LVMH Moët Hennessy Louis Vuitton

Société Anonyme (French public limited-liability company) with a Board of Directors
and share capital of €152,300,959.50
Registered office: 22 avenue Montaigne, 75008 Paris - France

775 670 417 Paris RCS

DRAFT TERMS FOR THE CONVERSION OF

LVMH Moët Hennessy Louis Vuitton

INTO A EUROPEAN COMPANY

DRAFT TERMS OF CONVERSION INTO A EUROPEAN COMPANY

These draft terms were prepared by the Board of Directors of **LVMH Moët Hennessy Louis Vuitton** with a view to the conversion of this company into a "European Company" (hereafter "**SE**"), pursuant to the provisions of Title II Section 5 of Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (hereafter "**the SE Regulation**") and of Article L. 225-245-1 paragraph 2 of the French Commercial Code.

The purpose of these draft terms is to explain and substantiate the economic and legal aspects of the conversion into a European Company, as well as to indicate the consequences of such a conversion on the situation of the company's shareholders, employees and creditors.

I . OVERVIEW OF THE PROPOSED CONVERSION

1. Identity and characteristics of the company to be converted

i. Legal form - Registered office

LVMH Moët Hennessy Louis Vuitton (hereafter "**LVMH**" or "**the Company**") is a *société anonyme* (French public limited-liability company), incorporated under French law, with a Board of Directors, having its registered office at 22 avenue Montaigne, 75008 Paris, France.

ii. Place of registration - Applicable law

LVMH is registered with the Paris Register of Commerce and Companies under the number 775 670 417 and is regulated by legislative and regulatory provisions in force in France, as well as by its bylaws.

iii. Business activities

The world's leading prestige goods company, LVMH is the result of successive alliances between family-owned businesses, most of which are European. LVMH had consolidated revenue of 29, 1 billion euros in 2013, divided mainly among the following five business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. Sales in Europe (broadly defined) accounted for 30% of total revenue.

As of December 31, 2013, the LVMH group had approximately 103, 000 permanent employees, including 45,000 (43.6%) in Europe. Of the 13 800 Group employees allocated to production, 10 440 (75%) are based in Europe.

The LVMH group, whose products are distributed in nearly all world markets, has a direct presence in 73 countries throughout the world, including 29 European countries.

Lastly, the Group operates 1369 retail stores in Europe, 926 of which are outside France (Loro Piana not included).

iv. Term

The Company's term shall expire on December 31, 2021, unless it is wound up before this date or its term is extended by decision of the Extraordinary Shareholders' Meeting.

v. Place of listing of the Company's shares - Share capital

As of December 31, 2013, LVMH had a share capital divided into 507,793,661 fully paid-up shares with a par value of 0.30 euros each.

The Company's shares are admitted to trading on NYSE Euronext Paris.

2. **Reasons for the conversion**

Over the last years, all new *Maisons* joining LVMH group have had European roots, but based outside France. In particular, the acquisition of Hublot in 2008, the alliance with Bulgari in 2011, and the tie-up with Loro Piana in 2013 significantly increased the weighting of non-French European companies within the LVMH group. Companies with these origins have already been strongly represented within LVMH group for many years, including brands such as Loewe, Fendi, Emilio Pucci, Acqua di Parma, TAG Heuer and Zenith.

The LVMH group aims to position itself at the European level and not only at French level in its efforts to preserve, defend and develop the excellence of traditional *savoir-faire* and craftsmanship that underpin its harmonious creativity and enduring worldwide influence and prestige.

These considerations have led the Company's Board of Directors – nearly one-third of whose members are non-French European nationals – to wish to reflect this European dimension, as much with regard to its employees as its other partners, through the legal form of the Company. The Board has therefore proposed to convert LVMH from a French *société anonyme* (public limited-liability company) into an SE, as encouraged by the European legislator precisely for circumstances like those of the Group.

Already adopted by a number of major corporations, this company legal form offers the advantage of a foundation built on a uniform system recognized throughout the European Union.

The Company would thus be endowed with a legal status being a strong symbol in most of the countries where it is present, consistent with its economic reality.

3. **Criteria for the conversion**

Pursuant to the provisions of the SE Regulation, a *société anonyme* (French public limited-liability company) formed under the law of a Member State and having its registered office and its head office within the European Union, may convert itself into an SE if:

- it has for at least two years had a subsidiary company governed by the law of another Member State; and
- its subscribed capital is not less than 120,000 euros.

LVMH satisfies these conditions as it is a *société anonyme* (French public limited-liability company) formed under the law of France, having both its registered office and its head office in France, with i) a share capital of 152,300,959.50 euros, and ii) several subsidiaries based in other European Union countries for more than two years.

4. Legal provisions governing the conversion

The proposed conversion is governed by (i) the provisions of the SE Regulation (and in particular by Article 2§4 and Article 37 relating to the formation of an SE by conversion of an existing public limited company); (ii) Articles L. 225-245-1 and R. 229-20 to R. 229-22 of the French Commercial Code; and (iii) the provisions of Council Directive 2001/86/EC of October 8, 2001 supplementing the Statute for a European company with regard to the involvement of employees (hereafter "the **SE Directive**"), together with the provisions transposing the SE Directive into French law, as provided for in Articles L. 2351-1 et seq. of the French Labor Code.

II. CONSEQUENCES OF THE PROPOSED CONVERSION

1. Legal consequences of the conversion

i. Corporate name after the conversion

Once the conversion becomes effective, the Company shall maintain its existing corporate name "LVMH Moët Hennessy Louis Vuitton", which shall be followed, in all documents issued by the Company, by the words "Societas Europaea" or the initials "SE".

ii. Registered office and head office of the Company

LVMH SE shall have its registered office and its head office in France, at 22 avenue Montaigne, 75008 Paris.

iii. Statutes (draft version attached)

A draft version of the statutes (i.e. the bylaws) to be adopted by LVMH SE once the conversion becomes effective, subject to their approval by the Company's Extraordinary Shareholders' Meeting, is annexed to this document. These draft statutes are merely an adaptation of the Company's existing bylaws to the legal form of the SE and do not take into account any other amendments that might be proposed to the shareholders in advance or in the course of the Extraordinary Shareholders' Meeting called to decide on the conversion of LVMH into an SE.

The clauses of these draft statutes are in compliance with the provisions of the SE Regulation as well as applicable French legal provisions.

LVMH SE shall continue to have a one-tier system of governance, in accordance with the provisions of Article 38 b) and Articles 43 to 45 of the SE Regulation and thus shall retain a Board of Directors as its administrative organ.

iv. Legal person and LVMH SE shares

Under Article 37§2 of the SE Regulation, the conversion shall not result either in the winding up of LVMH or in the creation of a new legal person. Once the conversion becomes effective and the Company has been registered with the Paris Register of Commerce and Companies as an SE, it shall simply continue its business activities in the form of an SE.

The number of shares issued by LVMH and their par value shall not undergo any change solely as a result of the conversion. LVMH SE shares shall continue to be traded on NYSE Euronext Paris.

v. Structure of the SE

The SE Regulation establishes a limited number of rules relating to the functioning of an SE, referring to the provisions of national law. The functioning of LVMH SE shall therefore be regulated mainly by the provisions of the French Commercial Code applicable to the management and administration of French public limited-liability companies, with the exception of certain rules introduced by the SE Regulation, in particular the obligation for the Board of Directors to meet at least once every three months.

All of the rules contained in the SE Regulation have been incorporated within the draft version of the new statutes annexed to this document.

The Company shall thus retain the governance bodies that it currently has as a *société anonyme* (French public limited-liability company), pursuant to the provisions of the SE Regulation, namely:

- a Shareholders' Meeting

The rules for calculating the majority at Shareholders' Meetings shall be amended in accordance with provisions applicable to SEs. Whereas in the case of a *société anonyme* (French public limited-liability company), an abstention or a blank ballot paper is considered as a vote against the resolution put before the Shareholders' Meeting, whether meeting in ordinary or extraordinary session, the calculation of the majority for adopting resolutions at Shareholders' Meetings by SEs is based on the number of "votes cast", which do not include votes attaching to shares in respect of which the shareholder has not taken part in the vote, has abstained, or has returned a blank or spoilt ballot paper.

- a one-tier system of governance with a Board of Directors

The effective conversion of the Company into an SE shall not result in any change in the composition of its Board of Directors. The appointments of all Board members shall continue for the duration of their terms of office under the same conditions as those applying before the conversion.

As necessary, the Shareholders' Meeting shall acknowledge and confirm the continuation of the appointments of currently serving Directors at the SE.

vi. Statutory Auditors for LVMH SE

The effective conversion of the Company into an SE shall have no impact on the appointments of the Company's Statutory Auditors, who shall continue to serve the Company for the duration of their terms of office under the same conditions as those applying before the conversion.

As necessary, the Shareholders' Meeting shall acknowledge and confirm the continuation of the appointments of currently serving Statutory Auditors at the SE.

2. Consequences for shareholders

The rights of the Company's shareholders shall not be affected by the conversion.

Each shareholder's financial commitment shall thus remain limited to that subscribed prior to the Company's conversion. Furthermore, the proportionate voting rights of each shareholder shall not be affected by the conversion. In particular, provisions in the current bylaws relating to double voting rights shall remain unchanged in the statutes of the SE.

The conversion shall not, in itself, have any impact on the value of LVMH's shares. There shall be no change in the number of shares issued by the Company as a result of this operation.

The conversion into an SE shall entail a reinforcement of shareholders' rights, in line with Article 55§1 of the SE Regulation, entitling one or more shareholders who together hold at least 10% of the Company's subscribed capital to request that the SE convene a Shareholders' Meeting and to draw up its agenda, as this provision has no equivalent in the French law applicable to the *société anonyme*(French public limited-liability company).

The conversion of the Company into an SE shall need to be approved by LVMH's Extraordinary Shareholders' Meeting.

Under Article L. 225-244 of the French Commercial Code, the draft terms of the conversion must be approved by bondholders' meetings.

3. Consequences of the proposed conversion for creditors

The conversion shall not, in itself, give rise to any changes in the rights of the Company's creditors. The creditors existing prior to the conversion shall retain all of their rights with respect to the Company once the conversion becomes effective. These creditors shall also continue to enjoy the benefit of guarantees given before the effective date of the conversion.

4. Consequences of the proposed conversion for employees – Information on procedures relating to employees' involvement

The procedure for negotiations with employees' representatives of a company exploring the possibility of a conversion into an SE, as well as with the employees' representatives of its European subsidiaries and establishments, is stipulated by Council Directive 2001/86/EC of October 8, 2001, which was transposed into Articles L. 2351-1 to L. 2353-32 of the French Labor Code. Apart from informing the employees' representatives of the Company and of its European subsidiaries and establishments (hereafter jointly "the **Employees' Representatives**"), LVMH shall invite the employees of the Company and of its European subsidiaries and establishments, as provided for by law, to form a special negotiating body (hereafter "**SNB**"). The role of the SNB is to set up a negotiating procedure with a view to concluding a written agreement with the Employees' Representatives on the involvement in the SE of the employees of LVMH and those of its European subsidiaries and establishments.

SNB members shall be designated depending on the procedures set by each of the Member States concerned. The SNB shall serve as senior management's point of contact for negotiating purposes. It shall have a separate legal personality.

The senior management of LVMH shall invite the members of the SNB to begin negotiations. Negotiations may last for as long as six months starting from the establishment of the SNB. Their duration may be extended, by mutual consent of the parties, although the negotiations may not last longer than one year.

However, in accordance with Article L. 2352-13 of the French Labor Code, the SNB may decide not to enter into negotiations or to bring an end to negotiations already under way, and to apply regulations relating to the information and consultation of employees in force in the Member States where the SE has employees.

Such a decision shall validly be taken only by a two-thirds majority of SNB members from at least two Member States, provided they represent at least two-thirds of the employees of the Company and its subsidiaries and establishments concerned.

Therefore, negotiations with the SNB on the involvement in the SE of the employees of the Company and its European subsidiaries and establishments may result in one of the following situations:

(i). conclusion of an ad hoc agreement setting out the terms and conditions relating to the involvement of employees in the SE;

(ii). a decision, taken by a qualified majority, not to enter into negotiations or to bring an end to negotiations already under way, and to apply regulations relating to the information and consultation of employees in force in the Member States where the SE has employees;

(iii). no agreement is reached, in which case the standard rules of the SE Directive as well as Articles L. 2353-1 et seq. of the French Labor Code shall apply for organizing the involvement in the SE of Company employees.

It has already been established that no change shall be made to the employment contracts of the employees of the Company and of its subsidiaries and establishments as a result of the conversion into an SE. Accordingly, these employment contracts shall continue in effect under the same terms and conditions as those that were in force before the conversion became effective.

5. Tax-related aspects of the conversion

The conversion of LVMH into an SE is not such as to have any impact on corporate income tax since it does not entail either the creation of a new legal person or any change in the Company's tax regime (LVMH SE shall be deemed equivalent to a *société anonyme* (French public limited-liability company) for tax purposes) or the transfer of the Company's registered office outside France. With respect to registration fees, the operation shall need to be registered within 30 days after the conversion becomes effective. As this operation is not considered as the incorporation of a company, it shall not be subject to any contribution duty, but only to the minimal registration fee provided for in Article 680 of the French General Tax Code, currently set at 125 euros.

III. CONVERSION PROCEDURE

1. Independent Conversion Auditors

Pursuant to the provisions of Article 37§6 of the SE Regulation and Article L. 225-245-1 of the French Commercial Code, one or more Independent Conversion Auditors (*Commissaires à la transformation*) shall be appointed by the President of the Paris Commercial Court upon application.

In accordance with Article R. 229-21 of the French Commercial Code, these Independent Conversion Auditors shall be selected from among the statutory auditors registered on the list provided for in Article L. 822-1 of the French Commercial Code or from among the experts registered on one of the lists drawn up by the courts.

The role of the Independent Conversion Auditors shall be to prepare a report intended for the shareholders, certifying in accordance with the provisions of Article L. 225-245-1 of the French Commercial Code that the Company has net assets at least equivalent to its capital plus those reserves which must not be distributed under the law or its current bylaws.

2. Individual benefits

Neither the members of the Board of Directors of the Company nor the Company's Statutory Auditors shall receive any individual benefits in connection with the operation to convert LVMH into an SE.

The Independent Conversion Auditors shall be remunerated by the Company on completion of their assignment.

3. Registration and announcement of the proposed conversion

The draft terms of the conversion shall be filed at the Clerk's Office of the Paris Commercial Court, the office with which LVMH is registered, and the proposed conversion shall be announced in the form of a notice in a legal gazette and in the French *Bulletin des Annonces Légales Obligatoires* (BALO) at least one month prior to the date of the Shareholders' Meeting called to decide on the conversion.

4. Approval of the draft terms of conversion and of the draft statutes for the Company

As required under Article 37§7 of the SE Regulation and Article L. 225-245-1 of the French Commercial Code, the Extraordinary Shareholders' Meeting of the Company shall decide on the draft terms of conversion as well as the draft statutes of LVMH, subject to the quorum and majority conditions applying to amendments to the bylaws of a *société anonyme (*French public limited-liability company) as provided for in Article L. 225-96 of the French Commercial Code.

In addition, as required under Article L. 225-244-1 of the French Commercial Code, meetings of bondholders shall vote on the draft terms of conversion, subject to a two-thirds majority of the votes of bondholders present or represented.

5. Effective date of the conversion

The conversion into an SE shall become effective once LVMH is registered as an SE with the Paris Register of Commerce and Companies. In accordance with Article 12§2 of the SE Regulation, an SE may not be registered unless the procedure relating to employees' involvement has been completed. To this end, as described above, the SNB, comprised of representatives of the employees of LVMH and of its European subsidiaries and establishments, shall be formed as soon as possible in order to initiate discussions for a period of six months, unless this term is extended by mutual consent of the parties, subject to an overall limit of one year.

At the conclusion of the discussions with the SNB, there are three possible scenarios:

- the signing of an agreement relating to the terms and conditions of the employees' involvement;

- a decision taken by the SNB not to enter into negotiations or to bring an end to negotiations already under way, and to apply regulations relating to the information and consultation of employees in force in the Member States where LVMH has employees;

- the parties fail to reach an agreement within the time specified, which shall result in the application of the "standard rules" laid down by the SE Regulation, namely the creation of a works council for the SE, regulated by Articles L. 2353-1 et seq. of the French Labor Code.

The conversion into an SE and its registration with the Paris Register of Commerce and Companies shall thus occur once the discussions with the SNB have concluded and after the conversion has been approved by the Extraordinary Shareholders' Meeting.

Signed in Paris,

January 30, 2014