476
Finished products	1,851	2,125	1,738
	2,378	2,704	2,214
Gross amount	**6,287**	**6,337**	**5,354**
Impairment	(643)	(573)	(545)
Net amount	**5,644**	**5,764**	**4,809**

(1) See Note 1.2 Application of IAS 38 as amended.

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

(EUR millions)	2009			2008 [1]	2007 [1]
	Gross	Impairment	Net	Net	Net
As of January 1	**6,337**	**(573)**	**5,764**	**4,809**	**4,380**
Change in gross inventories	(69)		(69)	826	565
Fair value adjustment for the harvest of the period	13		13	24	35
Changes in impairment		(62)	(62)	(62)	(48)
Changes in the scope of consolidation	38	-	38	84	25
Translation adjustment	(33)	4	(29)	89	(148)
Reclassifications	1	(12)	(11)	(6)	-
As of December 31	**6,287**	**(643)**	**5,644**	**5,764**	**4,809**

(1) See Note 1.2 Application of IAS 38 as amended.

The effects on Wines and Spirits' cost of sales of marking harvests to market are as follows:

(EUR millions)	2009	2008	2007
Fair value adjustment for the harvest of the period	43	53	50
Adjustment for inventory consumed	(30)	(29)	(15)
Net effect on cost of sales of the period	**13**	**24**	**35**

10. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2009	2008	2007
Trade accounts receivable - nominal amount	1,670	1,843	1,780
Provision for impairment	(62)	(58)	(53)
Provision for product returns	(153)	(135)	(132)
Net amount	**1,455**	**1,650**	**1,595**

Trade accounts receivable relating to the Group's wholesale activities represent payment terms that are generally less than three months.

The amount of the impairment expense in 2009 was 18 million euros (compared to 12 million euros in 2008 and 9 million euros in 2007).

There is no difference between the market value of trade accounts receivable and their carrying amount.

11. OTHER CURRENT ASSETS

(EUR millions)	2009	2008	2007
Current available for sale financial assets	218	590	879
Derivatives	302	265	311
Tax accounts receivable, excluding income taxes	199	284	249
Advances and payments on account to vendors	113	141	109
Prepaid expenses [1]	171	185	116
Other receivables, net	210	233	220
Total	**1,213**	**1,698**	**1,884**

(1) See Note 1.2. Application of IAS 38 as amended.

There is no difference between the market value of other current assets and their carrying amount.

Please also refer to Note 12 Current available for sale financial assets and Note 21 Financial instruments and market risk management.

12. CURRENT AVAILABLE FOR SALE ASSETS

(EUR millions)	2009	2008	2007
Unlisted securities, shares in non-money market SICAV and funds	71	471	601
Listed securities	147	119	278
Total	**218**	**590**	**879**
Of which: historical cost of current available for sale financial assets	336	679	741

Net value of current available for sale financial assets changed as follows during the fiscal years presented:

(EUR millions)	2009	2008	2007
As of January 1	**590**	**879**	**607**
Acquisitions	15	107	370
Disposals at net realized value	(343)	(115)	(92)
Changes in market value	50	(233)	58
Changes in impairment	(31)	(92)	-
Reclassifications as non-current available for sale financial assets, see Note 8	(59)	-	-
Changes in the scope of consolidation	(1)	1	-
Translation adjustment	(3)	43	(64)
As of December 31	**218**	**590**	**879**

The results on disposal are analyzed in Note 25 Net financial income/expense.

See also Note 1.13 for the method used to determine impairment losses on current available for sale financial assets.

13. CASH AND CASH EQUIVALENTS

(EUR millions)	2009	2008	2007
Fixed term deposits (less than 3 months)	130	64	426
SICAV and FCP money market funds	93	72	48
Ordinary bank accounts	2,223	877	1,085
Cash and cash equivalents per balance sheet	**2,446**	**1,013**	**1,559**

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)	2009	2008	2007
Cash and cash equivalents	2,446	1,013	1,559
Bank overdrafts	(172)	(295)	(472)
Net cash and cash equivalents per cash flow statement	**2,274**	**718**	**1,087**

14. EQUITY

14.1 Share capital

As of December 31, 2009, issued and fully paid-up shares totaled 490,405,654 (489,937,410 shares as of December 31, 2008 and 2007), with a par value of 0.30 euro per share, including 226,411,288 shares with double voting rights. Double voting rights are granted to registered shares held for at least three years (226,413,842 as of December 31, 2008, 225,670,036 as of December 31, 2007).

14.2 Treasury shares and derivatives settled in LVMH shares

The portfolio of treasury shares and derivatives settled in LVMH shares is allocated as follows:

(EUR millions)	2009		2008	2007
	Number	Value	Value	Value
Share purchase option plans	3,932,912	223	279	340
Bonus share plans	464,630	25	23	22
Other plans	10,786,551	509	487	418
Shares held for stock option and similar plans	**15,184,093**	**757**	**789**	**780**
Liquidity contract	76,000	6	16	11
Retirement of shares	820,000	56	56	-
LVMH treasury shares	**16,080,093**	**819**	**861**	**791**
LVMH share-based calls (1)	2,670,200	110	122	86
LVMH treasury shares and derivatives settled in LVMH shares	**18,750,293**	**929**	**983**	**877**

(1) Number of shares which could be purchased if all of the calls outstanding at the balance sheet date were exercised and related premium paid on subscription.

"Other plans" mainly comprise share subscription option plans.

The market value of LVMH shares held under the liquidity contract as of December 31, 2009 is the same as their carrying amount, i.e. 6 million euros.

The portfolio movements in 2009 were as follows:

LVMH shares

(EUR millions)	Number	Value	Effect on cash
As of December 31, 2008	**16,876,191**	**861**	
Share purchases, including through the exercise of call options	2,318,039	137	(124)
Exercise of share purchase options	(690,502)	(44)	34
Bonus shares definitively allocated	(149,612)	(13)	
Retirement of shares	(88,960)	(4)	
Proceeds from disposal at net realized value	(2,185,063)	(124)	124
Gain / (loss) on disposal		6	
As of December 31, 2009	**16,080,093**	**819**	**34**

LVMH share-based calls

(EUR millions)	Number	Value	Effect on cash
As of December 31, 2008	**2,970,200**	**122**	
Calls purchased	-	-	-
Calls exercised	(300,000)	(12)	-
As of December 31, 2009	**2,670,200**	**110**	**-**

14.3 Dividends paid by the parent company LVMH SA

In accordance with French regulations, dividends are deducted from the profit for the year and reserves available for distribution of the parent company, after deducting applicable withholding tax and the value of treasury shares. As of December 31, 2009, the amount available for distribution was 4,624 million euros; after taking into account the proposed dividend distribution in respect of the 2009 fiscal year, the amount available for distribution is 3,987 million euros.

(EUR millions, except for data per share in EUR)	**2009**	2008	2007
Interim dividend for the current year (2009: 0.35 euros; 2008: 0.35 euros; 2007: 0.35 euros)	172	171	171
Impact of treasury shares	(6)	(5)	(5)
	166	166	166
Final dividend for the previous year (2008: 1.25 euros; 2007: 1.25 euros; 2006: 1.10 euros)	612	612	539
Impact of treasury shares	(20)	(20)	(19)
	592	592	520
Total gross amount disbursed during the period [1]	**758**	**758**	**686**

(1) Excludes the impact of tax regulations applicable to the beneficiary.

The final dividend for 2009, as proposed to the Shareholders' Meeting of April 15, 2010 is 1.30 euros per share, representing a total amount of 637 million euros, excluding amount to be deducted in relation to treasury shares owned at date of payment.

14.4 Cumulative translation adjustment

The change in the translation adjustment recognized under equity and the closing balance, net of hedging effects of net assets denominated in foreign currency, break down as follows by currency:

(EUR millions)	**2009**	Change	2008	2007
US dollar	(487)	(143)	(344)	(545)
Japanese yen	44	(26)	70	(29)
Hong Kong dollar	(20)	(25)	5	(61)
Pound sterling	(82)	27	(109)	(7)
Other currencies	52	14	38	(7)
Hedges of foreign currency net assets	(2)	29	(31)	41
Total, Group share	**(495)**	**(124)**	**(371)**	**(608)**

15. STOCK OPTION AND SIMILAR PLANS

Share subscription and purchase option plans

The Shareholders' Meeting of May 14, 2009 authorized the Board of Directors, for a period of thirty-eight months expiring in July 2012, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 3% of the company's share capital.

Each plan is valid for 10 years. The options may be exercised after a three or a four-year period, based on whether the plans were issued before or after 2004, with the exception of the share purchase option plan dated May 14, 2001 initially concerning 1,105,877 options, which was valid for eight years and for which the options could be exercised after a period of four years.

In certain circumstances, in particular in the event of retirement, the period of three or four years before options may be exercised is not applicable.

For all plans, one option entitles the holder to purchase one LVMH share.

Bonus share plans

The Shareholders' Meeting of May 15, 2008 authorized the Board of Directors, for a period of thirty-eight months expiring in July 2011, to grant bonus shares to Group company employees or directors, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

The allocation of bonus shares to their beneficiaries becomes definitive after a two-year vesting period, which is followed by a two-year lockup period during which the beneficiaries may not sell their shares.

Cash-settled share-based compensation plans index-linked to the change in the LVMH share price

In addition to share option and bonus share plans, the Group issues plans which are equivalent in terms of gains as for the beneficiaries of share purchase option plans and bonus share plans, but are settled in cash rather than shares. These plans have a four-year vesting period.

15.1 Share subscription option plans

The number of subscription options not exercised and the weighted average exercise prices changed as follows over the course of the fiscal years included below:

	2009		2008		2007	
	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share subscription options outstanding as of January 1	**9,569,660**	**67.76**	**8,015,393**	**66.60**	**6,426,534**	**61.39**
Options granted during the period	1,304,270	56.50	1,698,320	72.51	1,679,988	86.12
Expired options	(102,226)	72.41	(51,453)	66.52	(91,129)	58.76
Options exercised during the period	(557,204)	54.37	(92,600)	55.71	-	-
Share subscription options outstanding as of December 31	**10,214,500**	**66.99**	**9,569,660**	**67.76**	**8,015,393**	**66.60**

The share subscription options granted on May 14, 2009 will be exercisable only if, for fiscal years 2009 and 2010 (or, for senior executive officers, three out of the four fiscal years 2009 - 2012), one or the other of the following: Group profit from recurring operations, Group net cash from operating activities and investments, Group percentage operating margin, increases over 2008 levels. 2009 expense was determined under the assumption that this performance condition, which was fulfilled for fiscal year 2009, would also be fulfilled for the following years.

15.2 Share purchase option plans

The number of unexercised purchase options and the weighted average exercise prices changed as follows during the years presented:

	2009		2008		2007	
	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share purchase options outstanding as of January 1	**7,862,248**	**57.73**	**8,253,029**	**56.74**	**12,635,926**	**51.36**
Expired options	(568 634)	63.93	(112,555)	41.35	(544,795)	56.24
Options exercised during the period	(690 502)	49.59	(278,226)	35.20	(3,838,102)	39.06
Share purchase options outstanding as of December 31	**6,603,112**	**58.05**	**7,862,248**	**57.73**	**8,253,029**	**56.74**

15.3 Bonus share plans

Two plans for allocation of bonus shares were instituted in 2009, on May 14 and July 29, covering respectively 311,209 and 833 shares.

15.4 Cash-settled compensation plans index-linked to the change in LVMH share price

The plans in force as of December 31, by type and number of equivalent share-based plans, together with the provision recognized in the year-end balance sheet, break down as follows:

	2009	2008	2007
Type of plan *(in equivalent number of shares):*			
Share purchase option plan	113,500	322,945	334,220
Bonus share plan	136,538	147,511	96,818
Provision as of December 31 *(EUR millions)*	**10**	**4**	**11**

15.5 Expense for the period

(EUR millions)	2009	2008	2007
Share subscription and purchase option plans, bonus share plans	46	44	43
Cash-settled share-based compensation plans index-linked to the change in the LVMH share price	7	(6)	3
Expense for the period	**53**	**38**	**46**

In 2007, 2008 and 2009 all plans which had not yet vested as of January 1, 2004, the date of transition to IFRS, are taken into account.

In the calculation presented above, the unit value of each option plan is determined on the basis of the Black & Scholes method, as described in Note 1.25. The assumptions and criteria retained for this calculation are as follows:

	2009 Plans	2008 Plans	2007 Plans
LVMH share price on the grant date *(EUR)*	57.28	75.01	86.67
Average exercise price *(EUR)*	56.50	72.51	86.12
Volatility of LVMH shares	37.0%	27.5%	24.0%
Dividend distribution rate	2.8%	2.4%	2.0%
Risk-free investment rate	2.7%	4.1%	4.4%
Vesting period	4 years	4 years	4 years
Performance conditions fulfilled at end of vesting period	yes	n.a.	n.a.

The volatility of LVMH's shares is determined on the basis of their implicit volatility.

The average unit values of share subscription options and bonus shares allocated in 2009 are 17.10 euros and 54.12 euros, respectively.

16. MINORITY INTERESTS

(EUR millions)	2009	2008 [1]	2007 [1]
As of January 1	**989**	**937**	**990**
Minority interests' share of net profit	218	292	306
Dividends paid to minority interests	(176)	(188)	(156)
Changes in the scope of consolidation:			
consolidation of Royal Van Lent	-	14	-
acquisition of minority interests in Fendi	-	-	(27)
consolidation of Wen Jun	-	-	9
other changes in the scope of consolidation	3	6	3
Total changes in the scope of consolidation	3	20	(15)
Capital increases subscribed by minority interests	11	4	1
Minority interests' share in gains and losses recognized in equity (see below for details)	(29)	60	(67)
Minority interests' share in stock option plan expenses	3	3	4
Effects of purchase commitments for minority interests	(30)	(139)	(126)
As of December 31	**989**	**989**	**937**

(1) See Note 1.2 Application of IAS 38 as amended.

The change in minority interests'share in gains and losses recognized in equity is as follows:

(EUR millions)	Cumulative translation adjustment	Hedges of future foreign currency cash flows	Vineyard land	Total share of minority interests
As of December 31, 2006	**(43)**	**8**	**91**	**56**
Changes for the year	(86)	7	12	(67)
As of December 31, 2007	**(129)**	**15**	**103**	**(11)**
Changes for the year	45	(8)	23	60
As of December 31, 2008	**(84)**	**7**	**126**	**49**
Changes for the year	(24)	2	(7)	(29)
As of December 31, 2009	**(108)**	**9**	**119**	**20**

17. BORROWINGS

17.1 Net financial debt

(EUR millions)	**2009**	2008	2007
Bonds and EMTNs	3,425	2,735	2,169
Bank borrowings and finance lease	652	1,003	308
Long term borrowings	**4,077**	**3,738**	**2,477**
Bonds and EMTNs	723	127	791
Commercial paper	200	717	1,086
Bank overdrafts	172	295	472
Other short term borrowings	613	708	789
Short term borrowings	**1,708**	**1,847**	**3,138**
Gross amount of borrowings	**5,785**	**5,585**	**5,615**
Interest rate risk derivatives	(89)	(70)	(51)
Other derivatives	6	(4)	-
Borrowings net of derivatives	**5,702**	**5,511**	**5,564**
Current available for sale financial assets	(218)	(590)	(879)
Other current financial assets	(44)	(39)	(32)
Cash and cash equivalents	(2,446)	(1,013)	(1,559)
Net financial debt	**2,994**	**3,869**	**3,094**

Net financial debt does not take into consideration purchase commitments for minority interests included in “Other non-current liabilities” (see Note 19).

In May 2009, LVMH issued a five-year public bond in a nominal amount of 1 billion euros. Furthermore, the Group made use of its Euro Medium Term Notes program in June 2009 to conclude long term private placements through two issues, the first in the amount of 250 million euros with a maturity of 6 years and the second in the amount of 150 million euros with a maturity of 8 years.

17.2 Analysis of gross borrowings by payment date and by type of interest rate

(EUR millions)		Gross borrowings			Effects of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	2010	1,563	145	1,708	(644)	623	(21)	919	768	1,687
	2011	812	117	929	(81)	58	(23)	731	175	906
	2012	787	77	864	9	4	13	796	81	877
	2013	381	182	563	91	(130)	(39)	472	52	524
	2014	1,163	-	1,163	(1,152)	1,143	(9)	11	1,143	1,154
	Thereafter	557	1	558	(400)	396	(4)	157	397	554
Total		**5,263**	**522**	**5,785**	**(2,177)**	**2,094**	**(83)**	**3,086**	**2,616**	**5,702**

See Note 21.2 regarding fair value of interest rate risk derivatives.

The breakdown by quarter of the amount falling due in 2010 is as follows:

(EUR millions)	Falling due in 2010
First quarter	741
Second quarter	847
Third quarter	21
Fourth quarter	99
Total	**1,708**

17.3 Analysis of gross borrowings by currency after hedging

(EUR millions)	2009	2008	2007
Euro	4,317	3,984	4,110
US dollar	172	145	217
Swiss franc	806	806	666
Japanese yen	235	383	296
Other currencies	172	193	275
Total	**5,702**	**5,511**	**5,564**

In general, the purpose of foreign currency borrowings is to hedge net foreign currency-denominated assets of consolidated companies located outside of the euro zone.

18. PROVISIONS

(EUR millions)	2009	2008	2007
Provisions for pensions, medical costs and similar commitments	240	230	237
Provisions for contingencies and losses	725	707	712
Provisions for reorganization	25	34	27
Non-current provisions	**990**	**971**	**976**
Provisions for pensions, medical costs and similar commitments	8	6	5
Provisions for contingencies and losses	242	229	228
Provisions for reorganization	84	71	63
Current provisions	**334**	**306**	**296**
Total	**1,324**	**1,277**	**1,272**

In 2009, the changes in provisions were as follows:

(EUR millions)	2008	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustment)	2009
Provisions for pensions, medical costs and similar commitments	**236**	61	(59)	-	-	10	**248**
Provisions for contingencies and losses	**936**	178	(87)	(59)	10	(11)	**967**
Provisions for reorganization	**105**	61	(44)	(4)	-	(9)	**109**
Total	**1,277**	**300**	**(190)**	**(63)**	**10**	**(10)**	**1,324**
Of which: profit from recurring operations		154	(126)	(31)			
net financial income (expense)		-	-	-			
other		146	(64)	(32)			

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; 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 to the tax computation.

19. OTHER NON-CURRENT LIABILITIES

(EUR millions)	2009	2008	2007
Purchase commitments for minority interests	2,841	2,963	3,862
Derivatives	22	27	20
Employee profit sharing [(1)]	80	88	109
Other liabilities	146	175	156
Total	**3,089**	**3,253**	**4,147**

(1) French companies only, pursuant to legal provisions.

As of December 31, 2009, 2008 and 2007 purchase commitments for minority interests mainly include the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy, with six-month's advance notice and for 80% of its market value at the exercise date of the commitment. With regard to this commitment valuation, the market value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Purchase commitments for minority interests also include commitments relating to minority shareholders in Benefit (20%), Royal Van Lent (10%) and subsidiaries of Sephora in various countries.

The market value of the other non-current liabilities is identical to their carrying amount.

20. OTHER CURRENT LIABILITIES

(EUR millions)	2009	2008	2007
Derivatives	92	166	27
Employees and social institutions	581	562	514
Employee profit sharing [(1)]	67	66	39
Taxes other than income taxes	252	245	234
Advances and payments on account from customers	228	203	77
Deferred payment for tangible and financial non-current assets	186	170	271
Deferred income	61	69	49
Other liabilities	407	385	341
Total	**1,874**	**1,866**	**1,552**

(1) French companies only, pursuant to legal provisions.

The market value of the other current liabilities is identical to their carrying amount.

Derivatives are analyzed in Note 21.

21. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets. These instruments are mainly centralized. Counterparties are selected according to their international rating as well as for diversification purposes.

21.1 Summary of derivatives

Derivatives are recorded in the balance sheet for the amounts and in the captions detailed as follows:

(EUR millions)		Notes	2009	2008	2007
Interest rate risk					
Assets:	non-current		46	36	18
	current		90	80	73
Liabilities:	non-current		(21)	(25)	(20)
	current		(26)	(21)	(20)
		21.2	**89**	**70**	**51**
Foreign exchange risk					
Assets:	non-current		6	17	6
	current		211	185	238
Liabilities:	non-current		(1)	(2)	-
	current		(56)	(70)	(7)
		21.3	**160**	**130**	**237**
Other risks					
Assets:	non-current		74	140	-
	current		1	-	-
Liabilities:	non-current		-	-	-
	current		(10)	(75)	-
			65	**65**	**-**
Total					
Assets:	non-current		126	193	24
	current	**11**	302	265	311
Liabilities:	non-current	**19**	(22)	(27)	(20)
	current	**20**	(92)	(166)	(27)
			314	**265**	**288**

21.2 Derivatives used to manage interest rate risk

The Group manages its interest rate exposure on the basis of total net financial debt. The objective of its management policy is to protect net profit against a sharp rise in interest rates.

As such, the Group uses interest rate swaps and options (caps and floors).

Derivatives used to manage interest rate risk outstanding as of December 31, 2009 break down as follows:

(EUR millions)	Nominal amounts by maturity				Fair value (1)		
	2010	2011 to 2014	Beyond 2014	Total	Fair value hedges	Unallocated amounts	Total
Interest rate swaps in euros:							
- fixed rate payer	300	591	-	891	(19)	(11)	(30)
- floating rate payer	950	1,752	400	3,102	119	-	119
Foreign currency swaps	100	217	-	317	-	-	-
Total					**100**	**(11)**	**89**

(1) Gain/(Loss).

21.3 Derivatives used to manage foreign exchange risk

A significant part of both Group companies' sales to customers and their own retail subsidiaries and certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are inter-company cash flows. Hedging instruments are used to reduce the risks arising from foreign currency fluctuations against the various companies' functional currencies and are allocated to either accounts receivable or accounts payable for the fiscal year, or, under certain conditions, to transactions anticipated for future periods.

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

The Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the euro zone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2009 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation			Fair value (1)				
	2009	2010	Total	Future cash flow hedges	Fair value hedges	Foreign currency net asset hedges	Not allocated	Total
Options purchased								
Put USD	18	239	257	6	1	-	1	8
Put JPY	3	-	3	-	-	-	-	-
Other	21	39	60	1	-	-	1	2
	42	**278**	**320**	**7**	**1**	**-**	**2**	**10**
Ranges								
Written USD	216	1,435	1,651	103	7	-	11	121
Written JPY	3	446	449	30	-	-	1	31
	219	**1,881**	**2,100**	**133**	**7**	**-**	**12**	**152**
Forward exchange contracts (2)								
USD	222	(7)	215	2	(3)	-	1	-
JPY	42	-	42	-	1	-	3	4
GBP	(3)	(6)	(9)	-	-	-	-	-
Other	11	51	62	-	-	-	-	-
	272	**38**	**310**	**2**	**(2)**	**-**	**4**	**4**
Foreign exchange swaps (2)								
CHF	247	-	247	-	-	-	(6)	(6)
USD	11	-	11	-	-	(40)	42	2
JPY	94	-	94	-	-	(1)	2	1
Other	115	-	115	-	-	-	(3)	(3)
	467	**-**	**467**	**-**	**-**	**(41)**	**35**	**(6)**
Total				**142**	**6**	**(41)**	**53**	**160**

(1) Gain/(Loss).
(2) Sale/(Purchase).

21.4 Financial instruments used to manage equity risk

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 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 create synthetically an economic exposure to certain assets, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of their valuation at the balance sheet date. A uniform variation of 1% in the underlying assets' share prices of these derivatives as of December 31, 2009 would induce a net impact on the Group's profit for an amount of 11 million euros. Derivatives used to manage equity risk outstanding as of December 31, 2009 had a positive fair value of 65 million euros.

22. SEGMENT INFORMATION

22.1 Information by business group

Fiscal year 2009

(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 [1]	Total
Sales outside the Group	2,732	6,274	2,520	752	4,517	258	-	17,053
Sales between business groups	8	28	221	12	16	20	(305)	-
Total revenue	**2,740**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(305)**	**17,053**
Profit from recurring operations	760	1,986	291	63	388	(135)	(1)	3,352
Other operating income and expenses	(41)	(71)	(17)	(32)	(19)	(13)	2	(191)
Operating investments [2]	96	284	96	26	182	90	-	774
Depreciation and amortization expenses	92	268	99	27	175	40	-	701
Impairment expense	-	20	20	-	5	11	-	56
Brands, trade names, licenses and goodwill [3]	2,254	4,612	918	1,450	2,522	897	-	12,653
Inventories	3,548	701	226	369	738	128	(66)	5,644
Other operating assets	2,540	1,855	644	257	1,342	2,389	4,782 [4]	13,809
Total assets	**8,342**	**7,168**	**1,788**	**2,076**	**4,602**	**3,414**	**4,716**	**32,106**
Equity	-	-	-	-	-	-	14,785	14,785
Operating liabilities	1,013	1,137	805	176	1,001	614	12,575 [5]	17,321
Total liabilities and equity	**1,013**	**1,137**	**805**	**176**	**1,001**	**614**	**27,360**	**32,106**

Fiscal year 2008

(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 [1]	Total
Sales outside the Group	3,117	5,976	2,665	863	4,361	211	-	17,193
Sales between business groups	9	34	203	16	15	17	(294)	-
Total revenue	**3,126**	**6,010**	**2,868**	**879**	**4,376**	**228**	**(294)**	**17,193**
Profit from recurring operations	1,060	1,927	290	118	388	(136)	(19)	3,628
Other operating income and expenses	13	(61)	(28)	(1)	(28)	(38)	-	(143)
Operating investments [2]	157	338	146	39	228	160	-	1,068
Depreciation and amortization expenses	75	236	111	23	148	35	-	628
Impairment expense	-	20	-	-	-	11	-	31
Brands, trade names, licenses and goodwill [3] [6]	2,070	4,651	931	1,434	2,630	903	-	12,619
Inventories [6]	3,406	850	292	400	776	109	(69)	5,764
Other operating assets [6]	2,564	1,945	725	317	1,390	2,431	3,728 [4]	13,100
Total assets	**8,040**	**7,446**	**1,948**	**2,151**	**4,796**	**3,443**	**3,659**	**31,483**
Equity [6]	-	-	-	-	-	-	13,793	13,793
Operating liabilities	1,069	1,141	883	189	1,111	690	12,607 [5]	17,690
Total liabilities and equity	**1,069**	**1,141**	**883**	**189**	**1,111**	**690**	**26,400**	**31,483**

Fiscal year 2007

Since the Samaritaine department store was reclassified in 2008 from Selective Retailing to Other activities and holding companies, 2007 data was restated in order to facilitate comparison with 2008 data.

(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 (1)	Total
Sales outside the Group	3,220	5,591	2,563	818	4,152	137	-	16,481
Sales between business groups	6	37	168	15	12	6	(244)	-
Total revenue	**3,226**	**5,628**	**2,731**	**833**	**4,164**	**143**	**(244)**	**16,481**
Profit from recurring operations	1,058	1,829	256	141	426	(141)	(14)	3,555
Other operating income and expenses	(4)	(18)	(17)	(3)	(12)	(72)	-	(126)
Operating investments (2)	199	241	116	28	242	174	-	1,000
Depreciation and amortization expenses	71	210	103	21	122	27	-	554
Impairment expense	-	-	-	1	-	10	-	11
Brands, trade names, licenses and goodwill (3) (6)	3,192	4,887	928	979	2,525	45	-	12,556
Inventories (6)	3,034	622	262	268	626	45	(48)	4,809
Other operating assets (6) (7)	2,415	1,737	629	265	1,329	2,038	4,512 (4)	12,925
Total assets	**8,641**	**7,246**	**1,819**	**1,512**	**4,480**	**2,128**	**4,464**	**30,290**
Equity (6)	-	-	-	-	-	-	12,434 (5)	12,434
Operating liabilities (7)	1,064	977	833	155	1,010	501	13,316	17,856
Total liabilities and equity	**1,064**	**977**	**833**	**155**	**1,010**	**501**	**25,750**	**30,290**

(1) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for transactions involving wholesalers or distributors outside the Group.
(2) Operating investments correspond to amounts capitalized during the fiscal year rather than payments made during the fiscal year with respect to these investments.
(3) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(4) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables.
(5) Liabilities not allocated include borrowings and both current and deferred tax liabilities.
(6) See Note 1.2 Application of IAS 38 as amended.
(7) As of December 31, 2008, the figure shown for the Group's income tax liability with respect to the French tax consolidation structure was offset by advance payments made. Other operating assets and liabilities as of December 31, 2007 were restated to facilitate comparison.

22.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2009	2008	2007
France	2,478	2,464	2,348
Europe (excluding France)	3,664	4,095	3,790
United States	3,840	3,925	4,124
Japan	1,683	1,779	1,856
Asia (excluding Japan)	3,850	3,404	3,044
Other	1,538	1,526	1,319
Revenue	**17,053**	**17,193**	**16,481**

Operating investments by geographic region are as follows:

(EUR millions)	2009	2008	2007
France	319	499	399
Europe (excluding France)	130	187	231
United States	106	164	199
Japan	18	18	32
Asia (excluding Japan)	149	141	94
Other	52	59	45
Operating investments	**774**	**1,068**	**1,000**

Operating investments correspond to the amounts capitalized during the fiscal year rather than payments made during the fiscal year.

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.

22.3 Quarterly information

Quarterly sales by business group break down as follows for fiscal year 2009:

(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	540	1,598	663	154	1,085	62	(84)	4,018
Second quarter	539	1,390	622	192	1,042	68	(60)	3,793
Third quarter	682	1,549	686	187	1,040	68	(77)	4,135
Fourth quarter	979	1,765	770	231	1,366	80	(84)	5,107
Total 2009	**2,740**	**6,302**	**2,741**	**764**	**4,533**	**278**	**(305)**	**17,053**

23. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	2009	2008	2007
Advertising and promotion expenses	1,809	2,031	1,953
Commercial lease expenses	1,055	976	978
Personnel costs	3,175	3,055	2,716
Research and development expenses	45	43	46

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising, and also include personnel costs dedicated to this function.

As of December 31, 2009, a total of 2,423 stores were operated by the Group worldwide (2,314 in 2008, 2,048 in 2007), particularly by Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores are contingent on the payment of minimum amounts in addition to a variable amount, especially for stores with lease payments indexed to revenue. The total lease expense for the Group's stores breaks down as follows:

(EUR millions)	2009	2008	2007
Fixed or minimum lease payments	487	417	402
Variable portion of indexed leases	178	175	176
Airport concession fees - fixed portion or minimum amount	244	221	204
Airport concession fees - variable portion	146	163	196
Commercial lease expenses	**1,055**	**976**	**978**

Personnel costs consist of the following elements:

(EUR millions)	2009	2008	2007
Salaries and social charges	3,059	2,986	2,628
Pensions, medical costs and similar expenses in respect of defined benefit plans	63	31	42
Stock option plan and related expenses	53	38	46
Total	**3,175**	**3,055**	**2,716**

24. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	**2009**	2008	2007
Net gains (losses) on disposals of fixed assets	1	14	(81)
Restructuring costs	(98)	(83)	(25)
Amortization or impairment of brands, trade names, goodwill and other property	(88)	(57)	(16)
Other, net	(6)	(17)	(4)
Other operating income and expenses	**(191)**	**(143)**	**(126)**

In 2009, restructuring costs comprised the cost of various industrial and commercial restructuring plans, relating mainly to the Fashion and Leather Goods and Watches and Jewelry business groups.

In 2008, other operating income and expenses comprised capital gains realized on the sale of various assets in the amount of 14 million euros and costs for the restructuring of industrial and commercial processes in the amount of 83 million euros. These amounts related to the discontinuation of certain product lines, the closure of retail stores considered as insufficiently profitable and the reorganization of the operations of Glenmorangie. The latter notably included the gradual withdrawal from activities performed on behalf of third parties and the disposal of certain assets, notably the industrial facility in Broxburn (United Kingdom) as well as the Glen Moray brand and distillery.

In 2007, other operating income and expenses mainly comprised the net loss on the sale of La Tribune group, the logistics company Kami (Fashion and Leather Goods) and Omas writing instruments.

25. NET FINANCIAL INCOME/EXPENSE

(EUR millions)	**2009**	2008	2007
Borrowing costs	(208)	(258)	(241)
Income from cash, cash equivalents and current available for sale financial assets	20	18	30
Fair value adjustment of borrowings and hedges, excluding perpetual bonds	1	(17)	2
Net cost of perpetual bonds	-	-	2
Cost of net financial debt	**(187)**	**(257)**	**(207)**
Dividends received from non-current available for sale financial assets	11	11	29
Ineffective portion of foreign currency hedges	(46)	(64)	(97)
Net gain/(loss) related to available for sale financial assets and other financial instruments	(94)	53	44
Other items - net	(26)	(24)	(21)
Other financial income and expenses	**(155)**	**(24)**	**(45)**
Net financial income / (expense)	**(342)**	**(281)**	**(252)**

In 2007, proceeds relating to available for sale financial assets and other financial instruments included capital gains in the amounts of 44 million euros. In 2008, this item notably included the Group's share in the capital gains arising on the sale of the French video game retailer Micromania as well as various impairment losses on available for sale financial assets. In 2009, this change was due both to the evolution of market conditions and the recognition of impairment losses on current and non-current available for sale financial assets.

Income from cash, cash equivalents and current available for sale financial assets comprises the following items:

(EUR millions)	**2009**	2008	2007
Income from cash and cash equivalents	11	15	20
Income from current available for sale and other financial assets	9	3	10
Income from cash, cash equivalents and current available for sale financial assets	**20**	**18**	**30**

26. INCOME TAXES

(EUR millions)	2009	2008	2007
Current income taxes for the period	(785)	(911)	(984)
Current income taxes relating to previous periods	4	5	7
Current income taxes	**(781)**	**(906)**	**(977)**
Change in deferred income taxes	(68)	13	77
Impact of changes in tax rates on deferred taxes	-	-	47
Deferred income taxes	**(68)**	**13**	**124**
Total tax expense per income statement	**(849)**	**(893)**	**(853)**
Tax on items recognized in equity	**(30)**	**30**	**(41)**

The effective tax rate is as follows:

(EUR millions)	2009	2008	2007
Profit before tax	2,819	3,204	3,177
Total income tax expense	(849)	(893)	(853)
Effective tax rate	**30.1%**	**27.9%**	**26.8%**

The increase in the effective tax rate in 2009 compared to the previous year was attributable to the capitalization of tax loss carryforwards in 2008.

27. EARNINGS PER SHARE

	2009	2008	2007
Group share of net profit *(EUR millions)*	1,755	2,026	2,025
Average number of shares in circulation during the period	490,076,711	489,958,810	489,937,410
Average number of treasury shares owned during the period	(16,479,636)	(16,403,997)	(15,609,467)
Average number of shares on which the calculation before dilution is based	**473,597,075**	**473,554,813**	**474,327,943**
Basic Group share of earnings per share *(EUR)*	**3.71**	**4.28**	**4.27**
Average number of shares on which the above calculation is based	473,597,075	473,554,813	474,327,943
Dilution effect of stock option plans	1,240,950	2,055,859	5,563,770
Other dilution effects	-	-	-
Average number of shares in circulation after dilution	**474,838,025**	**475,610,672**	**479,891,713**
Diluted Group share of earnings per share *(EUR)*	**3.70**	**4.26**	**4.22**

28. PROVISIONS FOR PENSIONS, MEDICAL COSTS AND SIMILAR COMMITMENTS

The expense recorded in relation to pension, medical costs and similar commitments during the periods presented breaks down as follows:

(EUR millions)	**2009**	2008	2007
Service cost	43	37	38
Impact of discounting	30	23	22
Expected return on plan assets	(16)	(18)	(18)
Amortization of actuarial gains and losses	4	(11)	(2)
Past service cost	2	2	2
Changes in regime	-	(2)	-
Total expense for the period for defined benefit plans	**63**	**31**	**42**

Effective return on/(cost of) plan assets	46	**(77)**	**17**

29. OFF BALANCE SHEET COMMITMENTS

29.1 Purchase commitments

(EUR millions)	**2009**	2008	2007
Grapes, wines and distilled alcohol	1,336	1,671	1,690
Other purchase commitments for raw materials	68	64	24
Industrial and commercial fixed assets	109	180	105
Investments in joint venture shares and non-current available for sale financial assets	56	63	55

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and distilled alcohol. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known year-end prices and estimated production yields.

29.2 Lease and similar commitments

In addition to leasing its stores, the Group also finances some of its equipment through long term operating leases. Some fixed assets and equipment were also purchased or refinanced under finance leases.

Operating leases and concession fees

The fixed or minimum portion of commitments in respect of operating lease or concession contracts over the irrevocable period of the contracts were as follows as of December 31, 2009:

(EUR millions)	**2009**	2008	2007
Less than one year	846	772	687
One to five years	2,045	2,009	1,831
More than five years	922	1,023	935
Commitments given for operating leases and concession fees	**3,813**	**3,804**	**3,453**
Less than one year	20	24	21
One to five years	32	50	42
More than five years	6	8	4
Commitments received for sub-leases	**58**	**82**	**67**

Finance leases

The amount of the Group's irrevocable commitments under finance lease agreements as of December 31, 2009 breaks down as follows:

(EUR millions)	2009		2008		2007	
	Minimum future payments	Present value of payments	Minimum future payments	Present value of payments	Minimum future payments	Present value of payments
Less than one year	29	31	25	25	22	21
One to five years	71	50	79	60	68	44
More than five years	336	63	364	66	344	70
Total future minimum payments	**436**		**468**		**434**	
Of which: financial interest	(292)		(317)		(299)	
Present value of minimum future payments	**144**	**144**	**151**	**151**	**135**	**135**

29.3 Collateral and other guarantees

As of December 31, 2009, these commitments break down as follows:

(EUR millions)	2009	2008	2007
Securities and deposits	69	59	61
Other guarantees	66	48	28
Guarantees given	**135**	**107**	**89**
Guarantees received	**33**	**25**	**32**

Maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	18	44	7	69
Other guarantees	32	30	4	66
Guarantees given	**50**	**74**	**11**	**135**
Guarantees received	**12**	**17**	**4**	**33**

29.4 Contingent liabilities and outstanding litigation

As part of its day-to-day management, the Group is party to various legal proceedings concerning brand rights, the protection of intellectual property rights, the set-up of selective retailing networks, licensing agreements, employee relations, tax audits and other areas relating to its business.

The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation or disputes, known or outstanding at year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

29.5 Other commitments

The Group is not aware of any significant off balance sheet commitments other than those described above.

30. SUBSEQUENT EVENTS

There were no significant subsequent events as of February 4, 2010, the date on which the accounts were approved for publication by the Board of Directors.

STATUTORY AUDITORS' REPORT

STATUTORY AUDITORS' REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS DERIVED FROM THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

To the Chairman of the Board of Directors,

In our capacity as statutory auditors of LVMH Moët Hennessy - Louis Vuitton and at your request, we have verified the accompanying condensed consolidated financial statements.

These condensed consolidated financial statements are the responsibility of the Board of Directors which approved the consolidated financial statements. Our responsibility is to report on the consistency of these condensed consolidated financial statements with the consolidated financial statements of your Company they are derived from.

Our procedures constitute neither an audit nor a review in accordance with professional standards applicable in France. As such, we do not express an opinion on the accompanying condensed consolidated financial statements. Our procedures, performed in accordance with professional standards applicable in France, consisted in verifying the consistency of these condensed consolidated financial statements with the consolidated financial statements for the year ended December 31, 2009 we audited, in accordance with professional standards applicable in France. We issued an unqualified opinion in our report dated February 25, 2010 for the year ended December 31, 2009 and drew attention in an emphasis of matter paragraph to the Note 1.2 to the financial statements which sets out changes in accounting policies resulting from accounting standards, amendments and interpretations applied by your Company.

As indicated in note 1.1 of the accompanying document, the condensed consolidated financial statements do not include all the notes required by IFRSs as adopted by the European Union, used to prepare the consolidated financial statements of LVMH Moët Hennessy - Louis Vuitton. The terms of our engagement do no require us to express an opinion on the selection of notes included in these condensed consolidated financial statements. As a result, the condensed consolidated financial statements should not replace the consolidated financial statements they are derived from and our corresponding report.

Based on our procedures, we have nothing to report in respect of the consistency of the accompanying condensed consolidated financial statements with the consolidated financial statements of LVMH Moët Hennessy - Louis Vuitton they are derived from.

Neuilly-sur Seine and Paris-La Défense, March 3, 2010

The Statutory Auditors
French original signed by

DELOITTE & ASSOCIES
Alain Pons

ERNST & YOUNG Audit
Jeanne Boillet
Olivier Breillot

This is a free translation into English of the statutory auditors' 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 standards applicable in France.

LVMH MOËT HENNESSY⬩LOUIS VUITTON SA

SIMPLIFIED ACCOUNTING INFORMATION

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INCOME STATEMENT

(EUR millions - French accounting principles) **Income / (Expenses)**	**2009**	2008	2007
Income from investments and other revenue	1,262	1,369	917
Operating income before tax	1,012	623	473
Net exceptional items [1]	(591)	28	318
Income taxes	15	248	(8)
Net profit	436	899	783

(1) In June 2008, LVMH acquired the perpetual bonds issued in February 1992 for a symbolic amount by means of a call option. The net profit for 2008 includes an exceptional gain of 89 million euros, corresponding to the non amortized amount of the perpetual bonds at that date.

CHANGE IN EQUITY

(EUR millions - French accounting principles)	**Share capital and share premium**	**Reserves and regulated provisions**	**Other reserves**	**Retained earnings**	**Interim dividend**	**Net profit**	**Total equity**
As of December 31, 2008 before appropriation of 2008 income	**1,884**	**388**	**195**	**2,802**	**(166)**	**899**	**6,002**
Appropriation of 2008 net income	-	-	-	899	-	(899)	-
Dividend 2008	-	-	-	(784)	172	-	(612)
Impact of treasury shares	-	-	-	27	(6)	-	21
Exercise of share subscription options	30	-	-	-	-	-	30
Retirement of LVMH shares	(4)	-	-	-	-	-	(4)
Interim dividend 2009	-	-	-	-	(172)	-	(172)
Impact of treasury shares	-	-	-	-	6	-	6
Net profit for the year	-	-	-	-	-	436	436
As of December 31, 2009 before appropriation of 2009 income	**1,910**	**388**	**195**	**2,944**	**(166)**	**436**	**5,707**

LVMH

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