LVMH

MOËT HENNESSY • LOUIS VUITTON

TRANSLATION OF THE FRENCH FINANCIAL DOCUMENTS

FISCAL YEAR ENDED DECEMBER 31, 2019

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This document is a free translation into English of the original French “Documents financiers – 31 décembre 2019”, 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 AS OF DECEMBER 31, 2019

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Sophie Chassat [a]

Charles de Croisset [a]

Diego Della Valle [a]

Clara Gaymard [a]

Iris Knobloch [a]

Marie-Josée Kravis [a]

Lord Powell of Bayswater

Marie-Laure Sauty de Chalon [a]

Yves-Thibault de Silguy [a]

Hubert Védrine [a]

Advisory Board members

Yann Arthus-Bertrand

Paolo Bulgari

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Delphine Arnault
Louis Vuitton

Nicolas Bazire
Development and Acquisitions

Pietro Beccari
Christian Dior Couture

Michael Burke
Louis Vuitton

Chantal Gaemperle
Human Resources and Synergies

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora and Beauty

Philippe Schaus
Wines and Spirits

Sidney Toledano
Fashion Group

Jean-Baptiste Voisin
Strategy

General Secretary

Marc-Antoine Jamet

Performance Audit Committee

Yves-Thibault de Silguy [a]
Chairman

Antoine Arnault

Charles de Croisset [a]

Nominations and Compensation Committee

Charles de Croisset [a]
Chairman

Marie-Josée Kravis [a]

Yves-Thibault de Silguy [a]

Ethics and Sustainable Development Committee

Yves-Thibault de Silguy [a]
Chairman

Delphine Arnault

Marie-Laure Sauty de Chalon [a]

Hubert Védrine [a]

Statutory Auditors

ERNST & YOUNG Audit
represented by Gilles Cohen and Patrick Vincent-Genod

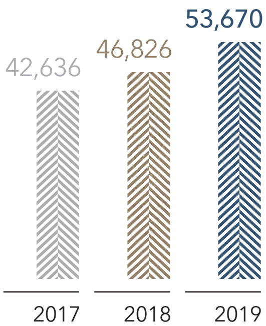
MAZARS
represented by Isabelle Sapet and Loïc Wallaert

(a) Independent Director.

FINANCIAL HIGHLIGHTS

Revenue

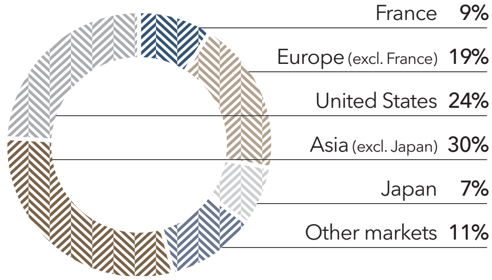
(EUR millions)



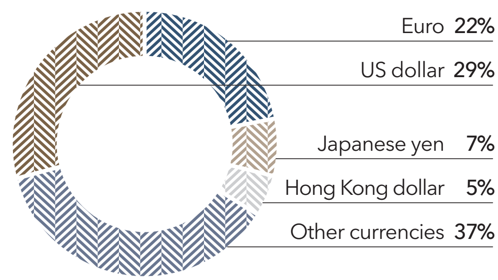
Revenue by business group *(EUR millions and percentage)*	**2019**	**2018**	**2019/2018 Change**		**2017**
			Published	**Organic**[(a)]	
Wines and Spirits	5,576	5,143	8%	6%	5,084
Fashion and Leather Goods	22,237	18,455	20%	17%	15,472
Perfumes and Cosmetics	6,835	6,092	12%	9%	5,560
Watches and Jewelry	4,405	4,123	7%	3%	3,805
Selective Retailing	14,791	13,646	8%	5%	13,311
Other activities and eliminations	(174)	(633)	-	-	(596)
Total	**53,670**	**46,826**	**15%**	**10%**	**42,636**

(a) On a constant consolidation scope and currency basis. The net impact of exchange rate fluctuations on Group revenue was +3% and the net impact of changes in the scope of consolidation was +1%. The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 9.

Revenue by geographic region of delivery

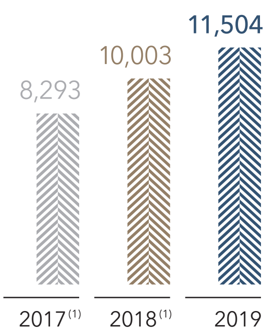


Revenue by invoicing currency



Profit from recurring operations

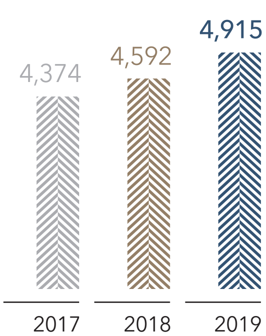
(EUR millions)



Profit from recurring operations by business group *(EUR millions)*	**2019**	**2018**[(1)]	**2017**[(1)]
Wines and Spirits	1,729	1,629	1,558
Fashion and Leather Goods	7,344	5,943	4,905
Perfumes and Cosmetics	683	676	600
Watches and Jewelry	736	703	512
Selective Retailing	1,395	1,382	1,075
Other activities and eliminations	(383)	(330)	(357)
Total	**11,504**	**10,003**	**8,293**

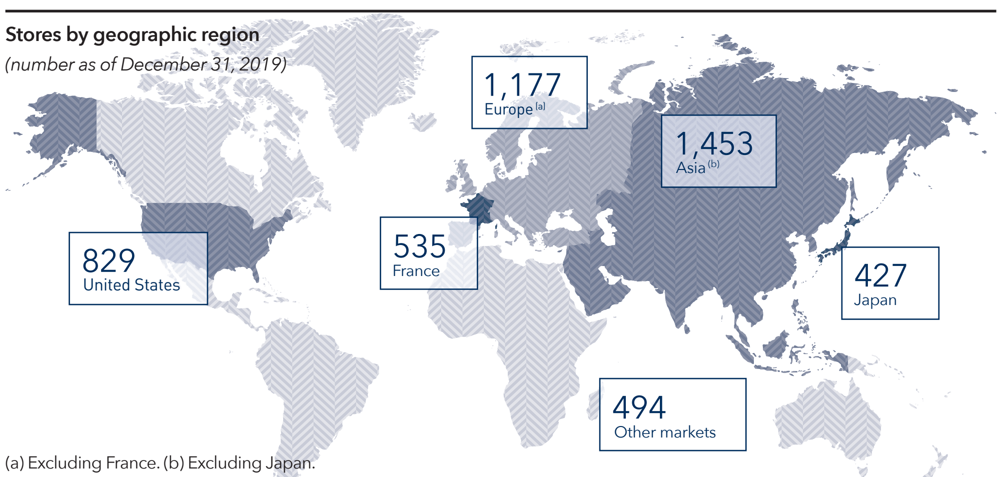
Stores

(number)



Stores by geographic region

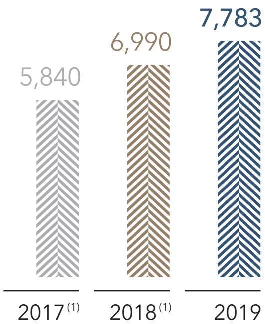
(number as of December 31, 2019)



(a) Excluding France. (b) Excluding Japan.

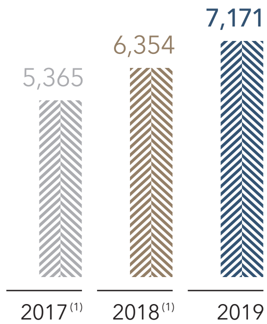
Net profit

(EUR millions)



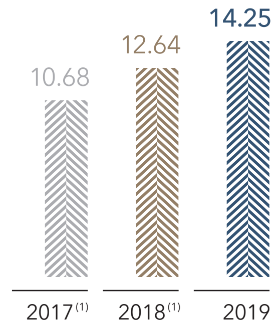
Net profit, Group share

(EUR millions)



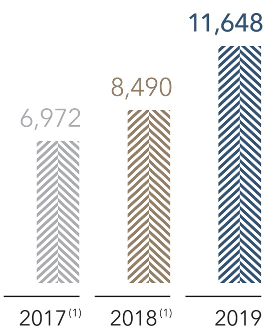
Basic Group share of net earnings per share

(EUR)



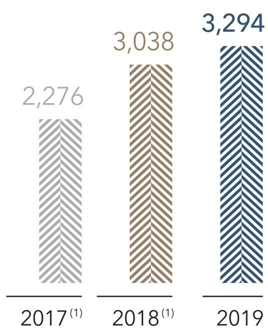
Net cash from operating activities

(EUR millions)



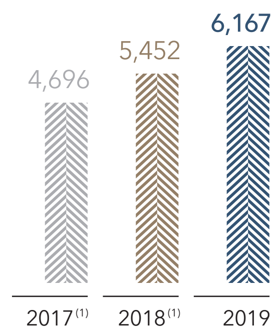
Operating investments

(EUR millions)



Operating free cash flow[a]

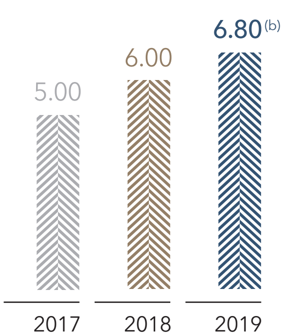
(EUR millions)



(a) See the consolidated cash flow statement on p. 28 for definition of Operating free cash flow

Dividend per share[a]

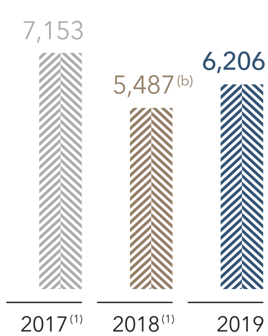
(EUR)



(a) Gross amount paid for fiscal year, excluding the impact of tax regulations applicable to the recipient.
(b) Amount proposed at the Shareholders' Meeting of April 16, 2020.

Net financial debt[a]

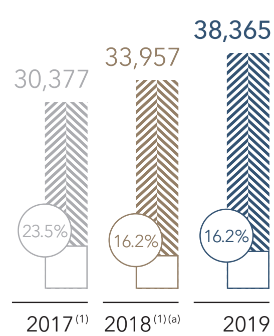
(EUR millions)



(a) Excluding lease liabilities and purchase commitments for minority interests. See Note 19.1 to the condensed consolidated financial statements for the definition of net financial debt.
(b) Excluding the acquisition of Belmond shares. See Note 18.1 to the 2018 consolidated financial statements.

Equity and Net financial debt/Equity ratio

(EUR millions and percentage)



(a) Excluding the acquisition of Belmond shares. See Note 18.1 to the 2018 consolidated financial statements.

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

SHARE CAPITAL AND VOTING RIGHTS

	Number of shares	Number of voting rights[a]	% of capital	% of voting rights
Arnault Family Group	239,314,535	466,570,719	47.35%	63.40%
Other[b]	266,116,750	269,374,798	52.65%	36.60%
Total	**505,431,285**	**735,945,517**	**100.00%**	**100.00%**

(a) Total number of voting rights that may be exercised at Shareholders' Meetings.
(b) Including 1,778,911 treasury shares, i.e. 0.35% of the share capital.

BUSINESS REVIEW AND COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF LVMH GROUP

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

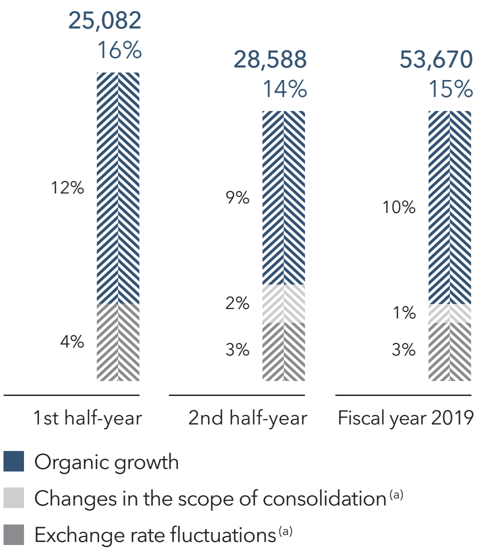
As table totals are based on unrounded figures, there may be slight discrepancies between these totals and the sum of their rounded component figures.

1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1 Analysis of revenue

Change in revenue per half-year period

(EUR millions and percentage)



(a) The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 9.

Revenue for fiscal year 2019 was 53,670 million euros, up 15% over the previous fiscal year. The Group's main invoicing currencies strengthened against the euro – in particular the US dollar, which rose 5% – boosting revenue growth.

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

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

Revenue by invoicing currency

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

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

Revenue by geographic region of delivery

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

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

Revenue by business group

(EUR millions)	2019	2018	2017
Wines and Spirits	5,576	5,143	5,084
Fashion and Leather Goods	22,237	18,455	15,472
Perfumes and Cosmetics	6,835	6,092	5,560
Watches and Jewelry	4,405	4,123	3,805
Selective Retailing	14,791	13,646	13,311
Other activities and eliminations	(174)	(633)	(596)
Total	**53,670**	**46,826**	**42,636**

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

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

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

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

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

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

1.2 Profit from recurring operations

(EUR millions)	2019	2018	2017
Revenue	53,670	46,826	42,636
Cost of sales	(18,123)	(15,625)	(14,783)
Gross margin	35,547	31,201	27,853
Marketing and selling expenses	(20,207)	(17,755)	(16,395)
General and administrative expenses	(3,864)	(3,466)	(3,162)
Income/(loss) from joint ventures and associates	28	23	(3)
Profit from recurring operations	**11,504**	**10,003**	**8,293**
Operating margin *(%)*	**21.4**	**21.4**	**19.5**

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

The Group achieved a gross margin of 35,547 million euros, up 14% compared to the prior fiscal year. As a percentage of revenue, the gross margin was 66%, 0.4 points lower than in 2018.

Marketing and selling expenses totaled 20,207 million euros, up 14% based on published figures and up 10% on a constant consolidation scope and currency basis. This increase was mainly due to the development of retail networks but also to higher communications investments, especially in Perfumes and Cosmetics. The level of these expenses expressed as a percentage of revenue remained stable at 38%. Among these marketing and selling expenses, advertising and promotion costs amounted to 12% of revenue, increasing by 11% on a constant consolidation scope and currency basis.

The geographic breakdown of stores was as follows:

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

General and administrative expenses totaled 3,864 million euros, up 11% based on published figures and up 8% on a constant consolidation scope and currency basis. They amounted to 7% of revenue, down 0.2 points relative to 2018.

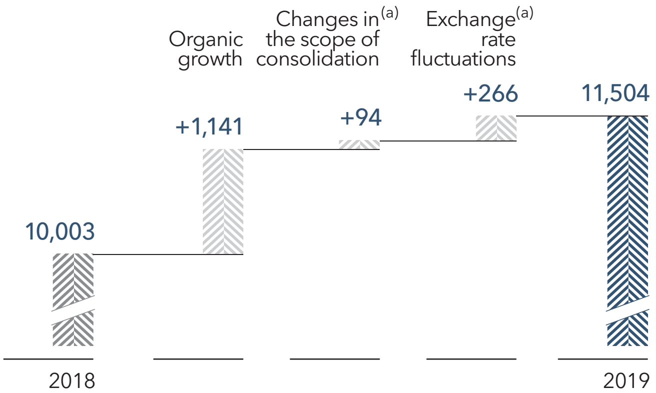
Profit from recurring operations by business group

(EUR millions)	2019	2018	2017
Wines and Spirits	1,729	1,629	1,558
Fashion and Leather Goods	7,344	5,943	4,905
Perfumes and Cosmetics	683	676	600
Watches and Jewelry	736	703	512
Selective Retailing	1,395	1,382	1,075
Other activities and eliminations	(383)	(330)	(357)
Total	**11,504**	**10,003**	**8,293**

The Group's profit from recurring operations was 11,504 million euros, up 15%. Restated for the positive 155 million euro impact of the initial application of IFRS 16, this increase amounted to 13%. The Group's operating margin as a percentage of revenue was 21.4%, stable with respect to 2018.

Change in profit from recurring operations

(EUR millions)



(a) The principles used to determine the impact of exchange rate fluctuations on the profit from recurring operations of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 9.

Exchange rate fluctuations had a positive overall impact of 266 million euros on profit from recurring operations compared to the previous fiscal year. This total comprises the following three items: the impact of exchange rate fluctuations on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the eurozone.

Wines and Spirits

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

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

Fashion and Leather Goods

	2019	2018	2017
Revenue *(EUR millions)*	22,237	18,455	15,472
Profit from recurring operations *(EUR millions)*	7,344	5,943	4,905
Operating margin *(%)*	33.0	32.2	31.7

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

Perfumes and Cosmetics

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

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

Watches and Jewelry

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

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

Selective Retailing

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

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

Other activities

The loss from recurring operations of "Other activities and eliminations" increased with respect to 2018, totaling 351 million euros. In addition to headquarters expenses, this heading includes the results of the hotel and media divisions, Royal Van Lent yachts, and the Group's real estate activities.

1.3 Other income statement items

(EUR millions)	**2019**	**2018**	**2017**
Profit from recurring operations	11,504	10,003	8,293
Other operating income and expenses	(231)	(126)	(180)
Operating profit	11,273	9,877	8,113
Net financial income/(expense)	(559)	(388)	(59)
Income taxes	(2,932)	(2,499)	(2,214)
Net profit before minority interests	**7,782**	**6,990**	**5,840**
Minority interests	(611)	(636)	(475)
Net profit, Group share	**7,171**	**6,354**	**5,365**

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

The Group's operating profit was 11,273 million euros, up 14% from December 31, 2018.

The net financial expense was 559 million euros, compared with a net financial expense of 388 million euros as of December 31, 2018. This item comprised:

- the aggregate cost of net financial debt, which totaled 107 million euros, versus a cost of 117 million euros as of December 31, 2018, representing a reduction of 11 million euros;
- interest on lease liabilities recognized as part of the initial application of IFRS 16, which amounted to an expense of 290 million euros;
- other financial income and expenses, which amounted to a net expense of 162 million euros, compared to a net expense of 271 million euros in 2018. The expense related to the cost of foreign exchange derivatives was 230 million euros, versus an expense of 160 million euros a year earlier. Lastly, other income from financial instruments, which mainly arose from the change in the market value of available for sale financial assets, amounted to net income of 82 million euros, compared to a net expense of 108 million euros for 2018.

The Group's effective tax rate was 27.4%, up 1 point relative to 2018.

Profit attributable to minority interests was 611 million euros, compared to 636 million euros in 2018; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 7,171 million euros, compared with 6,354 million euros in 2018. This represented 13.4% of revenue in 2019, compared to 13.6% in 2018. The Group's share of net profit for fiscal year 2019 was up 13% compared to 2018.

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

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

The impact of changes in the scope of consolidation is determined as follows:

- for the fiscal year's acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated during that fiscal year by the acquired entities, as of their initial consolidation;
- for the prior fiscal year's acquisitions, by deducting from revenue for the fiscal year the amount of revenue generated over the months during which the acquired entities were not consolidated in the prior fiscal year;
- for the fiscal year's disposals, by adding to revenue for the fiscal year the amount of revenue generated by the divested entities in the prior fiscal year over the months during which those entities were no longer consolidated in the current fiscal year;
- for the prior fiscal year's disposals, by adding to revenue for the fiscal year the amount of revenue generated in the prior fiscal year by the divested entities.

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

2. WINES AND SPIRITS

	2019	2018	2017
Revenue *(EUR millions)*	**5,576**	**5,143**	**5,084**
Of which: Champagne and wines	*2,507*	*2,369*	*2,406*
Cognac and spirits	*3,069*	*2,774*	*2,679*
Sales volume *(millions of bottles)*			
Champagne	64.7	64.9	65.6
Cognac	98.7	93.3	90.9
Other spirits	19.6	19.1	17.8
Still and sparkling wines	39.3	38.5	43.8
Revenue by geographic region of delivery *(%)*			
France	5	6	6
Europe (excl. France)	18	19	18
United States	33	32	32
Japan	7	6	6
Asia (excl. Japan)	24	23	22
Other markets	13	14	16
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,729**	**1,629**	**1,558**
Operating margin *(%)*	**31.0**	**31.7**	**30.6**
Operating investments of the period *(EUR millions)*	**325**	**298**	**292**

Highlights

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

The champagne houses enhanced their value propositions in a particularly competitive market. With volumes remaining virtually stable with respect to the previous year, organic revenue growth was 4%. The increased value was driven by more rapid growth in prestige cuvées and a firm price increase policy. **Moët & Chandon** consolidated its global leadership position, celebrating the 150th anniversary of its iconic *Moët Impérial* with a limited-edition bottle and a highly memorable event at the Maison's Château de Saran, which reopened its doors after several years of restoration. The success of its *Ice Impérial Blanc* and *Rosé* cuvées, offering new tasting experiences, illustrated the Maison's ability to move upmarket. Continuing to reaffirm its unique model, **Dom Pérignon** achieved an exceptional performance in all its markets. Since January 2019, Vincent Chaperon has taken up the mantle of Richard Geoffroy – Dom Pérignon's cellar master since 1990 – after having worked alongside him for 15 years. The year saw the launch of the new *Plénitude 2 1998* vintage and an artistic collaboration with Lenny Kravitz for its *Vintage 2008* and *Rosé 2006*. As the most-visited champagne house, **Mercier** built on its tradition of generosity and community by employing guides specially trained in sign language. **Veuve Clicquot** enjoyed a strong performance among its pillars, *Carte Jaune* and *Rosé*, driven in particular by the United States and Japan. Hailed by critics, *La Grande Dame 2008* continued its ascent with a global marketing campaign launched at the end of the year. Building on its commitment to empower women entrepreneurs, the Maison launched the "Bold by Veuve Clicquot" program. **Ruinart** continued its growth with another record year, driven by the excellence of its cuvées, in particular its iconic *Blanc de Blancs*. The carte blanche given to Brazilian artist Vik Muniz in 2019 to explore the world of wine, as well as the launch of the *Retour aux Sources* art installation in Reims, which is connected to the living world and celebrates the beginning of the countdown to Ruinart's 300th anniversary in 2029, once again illustrated the Maison's commitment to art and the environment. **Krug** confirmed its value-enhancing growth with the introduction of its *Krug Grande Cuvée 167e Édition* and *Krug Rosé 23e Édition*, followed by the launch of *Les Créations de 2006*. After serving as Winemaking Director for 13 years, Julie Cavil became the Maison's Cellar Master in January 2020. The Maison created the "Fonds K pour la Musique" to support philanthropic projects.

Estates & Wines implemented a development strategy for a portfolio of powerful brands serving its key markets, the United States and China. With its unwavering focus on quality, the Maison won new awards in 2019. The acquisitions in 2019 of **Château du Galoupet** and **Château d'Esclans** marked Moët Hennessy's debut in the promising market of very high-end rosé. **Chandon** delivered an impressive performance, in particular in the United States and Latin America. Despite an uncertain economic environment, the Maison achieved a strong rebound in Argentina with the launch of its groundbreaking *Chandon Apéritif*, a highly innovative product in its category. Continuing in their quest for excellence in crafting sparkling wines, Chandon's six vineyards around the world took home a flurry of awards from major international competitions.

Hennessy confirmed its solid momentum in its key markets: the United States, China and travel retail. Organic revenue growth was 7%, with sales volumes up 6%. The Maison crossed the threshold of 8 million cases and continued to extend its lead in emerging markets (Africa and the Caribbean) thanks to the increase in its flagship *V.S*, *V.S.O.P* and *X.O* qualities. This solid performance added to its successful track record in recent years, in particular 2018, when Hennessy became the world's leading premium spirits brand by value, in addition to its longstanding title as the world leader in cognac. The "Hennessy X.O – The Seven Worlds" marketing campaign directed by Ridley Scott was one of the luxury industry's most-watched digital campaigns, with more than 120 million views. This exposure had a halo effect on Hennessy's entire portfolio. The brand's constantly growing appeal was reflected in its higher position in Interbrand's ranking of the 100 best global brands. Hennessy continued to invest to prepare for the future and ensure a constant level of excellence in its cognacs, with the opening of seven wine cellars in 2019 and the construction of a new packaging line at its Pont Neuf site inaugurated in 2017, an exemplary model of sustainable design.

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

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

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

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

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

Outlook

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

3. FASHION AND LEATHER GOODS

	2019	2018	2017
Revenue *(EUR millions)*	**22,237**	**18,455**	**15,472**
Revenue by geographic region of delivery *(%)*			
France	8	9	9
Europe (excl. France)	23	23	24
United States	18	18	19
Japan	11	11	11
Asia (excl. Japan)	31	31	29
Other markets	9	8	8
Total	**100**	**100**	**100**
Type of revenue as a percentage of total revenue (excluding Louis Vuitton and Christian Dior Couture)			
Retail	71	67	64
Wholesale	28	32	35
Licenses	1	1	1
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**7,344**	**5,943**	**4,905**
Operating margin *(%)*	**33.0**	**32.2**	**31.7**
Operating investments of the period *(EUR millions)*	**1,199**	**827**	**563**
Number of stores	**2,002**	**1,852**	**1,769** [(a)]

(a) Including 198 stores for Christian Dior Couture and 57 for Rimowa.

Highlights

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

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

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

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

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

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

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

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

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

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

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

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

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

Outlook

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

4. PERFUMES AND COSMETICS

	2019	2018	2017
Revenue *(EUR millions)*	**6,835**	**6,092**	**5,560**
Revenue by geographic region of delivery *(%)*			
France	10	11	11
Europe (excl. France)	20	22	24
United States	15	16	17
Japan	5	5	5
Asia (excl. Japan)	40	35	30
Other markets	10	11	13
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**683**	**676**	**600**
Operating margin *(%)*	**10.0**	**11.1**	**10.8**
Operating investments of the period *(EUR millions)*	**378**	**330**	**286**
Number of stores	**426**	**354**	**302**

Highlights

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

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

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

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

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

Outlook

In a competitive environment, the Perfumes and Cosmetics business group will maintain its goal of gaining market share, leveraging the complementarity and dynamism of its brand portfolio. The Maisons will continue to focus on their top growth drivers: ensuring excellence in their products, accelerating their innovation policy, marketing and promoting digital activation. **Parfums Christian Dior** will innovate heavily in all its product categories. Skincare will see a major breakthrough with the relaunch of the anti-aging collection around the flagship *Capture Totale Super Potent Serum* product and more rapid growth in premium skincare with *Prestige* and its leading product, *Micro-Huile de Rose*. Fragrances and makeup will be boosted by powerful initiatives focused on flagship lines. The Maison will also continue expanding its store network and its digital presence. **Guerlain** will continue to grow in China, France and travel retail, its key markets, while developing in Japan. Its flagship lines will benefit from an ambitious innovation and activation plan across all its product categories. The *Abeille Royale* skincare line will celebrate its 10th anniversary. **Parfums Givenchy** will enrich its fragrance range and continue expanding into makeup with major innovation in foundation. **Parfums Kenzo** will celebrate the 20th anniversary of its iconic *Flower by Kenzo*. **Benefit** will innovate with a mascara featuring unique technology. **Fresh** will continue making inroads in Asia and will focus marketing on its innovative moisturizing *Super Lotus* skincare line. At **Make Up For Ever**, the relaunch of *Rouge Artist* will be backed by a new marketing campaign. **Fenty Beauty by Rihanna** will expand its line of eye makeup. **Acqua di Parma** will launch a 100% natural cologne. **Maison Francis Kurkdjian** will continue the highly selective expansion of its retail network.

5. WATCHES AND JEWELRY

	2019	2018	2017
Revenue *(EUR millions)*	**4,405**	**4,123**	**3,805**
Revenue by geographic region of delivery *(%)*			
France	5	6	6
Europe (excl. France)	23	23	25
United States	8	9	9
Japan	12	12	13
Asia (excl. Japan)	38	35	31
Other markets	14	15	16
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**736**	**703**	**512**
Operating margin *(%)*	**16.7**	**17.1**	**13.5**
Operating investments of the period *(EUR millions)*	**296**	**303**	**269**
Number of stores	**457**	**428**	**405**

Highlights

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

Bvlgari maintained its impressive momentum and continued to gain market share. Jewelry was boosted by the Maison's creative energy and international reach. Its iconic *Serpenti*, *B.Zero1* and *Diva's Dream* lines were enriched with a number of new pieces, and the *Fiorever* line, launched in late 2018, combining flowers and diamonds, was a significant growth driver. The 20th anniversary of the *B.Zero1* ring – whose design was inspired by the geometry of the Colosseum in Rome – was celebrated by an exhibition in Milan and the creation of new versions of rings and bracelets. The *Cinemagia* high jewelry collection, presented at events held in a number of cities around the world, illustrated Bvlgari's creativity and unique expertise, as well as its ties to the silver screen. In watchmaking, a new watch casing manufacturing facility was inaugurated in the Jura canton of Switzerland. The *Octo Finissimo Chrono GMT* and *Serpenti Misteriosi Roma* models won two new prizes at the Grand Prix d'Horlogerie de Genève awards ceremony. The *Serpenti Seduttori* watch, launched during the summer, was immediately very well received. Leather goods had several highlights, with the launch of the *Serpenti Through The Eyes of Alexander Wang* bag in New York and the *Fujiwara* capsule collection in Tokyo. An exhibition held at Castel Sant'Angelo in Rome presented a remarkable retrospective of the Maison's jewelry creations alongside Haute Couture dresses. Plans to improve the store network continued, with renovations in Monaco, Macao, Melbourne, Taipei and Toronto, and openings in Ibiza, Copenhagen and Le Bon Marché in Paris. A number of pop-up stores rounded out and energized the network. Already a certified member of the Responsible Jewellery Council, Bvlgari drew up a due diligence program in 2019 for responsible diamond sourcing. The Maison aims to share these criteria with its diamond suppliers, in line with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

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

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

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

Chaumet's growth was driven by its iconic *Liens*, *Joséphine* and *Bee My Love* collections. Each one was enriched with new creations: engagement ring versions of *Splendeur Impériale* and *Éclat d'Éternité*, *Bee My Love* necklaces and new models of *Liens d'Amour* and

Jeux de Liens. A brand new watch line, *Boléro*, was also launched during the year. With its *Les Ciels de Chaumet* high jewelry collection, the Maison showcased its creativity and the virtuosity of its artisans, while celebrating its eternal ties to the world of art. At the Grimaldi Forum in Monaco, the Chaumet in Majesty exhibition – which retraces the history of the jewels of sovereigns since 1780 – featured rare pieces on loan from museums, wealthy families and royalty, some of which were shown for the very first time in public. The historic Place Vendôme location underwent renovation work. New stores were opened in Madrid, Monaco and Seoul.

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

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

Outlook

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

6. SELECTIVE RETAILING

	2019	2018	2017
Revenue *(EUR millions)*	**14,791**	**13,646**	**13,311**
Revenue by geographic region of delivery *(%)*			
France	11	12	12
Europe (excl. France)	9	9	8
United States	37	38	39
Japan	2	2	1
Asia (excl. Japan)	27	27	28
Other markets	14	12	12
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,395**	**1,382**	**1,075**
Operating margin *(%)*	**9.4**	**10.1**	**8.1**
Operating investments of the period *(EUR millions)*	**659**	**537**	**570**
Number of stores			
Sephora	1,957	1,886	1,825
Other	54	54	55

Highlights

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

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

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

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

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

Outlook

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

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR millions)	2019	2018	Change
Intangible assets	33,246	30,982	2,264
Property, plant and equipment	18,533	15,112	3,421
Right-of-use assets	12,409	-	12,409
Other non-current assets	5,810	4,656	1,154
Non-current assets	**69,997**	**50,749**	**19,248**
Inventories	13,717	12,485	1,232
Other current assets	12,793	11,066	1,727
Current assets	**26,510**	**23,551**	**2,959**
Assets	**96,507**	**74,300**	**22,207**

(EUR millions)	2019	2018	Change
Equity	38,365	33,957	4,408
Long-term borrowings	5,101	6,005	(904)
Non-current lease liabilities	10,373	-	10,373
Other non-current liabilities	20,045	17,505	2,540
Equity and non-current liabilities	**73,884**	**57,467**	**16,417**
Short-term borrowings	7,610	5,027	2,583
Current lease liabilities	2,172	-	2,172
Other current liabilities	12,841	11,806	1,035
Current liabilities	**22,623**	**16,833**	**5,790**
Liabilities and equity	**96,507**	**74,300**	**22,207**

LVMH's consolidated balance sheet as of year-end 2019 totaled 96.5 billion euros, 22.2 billion euros higher than at year-end 2018, including 12.0 billion euros related to the application of IFRS 16 as of January 1, 2019, with right-of-use assets relating to the fixed portion of lease payments recognized as assets in the balance sheet, offset against lease liabilities which were recognized as liabilities in the balance sheet. See Note 1.2 to the condensed consolidated financial statements for details on the impact of the application of IFRS 16. Consequently, non-current assets grew significantly by 19.2 billion euros and amounted to 73% of total assets, compared with 68% as of year-end 2018.

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

Property, plant and equipment increased by 3.4 billion euros, including the 2.4 billion euro impact of changes in scope, mainly arising from the inclusion of Belmond in the scope of consolidation. Investments for the year, net of depreciation charges as well as disposals, generated an additional increase of 1.2 billion euros; the comments on the cash flow statement provide further information on investments. Lastly, the application of IFRS 16 resulted in the reclassification of 0.3 billion euros to "Right-of-use assets", corresponding to assets held under finance leases.

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

Other non-current assets increased by 1.2 billion euros, amounting to 5.8 billion euros, including 0.5 billion euros resulting from the change in the market value of derivatives, 0.4 billion euros related to the inclusion in the balance sheet of Belmond's joint ventures and of the stake acquired in Stella McCartney, and 0.3 billion euros related to the increase in deferred tax assets.

Inventories were up 1.2 billion euros, an increase related to the development of the Group's activities (see "Comments on the consolidated cash flow statement").

Other current assets increased by 1.7 billion euros, mainly due to the 1.1 billion euro increase in cash and cash equivalents, as well as the 0.5 billion euro increase in operating receivables related to growth in the Group's activities.

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

Other non-current liabilities totaled 20.0 billion euros, up 2.5 billion euros from 17.5 billion euros as of year-end 2018. This growth was due, for 1.5 billion euros, to the increase in liabilities in respect of purchase commitments for minority interests; for 0.5 billion euros, to the increase in deferred tax liabilities; and for 0.4 billion euros, to the increase in the market value of derivatives.

Lastly, other current liabilities increased by 1.0 billion euros, amounting to 12.8 billion euros. This change was mainly due to the 0.5 billion euro increase in trade accounts payable.

Net financial debt and equity

(EUR millions or as %)	2019	2018 [a]	Change
Long-term borrowings	5,101	6,005	(904)
Short-term borrowings and derivatives	7,641	5,157	2,484
Gross borrowings after derivatives	**12,742**	**11,162**	**1,580**
Cash, cash equivalents and other	(6,536)	(5,675)	(861)
Net financial debt	**6,206**	**5,487**	**719**
Equity	**38,365**	**33,957**	**4,408**
Net financial debt/Equity ratio	**16.2%**	**16.2%**	-

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

The ratio of net financial debt to equity as of December 31, 2019 amounted to 16.2%, stable with respect to December 31, 2018.

Total equity amounted to 38.4 billion euros as of year-end 2019, up 4.4 billion euros compared to year-end 2018. Net profit for the fiscal year, after the distribution of dividends, contributed 4.2 billion euros to this increase. In addition, exchange rate fluctuations had a positive impact of 0.3 billion euros on the reserves of entities reporting in foreign currencies; this mainly concerned the reserves of entities reporting in US dollars. As of year-end 2019, total equity was equal to 40% of total assets, compared to 46% as of year-end 2018.

Gross borrowings after derivatives totaled 12.7 billion euros as of year-end 2019, up 1.6 billion euros compared with year-end 2018. Bond debt was stable, with amounts repaid equivalent to amounts issued. Two bond issues were completed during the year, totaling 1.0 billion euros. Conversely, the 0.3 billion euro bond issued in 2014, the 0.6 billion euro bond issued in 2013 and the 0.15 billion Australian dollar bond issued in 2014 were repaid. Commercial paper outstanding issued under the US dollar-denominated commercial paper program increased by 1.7 billion euros. Bank borrowings increased slightly, up 0.2 billion euros. Following the application of IFRS 16, finance lease liabilities were reclassified as lease liabilities, which are excluded from net financial debt, resulting in a decrease of 0.3 billion euros in net financial debt. Cash, cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt totaled 6.5 billion euros as of year-end 2019, up 0.9 billion euros from 5.7 billion euros at year-end 2018. Net financial debt thus increased by 0.7 billion euros.

As of end-December 2019, the Group's undrawn confirmed credit lines amounted to 21.1 billion euros, including 15.2 billion euros in credit lines set up to secure financing for the acquisition of Tiffany. This amount exceeded the outstanding portion of its euro- and US dollar-denominated commercial paper programs, which came to 4.9 billion euros as of December 31, 2019.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2019	2018	Variation
Cash from operations before changes in working capital	**16,105**	**11,965**	**4,140**
Cost of net financial debt: interest paid	(124)	(113)	(11)
Lease liabilities: interest paid	(239)	-	(239)
Tax paid	(2,940)	(2,275)	(665)
Change in working capital	(1,154)	(1,087)	(67)
Net cash from operating activities	**11,648**	**8,490**	**3,158**
Operating investments	(3,294)	(3,038)	(256)
Repayment of lease liabilities	(2,187)	-	(2,187)
Operating free cash flow	**6,167**	**5,452**	**715**
Financial investments and purchase and sale of consolidated investments	**(2,575)**	**(401)**	**(2,174)**
Equity-related transactions	**(3,645)**	**(3,531)**	**(113)**
Change in cash before financing activities	**(53)**	**1,520**	**(1,573)**

Cash from operations before changes in working capital totaled 16,105 million euros, up 4,140 million euros from 11,965 million euros a year earlier.

After tax and interest paid on net financial debt and lease liabilities, and after the change in working capital, net cash from operating activities amounted to 11,648 million euros, up 3,158 million euros from fiscal year 2018, including 2,169 million euros related to the application of IFRS 16, for an increase of 14% excluding the impact of the application of IFRS 16. The impact of the application of IFRS 16 consisted of the cancellation of depreciation of right-of-use assets for 2,408 million euros partially offset by the recognition of interest paid on lease liabilities for 239 million euros. Since IFRS 16 was only applied to the 2019 fiscal year, net cash from operating activities for fiscal year 2019 is not comparable to fiscal year 2018.

Interest paid on net financial debt totaled 124 million euros, up 11 million euros from 113 million euros in 2018, mainly due to the increase in the proportion of US dollar-denominated debt within the Group's average borrowings between 2018 and 2019, as the interest rates for US dollars are higher than those for euros.

Tax paid came to 2,940 million euros, 29% higher than 2,275 million euros paid a year earlier, mainly due to the increase in the Group's earnings in all the geographic regions in which it operates.

The 1,154 million euro working capital requirement was largely in line with the 1,087 million euro requirement observed a year earlier. The cash requirement relating to the increase in inventories amounted to 1,604 million euros, close to the 1,722 million euros recorded in 2018. The increase in inventories mainly concerned the Fashion and Leather Goods and Wines and Spirits business groups. The increase in trade account payables and tax and social security liabilities helped cover the financing requirement related to the increase in inventories for 561 million euros, versus 806 million euros in 2018.

Operating investments net of disposals resulted in an outflow of 3,294 million euros in 2019, up 8% compared to the outflow of 3,038 million euros in 2018. These mainly included investments by the Group's brands – in particular Louis Vuitton, Sephora, DFS, Christian Dior Couture and Celine – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses, Hennessy, Parfums Christian Dior and Louis Vuitton in their production facilities.

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

As of end-2019, operating free cash flow amounted to 6,167 million euros, increasing by 13% from 5,452 million euros recorded in 2018. This indicator is defined in the consolidated cash flow statement. In addition to net cash from operating activities, it includes operating investments and repayment of lease liabilities, both of which the Group considers as related to its operating activities.

In 2019, financial investments accounted for an outflow of 2,575 million euros, including 2,478 million euros for purchases of consolidated investments and 104 million euros for the purchase and proceeds from sale of non-current available for sale financial assets. Purchases of consolidated investments primarily comprised the acquisition of Belmond, but also included a 49% stake in Stella McCartney and a 55% stake in Château d'Esclans.

Equity-related transactions generated an outflow of 3,645 million euros. A portion of this amount, 3,119 million euros, arose from dividends paid during the fiscal year by LVMH SE, excluding the amount attributable to treasury shares, of which 2,012 million euros were for the final dividend payment in respect of fiscal year 2018 and 1,108 million euros were for the interim dividend payment in respect of fiscal year 2019, as well as tax related to dividends paid for 130 million euros. Dividends paid to minority interests in consolidated subsidiaries amounted to 429 million euros. Conversely, other equity-related transactions generated an inflow of 33 million euros, including 21 million euros related to the exercise of share subscription options.

The financing requirement after all transactions relating to operating activities, investing activities and equity-related transactions was virtually canceled out, at 53 million euros. Proceeds from borrowings after repayments and changes in the value of current available for sale financial assets came to 1,098 million euros, after which the fiscal year-end cash balance was 1,084 million euros higher than at year-end 2018, including a positive 39 million euro impact of the change in the cumulative translation adjustment on cash balances. It totaled 5,497 million euros.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2019	2018 [a]	2017 [a]
Revenue	24	**53,670**	**46,826**	**42,636**
Cost of sales		(18,123)	(15,625)	(14,783)
Gross margin		**35,547**	**31,201**	**27,853**
Marketing and selling expenses		(20,207)	(17,755)	(16,395)
General and administrative expenses		(3,864)	(3,466)	(3,162)
Income/(loss) from joint ventures and associates	8	28	23	(3)
Profit from recurring operations	24	**11,504**	**10,003**	**8,293**
Other operating income and expenses	26	(231)	(126)	(180)
Operating profit		**11,273**	**9,877**	**8,113**
Cost of net financial debt		(107)	(117)	(137)
Interest on lease liabilities		(290)	-	-
Other financial income and expenses		(162)	(271)	78
Net financial income/(expense)	27	**(559)**	**(388)**	**(59)**
Income taxes	28	(2,932)	(2,499)	(2,214)
Net profit before minority interests		**7,782**	**6,990**	**5,840**
Minority interests	18	(611)	(636)	(475)
Net profit, Group share		**7,171**	**6,354**	**5,365**
Basic Group share of net earnings per share *(EUR)*	29	**14.25**	**12.64**	**10.68**
Number of shares on which the calculation is based		503,218,851	502,825,461	502,412,694
Diluted Group share of net earnings per share *(EUR)*	29	**14.23**	**12.61**	**10.64**
Number of shares on which the calculation is based		503,839,542	503,918,140	504,010,291

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	Notes	2019	2018	2017
Net profit before minority interests		**7,782**	**6,990**	**5,840**
Translation adjustments		299	274	(958)
Amounts transferred to income statement		1	(1)	18
Tax impact		11	15	(49)
	16.5, 18	**311**	**288**	**(989)**
Change in value of hedges of future foreign currency cash flows		(16)	3	372
Amounts transferred to income statement		25	(279)	(104)
Tax impact		(3)	79	(77)
		6	**(197)**	**191**
Change in value of the ineffective portion of hedging instruments		(211)	(271)	(91)
Amounts transferred to income statement		241	148	210
Tax impact		(7)	31	(35)
		23	**(92)**	**84**
Gains and losses recognized in equity, transferable to income statement		**340**	**(1)**	**(714)**
Change in value of vineyard land	6	42	8	(35)
Amounts transferred to consolidated reserves		-	-	-
Tax impact		(11)	(2)	82
		31	**6**	**47**
Employee benefit obligations: change in value resulting from actuarial gains and losses		(167)	28	57
Tax impact		39	(5)	(24)
		(128)	**23**	**33**
Gains and losses recognized in equity, not transferable to income statement		**(97)**	**29**	**80**
Comprehensive income		**8,025**	**7,018**	**5,206**
Minority interests		(628)	(681)	(341)
Comprehensive income, Group share		**7,397**	**6,337**	**4,865**

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Notes	**2019**	**2018** [(a)]	**2017** [(a)]
Brands and other intangible assets	3	17,212	17,254	16,957
Goodwill	4	16,034	13,727	13,837
Property, plant and equipment	6	18,533	15,112	13,862
Right-of-use assets	7	12,409	-	-
Investments in joint ventures and associates	8	1,074	638	639
Non-current available for sale financial assets	9	915	1,100	789
Other non-current assets	10	1,546	986	869
Deferred tax		2,274	1,932	1,741
Non-current assets		**69,997**	**50,749**	**48,694**
Inventories and work in progress	11	13,717	12,485	10,888
Trade accounts receivable	12	3,450	3,222	2,736
Income taxes		406	366	780
Other current assets	13	3,264	2,868	2,919
Cash and cash equivalents	15	5,673	4,610	3,738
Current assets		**26,510**	**23,551**	**21,061**
Total assets		**96,507**	**74,300**	**69,755**

LIABILITIES AND EQUITY *(EUR millions)*	Notes	**2019**	**2018** [(a)]	**2017** [(a)]
Equity, Group share	16	36,586	32,293	28,969
Minority interests	18	1,779	1,664	1,408
Equity		**38,365**	**33,957**	**30,377**
Long-term borrowings	19	5,101	6,005	7,046
Non-current lease liabilities	7	10,373	-	-
Non-current provisions and other liabilities	20	3,812	3,188	3,177
Deferred tax		5,498	5,036	4,989
Purchase commitments for minority interests' shares	21	10,735	9,281	9,177
Non-current liabilities		**35,519**	**23,510**	**24,389**
Short-term borrowings	19	7,610	5,027	4,530
Current lease liabilities	7	2,172	-	-
Trade accounts payable	22	5,814	5,314	4,539
Income taxes		722	538	763
Current provisions and other liabilities	22	6,305	5,954	5,157
Current liabilities		**22,623**	**16,833**	**14,989**
Total liabilities and equity		**96,507**	**74,300**	**69,755**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares	Cumulative translation adjustment	Revaluation reserves				Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commit-ments		Group share	Minority interests	Total
Notes		16.1	16.1	16.3	16.5							18	
As of December 31, 2016	**507,126,088**	**152**	**2,601**	**(520)**	**1,165**	**-**	**(115)**	**1,078**	**(163)**	**22,190**	**26,388**	**1,510**	**27,898**
Gains and losses recognized in equity					(811)		245	36	30	-	(500)	(134)	(634)
Net profit										5,365	5,365	475	5,840
Comprehensive income		**-**	**-**	**-**	**(811)**	**-**	**245**	**36**	**30**	**5,365**	**4,865**	**341**	**5,206**
Stock option plan-related expenses										55	55	7	62
(Acquisition)/disposal of treasury shares				(50)						(11)	(61)	-	(61)
Exercise of LVMH share subscription options	708,485		53								53	-	53
Retirement of LVMH shares	(791,977)		(40)	40							-	-	-
Capital increase in subsidiaries											-	44	44
Interim and final dividends paid										(2,110)	(2,110)	(261)	(2,371)
Changes in control of consolidated entities										(6)	(6)	114	108
Acquisition and disposal of minority interests' shares										(86)	(86)	(56)	(142)
Purchase commitments for minority interests' shares										(129)	(129)	(291)	(420)
As of December 31, 2017	**507,042,596**	**152**	**2,614**	**(530)**	**354**	**-**	**130**	**1,114**	**(133)**	**25,268**	**28,969**	**1,408**	**30,377**
Gains and losses recognized in equity					219		(259)	3	20	-	(17)	45	28
Income/Loss										6,354	6,354	636	6,990
Comprehensive income		**-**	**-**	**-**	**219**	**-**	**(259)**	**3**	**20**	**6,354**	**6,337**	**681**	**7,018**
Stock option plan-related expenses										78	78	4	82
(Acquisition)/disposal of treasury shares				(256)						(26)	(282)	-	(282)
Exercise of LVMH share subscription options	762,851		49								49	-	49
Retirement of LVMH shares	(2,775,952)		(365)	365							-	-	-
Capital increase in subsidiaries											-	50	50
Interim and final dividends paid										(2,715)	(2,715)	(345)	(3,060)
Changes in control of consolidated entities										(9)	(9)	41	32
Acquisition and disposal of minority interests' shares										(22)	(22)	(19)	(41)
Purchase commitments for minority interests' shares										(112)	(112)	(156)	(268)
As of December 31, 2018	**505,029,495**	**152**	**2,298**	**(421)**	**573**	**-**	**(129)**	**1,117**	**(113)**	**28,816**	**32,293**	**1,664**	**33,957**
Impact of changes in accounting standards[(a)]										(29)	(29)	-	(29)
As of January 1, 2019	**505,029,495**	**152**	**2,298**	**(421)**	**573**	**-**	**(129)**	**1,117**	**(113)**	**28,787**	**32,264**	**1,664**	**33,928**
Gains and losses recognized in equity					289		22	22	(107)	-	226	17	242
Net profit										7,171	7,171	611	7,783
Comprehensive income		**-**	**-**	**-**	**289**	**-**	**22**	**22**	**(107)**	**7,171**	**7,397**	**628**	**8,025**
Stock option plan-related expenses										69	69	3	72
(Acquisition)/disposal of treasury shares				18						(44)	(26)	-	(26)
Exercise of LVMH share subscription options	403,946		21								21	-	21
Retirement of LVMH shares	(2,156)		-	-							-	-	-
Capital increase in subsidiaries											-	95	95
Interim and final dividends paid										(3,119)	(3,119)	(433)	(3,552)
Changes in control of consolidated entities										2	2	25	27
Acquisition and disposal of minority interests' shares										(17)	(17)	-	(17)
Purchase commitments for minority interests' shares										(5)	(5)	(203)	(208)
As of December 31, 2019	**505,431,285**	**152**	**2,319**	**(403)**	**862**	**-**	**(107)**	**1,139**	**(220)**	**32,844**	**36,586**	**1,779**	**38,365**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2019	2018 [(a)]	2017 [(a)]
I. OPERATING ACTIVITIES				
Operating profit		11,273	9,877	8,113
(Income)/loss and dividends received from joint ventures and associates	8	(10)	5	25
Net increase in depreciation, amortization and provisions		2,700	2,302	2,376
Depreciation of right-of-use assets	7.1	2,408	-	-
Other adjustments and computed expenses		(266)	(219)	(109)
Cash from operations before changes in working capital		**16,105**	**11,965**	**10,405**
Cost of net financial debt: interest paid		(124)	(113)	(129)
Lease liabilities: interest paid		(239)	-	-
Tax paid		(2,940)	(2,275)	(2,790)
Change in working capital	15.2	(1,154)	(1,087)	(514)
Net cash from operating activities		**11,648**	**8,490**	**6,972**
II. INVESTING ACTIVITIES				
Operating investments	15.3	(3,294)	(3,038)	(2,276)
Purchase and proceeds from sale of consolidated investments	2	(2,478)	(17)	(6,306)
Dividends received		8	18	13
Tax paid related to non-current available for sale financial assets and consolidated investments		(1)	(2)	-
Purchase and proceeds from sale of non-current available for sale financial assets	9	(104)	(400)	(38)
Net cash from/(used in) investing activities		**(5,869)**	**(3,439)**	**(8,607)**
III. FINANCING ACTIVITIES				
Interim and final dividends paid	15.4	(3,678)	(3,090)	(1,982)
Purchase and proceeds from sale of minority interests		(21)	(236)	(153)
Other equity-related transactions	15.4	54	(205)	30
Proceeds from borrowings	19	2,837	1,529	5,931
Repayment of borrowings	19	(1,810)	(2,174)	(1,760)
Repayment of lease liabilities	7.2	(2,187)	-	-
Purchase and proceeds from sale of current available for sale financial assets	14	71	(147)	92
Net cash from/(used in) financing activities		**(4,734)**	**(4,323)**	**2,158**
IV. EFFECT OF EXCHANGE RATE CHANGES		**39**	**67**	**(242)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**1,084**	**795**	**281**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15.1	**4,413**	**3,618**	**3,337**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15.1	**5,497**	**4,413**	**3,618**
TOTAL TAX PAID		**(3,070)**	**(2,314)**	**(2,402)**

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

Alternative performance measure

The following table presents the reconciliation between "Net cash from operating activities" and "Operating free cash flow" for the fiscal years presented:

(EUR millions)	2019	2018	2017
Net cash from operating activities	11,648	8,490	6,972
Operating investments	(3,294)	(3,038)	(2,276)
Repayment of lease liabilities	(2,187)	-	-
Operating free cash flow [(a)]	**6,167**	**5,452**	**4,696**

(a) Under IFRS 16, fixed lease payments are treated partly as interest payments and partly as principal repayments. For its own operational management purposes, the Group treats all lease payments as components of its "Operating free cash flow", whether the lease payments made are fixed or variable. In addition, for its own operational management purposes, the Group treats operating investments as components of its "Operating free cash flow".

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 General framework and environment

The consolidated financial statements for the fiscal year ended December 31, 2019 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2019. These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for fiscal year 2019 were approved by the Board of Directors on January 28, 2020.

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 the notes to the financial statements required under IFRS, as adopted in the European Union.

1.2 Changes in the accounting framework applicable to LVMH

Standards, amendments and interpretations applied as of January 1, 2019

The Group applies IFRS 16 Leases as of January 1, 2019.

When entering into a lease, this standard requires that a liability be recognized in the balance sheet, measured at the discounted present value of future payments of the fixed portion of lease payments and offset against a right-of-use asset depreciated over the lease term.

The Group applied what is known as the "modified retrospective" transition method, under which a liability is recognized at the transition date for an amount equal to the present value of the residual lease payments alone, offset against a right-of-use asset adjusted for the amount of prepaid lease payments or amounts recognized within accrued expenses; all the impacts of the transition were deducted from equity. The standard provided for various simplification measures during the transition phase: in particular, the Group opted to apply the measures allowing it to exclude leases with a residual term of less than twelve months and leases of low-value assets, to continue applying the same treatment to leases that qualified as finance leases under IAS 17, and not to capitalize costs directly related to signing leases.

The amount of the liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, the discount rate. The Group's extensive geographic coverage means it encounters a wide range of different legal conditions when entering into contracts. The lease term generally used to calculate the liability is the term of the initially negotiated lease, not taking into account any early termination or extension options, except in special circumstances.

The IFRS Interpretations Committee (IFRS IC) has issued an opinion on the procedure for determining the lease term to be used in accounting for lease liabilities when the underlying assets are capitalized when the obligation to make lease payments covers a period of less than 12 months; most often, this involves leases for retail locations that are automatically renewable on an annual basis. In these circumstances, LVMH recognizes a lease liability over a term consistent with the anticipated period of use of the invested assets.

The standard requires that the discount rate be determined for each lease using the incremental borrowing rate of the subsidiary entering into the lease. In practice, given the structure of the Group's financing – virtually all of which is held or guaranteed by LVMH SE – this incremental borrowing rate is generally the total of the risk-free rate for the lease currency, with respect to the duration, and the Group's credit risk for this same reference currency and term.

Leasehold rights, previously recognized within "Intangible assets", as well as "Property, plant and equipment" related to restoration obligations for leased facilities, are now presented within "Right-of-use assets" and subject to depreciation according to consistent principles.

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

Most leases are related to the Group's retail premises (see Note 7 for details). Such leases are actively managed and directly linked to the conduct of Maisons' business and their distribution strategy.

The following table presents the impact of the application of IFRS 16 on the opening balance sheet:

(EUR millions)	As of Dec. 31, 2018	Impact of the transition to IFRS 16	As of Jan. 1, 2019
Brands, goodwill and intangible assets	30,981	(379)	30,602
Property, plant and equipment	15,112	(355)	14,757
Right-of-use assets	-	11,867	11,867
Other non-current assets	4,656	(13)	4,643
Current assets	23,551	(53)	23,498
Total assets	**74,300**	**11,067**	**85,367**
Equity, Group share	32,293	(29)	32,264
Minority interests	1,664	-	1,664
Non-current lease liabilities	-	9,679	9,679
Provisions and other non-current liabilities	23,510	(343)	23,167
Current lease liabilities	-	2,149	2,149
Other current liabilities	16,833	(389)	16,444
Total liabilities and equity	**74,300**	**11,067**	**85,367**

"Lease liabilities" totaled 11.8 billion euros as of January 1, 2019 and comprised:

- lease liabilities newly recognized in respect of operating leases in effect as of January 1, 2019 for 11.5 billion euros, including 9.4 billion euros for long-term leases;
- finance lease liabilities for 0.3 billion euros, recognized under "Borrowings" as of December 31, 2018.

The average discount rate for lease liabilities at the transition date was 2.2%.

"Right-of-use assets" totaled 11.9 billion euros as of January 1, 2019 and comprised:

- assets corresponding to newly recognized lease liabilities for 11.5 billion euros;
- the carrying amount of property, plant and equipment covered by finance leases for 0.3 billion euros, recognized within "Property, plant and equipment" as of December 31, 2018;
- the carrying amount of leasehold rights for 0.4 billion euros, recognized within "Intangible assets" as of December 31, 2018;
- various lease-related assets and liabilities recognized as of December 31, 2018 and reclassified within "Right-of-use assets" representing a net liability of -0.3 billion euros, in particular liabilities related to the recognition of leases on a straight-line basis.

The following table provides details on the difference between lease commitments presented in accordance with IAS 17 as of December 31, 2018, and lease liabilities measured according to IFRS 16 as of January 1, 2019:

	(EUR millions)
Commitments given for operating leases and concessions as of December 31, 2018	**12,573**
Minimum payments on finance leases as of December 31, 2018	830
Impact of discounting	(1,953)
Other	378
Lease liabilities as of January 1, 2019 under IFRS 16	**11,828**

"Other" mainly comprises the recognition of optional periods that were not covered by the definition of off-balance sheet commitments presented in accordance with IAS 17.

Under the modified retrospective transition method, the standard prohibits the restatement of comparative fiscal years, which affects the comparability of fiscal year 2019 with fiscal year 2018.

The application of IFRS 16 had the following impact on the Group's financial statements as of December 31, 2019:

Income statement

- Profit from recurring operations was boosted by the positive 155 million euro impact of the difference between the lease expense that would have been recognized under IAS 17 and the depreciation of right-of-use assets under IFRS 16. Depreciation of right-of-use assets is lower than lease expenses due to the discounting effect included in the valuation of right-of-use assets;

- Net financial income/(expense) recorded a negative 290 million euro impact of interest on lease liabilities (including interests on finance leases, previously included in borrowing costs). This was higher than the favorable impact on profit from recurring operations as a result of its reducing balance over the lease term, comparable to the interest on a loan with fixed annuities;
- There was a positive 40 million euro tax impact on profit and on minority interests, yielding a negative 95 million euro impact on the Group share of net profit.

Balance sheet

- The recognition of right-of-use assets increased non-current assets by 12.0 billion euros;
- The recognition of lease liabilities increased total liabilities by 12.0 billion euros, including 10.0 billion euros in non-current lease liabilities and 2.0 billion euros in current lease liabilities.

The liability for capitalized leases is excluded from the definition of net financial debt.

Cash flow statement

- There was a favorable 2,169 million euro impact on net cash from operating activities, including the positive 2,408 million euro impact of the depreciation of right-of-use assets (with no impact on cash) and the negative -239 million euro impact of interest on lease liabilities;
- Net cash from/(used in) financing activities was negatively affected by the repayment of lease liabilities for 2,187 million euros.

Since the application of IFRS 16 had a significant impact on the cash flow statement given the importance of fixed lease payments to the Group's activities, specific indicators are used for internal performance monitoring requirements and financial communication purposes in order to present consistent performance indicators, independently of the fixed or variable nature of lease payments. One such alternative performance measure is "Operating free cash flow", which is calculated by deducting capitalized fixed lease payments in their entirety from cash flow. The reconciliation between "Net cash from operating activities" and "Operating free cash flow" as of the 2019, 2018 and 2017 fiscal year-ends is presented in the cash flow statement.

The Group applied IFRIC 23 Uncertainty over Income Tax Treatments as of January 1, 2019. It did not have any significant impact on the Group's financial statements.

The Group has opted for early application of the amendment to IFRS 9, IAS 39 and IFRS 7 on financial instruments published by the IASB in September 2019 as part of the reform of benchmark interest rates. This amendment provides relief from the uncertainty surrounding future benchmark rates, and allows companies to maintain interest rate risk hedging relationships until this uncertainty is removed. Interest rate risk hedging derivatives are presented in Note 23. An analysis of the impact of the upcoming change to benchmark indices is underway.

As a result of the application of new standards that took effect on January 1, 2019 – IFRS 16 in particular – the presentation of the balance sheet and cash flow statement was modified and simplified in order to make these statements easier to understand. This included separating "Purchase commitments for minority interests' shares" from other balance sheet liabilities, while other items were grouped together, with detailed breakdowns inserted in additional notes.

1.3 First- time adoption of IFRS

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

- business combinations: the exemption from retrospective application was not applied. The 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 that date;
- foreign currency translation of the financial statements of subsidiaries outside the eurozone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

1.4 Presentation of the financial statements

Definitions of "Profit from recurring operations" and "Other operating income and expenses"

The Group's main business is the management and development of its brands and trade names. "Profit from recurring operations" is derived from these activities, whether they are recurring or non-recurring, core or incidental transactions.

"Other operating income and expenses" comprises income statement items, which – due to their nature, amount or frequency – may not be considered inherent to the Group's recurring operations or its profit from recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation, the impairment of goodwill and the impairment and amortization of brands and trade names, as well as any significant amount relating to the impact of certain unusual transactions, such as gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non- recurring income or expense which may otherwise distort the comparability of profit from recurring operations from one period to the next.

Cash flow statement

Net cash from operating activities is determined on the basis of operating profit, adjusted for non- cash transactions. In addition:

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

1.5 Use of estimates

For the purpose of preparing the consolidated financial statements, the measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets (see Note 5), the measurement of leases (see Note 7) and purchase commitments for minority interests' shares (see Notes 1.12 and 21), and the determination of the amount of provisions for contingencies and losses, and uncertain tax positions (see Note 20) or for impairment of inventories (see Notes 1.17 and 11) and, if applicable, deferred tax assets (see Note 28). Such hypotheses, estimates or other forms of judgment made on the basis of the information available or the situation prevailing at the date at which the financial statements are prepared may subsequently prove different from actual events.

1.6 Methods of consolidation

The subsidiaries in which the Group holds a direct or indirect *de facto* or *de jure* controlling interest are fully consolidated.

Jointly controlled companies and companies where the Group has significant influence but no controlling interest are accounted for using the equity method. Although jointly controlled, those entities are fully integrated within the Group's operating activities. LVMH discloses their net profit, as well as that of entities using the equity method (see Note 8), on a separate line, which forms part of profit from recurring operations.

When an investment in a joint venture or associate accounted for using the equity method involves a payment tied to meeting specific performance targets, known as an earn-out payment, the estimated amount of this payment is included in the initial purchase price recorded in the balance sheet, with an offsetting entry under financial liabilities. Any difference between the initial estimate and the actual payment made is recorded as part of the value of investments in joint ventures and associates, without any impact on the income statement.

The assets, liabilities, income and expenses of the Wines and Spirits distribution subsidiaries held jointly with the Diageo group are consolidated only in proportion to the LVMH group's share of operations (see Note 1.26).

The consolidation on an individual or collective basis of companies that are not consolidated would not have a significant impact on the Group's main aggregates.

1.7 Foreign currency translation of the financial statements of entities outside the eurozone

The consolidated financial statements are presented in euros; the financial statements of entities presented in a different functional currency are translated into euros:

- at the period-end exchange rates for balance sheet items;
- at the average rates for the period for income statement items.

Translation adjustments arising from the application of these rates are recorded in equity under "Cumulative translation adjustment".

1.8 Foreign currency transactions and hedging of exchange rate risks

Transactions of consolidated companies denominated in a currency other than their functional currencies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the fiscal year-end. 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 or elimination of intra-Group transactions or receivables and payables denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long-term intra-Group financing transactions, which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment".

Derivatives used to hedge commercial, financial or investment transactions are recognized in the balance sheet at their market value (see Note 1.9) at the balance sheet date. Changes in the value of the effective portions of these derivatives are recognized as follows:

- for hedges that are commercial in nature:
  - within cost of sales for hedges of receivables and payables recognized in the balance sheet at the end of the period,
  - within equity under "Revaluation reserves" for hedges of future cash flows; this amount is transferred to cost of sales upon recognition of the hedged assets and liabilities;
- for hedges that are tied to the Group's investment portfolio (hedging the net worth of subsidiaries whose functional currency is not the euro), within equity under "Cumulative translation adjustment"; this amount is transferred to the income statement upon the sale or liquidation (whether partial or total) of the subsidiary whose net worth is hedged;
- for hedges that are financial in nature, within "Net financial income/(expense)", under "Other financial income and expenses".

Changes in the value of these derivatives related to forward points associated with forward contracts, as well as in the time value component of options, are recognized as follows:

- for hedges that are commercial in nature, within equity under "Revaluation reserves". The cost of the forward contracts (forward points) and of the options (premiums) is transferred to "Other financial income and expenses" upon realization of the hedged transaction;
- for hedges that are tied to the Group's investment portfolio or financial in nature, expenses and income arising from discounts or premiums are recognized in "Borrowing costs" on a pro rata basis over the term of the hedging instruments. The difference between the amounts recognized in "Net financial income/(expense)" and the change in the value of forward points is recognized in equity under "Revaluation reserves".

Market value changes of derivatives not designated as hedges are recorded within "Net financial income/(expense)".

See also Note 1.21 for the definition of the concepts of effective and ineffective portions.

1.9 Fair value measurement

Fair value (or market value) is the price that would be obtained from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants.

The assets and liabilities measured at fair value in the balance sheet are as follows:

	Approaches to determining fair value	Amounts recorded at balance sheet date
Vineyard land	Based on recent transactions in similar assets. See Note 1.13.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.17.	Note 11
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.22.	Note 23
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.21.	Note 19
Liabilities in respect of purchase commitments for minority interests' shares priced according to fair value	Generally based on the market multiples of comparable companies. See Note 1.12.	Note 21
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Unquoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.16.	Note 9, Note 14
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.19.	Note 15

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

1.10 Brands and other intangible assets

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

Brands and trade names are chiefly valued using the forecast discounted cash flow method, or based on comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands) or stock market multiples observed for related businesses. Other complementary methods may also be employed: the relief from royalty method, involving equating a brand's value with the present value of the royalties required to be paid for its use; the margin differential method, applicable when a measurable difference can be identified in the amount of revenue generated by a branded product in comparison with a similar unbranded product; and finally the equivalent brand reconstitution method involving, in particular, estimation of the amount of advertising and promotion expenses required to generate a similar brand.

Costs incurred in creating a new brand or developing an existing brand are expensed.

Brands, trade names and other intangible assets with finite useful lives are amortized over their estimated useful lives. The classification of a brand or trade name as an asset of definite or indefinite useful life is generally based on the following criteria:

- the brand or trade name's overall positioning in its market expressed in terms of volume of activity, international presence and reputation;
- its expected long-term profitability;
- its degree of exposure to changes in the economic environment;
- any major event within its business segment liable to compromise its future development;
- its age.

Amortizable lives of brands and trade names with definite useful lives range from 5 to 20 years, depending on their estimated period of use.

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.15.

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

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

- rights attached to sponsorship agreements and media partnerships: over the life of the agreements, depending on how the rights are used;
- development expenditure: three years at most;
- software, websites: one to five years.

1.11 Changes in ownership interests in consolidated entities

When the Group takes *de jure* or *de facto* control of a business, its assets, liabilities and contingent liabilities are estimated at their market value as of the date when control is obtained; the difference between the cost of taking control and the Group's share of the market value of those assets, liabilities and contingent liabilities is recognized as goodwill.

The cost of taking control is the price paid by the Group in the context of an acquisition, or an estimate of this price if the transaction is carried out without any payment of cash, excluding acquisition costs, which are disclosed under "Other operating income and expenses".

The difference between the carrying amount of minority interests purchased after control is obtained and the price paid for their acquisition is deducted from equity.

Goodwill is accounted for in the functional currency of the acquired entity.

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.15. Any

1.12 Purchase commitments for minority interests' shares

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

Pending specific guidance from IFRSs regarding this issue, the Group recognizes these commitments as follows:

- the value of the commitment at the balance sheet date appears in "Purchase Commitments for minority interests' shares", as a liability on its balance sheet;
- the corresponding minority interests are cancelled;
- for commitments granted prior to January 1, 2010, the difference between the amount of the commitments and cancelled minority interests is maintained as an asset on the balance sheet under goodwill, as are subsequent changes in this difference. For commitments granted as from January 1, 2010, the difference between the amount of the commitments and minority interests is recorded in equity, under "Other reserves".

This recognition method has no effect on the presentation of minority interests within the income statement.

1.13 Property, plant and equipment

With the exception of vineyard land, the gross value of property, plant and equipment is stated at acquisition cost. Any borrowing costs incurred prior to the placed-in-service date or during the construction period of assets are capitalized.

Vineyard land is recognized at the market value at the balance sheet date. This valuation is based on official published data for recent transactions in the same region. Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If the market value falls below the acquisition cost, the resulting impairment is charged to the income statement.

Buildings mostly occupied by third parties are reported as investment property, at acquisition cost. Investment property is thus not remeasured at market value.

The depreciable amount of property, plant and equipment comprises the acquisition cost of their components less residual value, which corresponds to the estimated disposal price of the asset at the end of its useful life.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives; the following useful lives are applied:

- buildings including investment property	20 to 100 years;
- machinery and equipment	3 to 25 years;
- leasehold improvements	3 to 10 years;
- producing vineyards	18 to 25 years.

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

1.14 Leases

See Note 1.2 relating to the terms of the initial application, since January 1, 2019, of IFRS 16 Leases.

1.15 Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired (particularly following major changes in the asset's operating conditions), and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of assets with indefinite useful lives is greater than the higher of their value in use or market value, the resulting impairment loss is recognized within "Other operating income and expenses", allocated on a priority basis to any existing goodwill.

Value in use is based on the present value of the cash flows expected to be generated by these assets. Market value is estimated by comparison with recent similar transactions or on the basis of valuations performed by independent experts for the purposes of a disposal transaction.

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

The forecast data required for the cash flow method is based on annual budgets and multi-year business plans prepared by the management of the business segments concerned. Detailed forecasts cover a five-year period, which may be extended for brands undergoing strategic repositioning or whose production cycle exceeds five years. An estimated terminal value is added to the value resulting from discounted forecast cash flows, which corresponds to the capitalization in perpetuity of cash flows most often arising from the last year of the plan. Discount rates are set for each business group with reference to companies engaged in comparable businesses. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and an assessment of the risk premium associated with that business. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed.

1.16 Available for sale financial assets

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

Non-current available for sale financial assets comprise strategic and non-strategic investments whose estimated period and form of ownership justify such classification.

Current available for sale financial assets (presented in "Other current assets"; see Note 13) include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.19).

Available for sale financial assets are measured at their listed value at the fiscal year-end date in the case of quoted investments, and in the case of unquoted investments at their estimated net realizable value, assessed either according to formulas based on market data or based on private quotations at the fiscal year-end date.

Positive or negative changes in value are recognized under "Net financial income/(expense)" (within "Other financial income and expenses") for all shares held in the portfolio during the reported periods.

1.17 Inventories and work in progress

Inventories other than wine produced by the Group are recorded at the lower of cost (excluding interest expense) and net realizable value; cost comprises manufacturing cost (finished goods) or purchase price, plus incidental costs (raw materials, merchandise).

Wine produced by the Group, including champagne, is measured on the basis of the applicable harvest market value, which is determined by reference to the average purchase price of equivalent grapes, as if the grapes harvested had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated on a pro rata basis, in line with the estimated yield and market value.

Inventories are valued using either the weighted average cost or the FIFO method, depending on the type of business.

Due to the length of the aging process required for champagne and spirits (cognac, whisky), the holding period for these inventories generally exceeds one year. However, in accordance with industry practices, these inventories are classified as current assets.

Provisions for impairment of inventories are chiefly recognized for businesses other than Wines and Spirits. They are generally required because of product obsolescence (end of season or collection, expiration date approaching, etc.) or lack of sales prospects.

1.18 Trade accounts receivable, loans and other receivables

Trade accounts receivable, loans and other receivables are recorded at amortized cost, which corresponds to their face value. Impairment is recognized for the portion of loans and receivables not covered by credit insurance when such receivables are recorded, in the amount of the losses expected upon maturity. This reflects the probability of counterparty default and the expected loss rate, measured using historical statistical data, information provided by credit bureaus, or ratings by credit rating agencies, depending on the specific case.

The amount of long-term loans and receivables (i.e. those falling due in more than one year) is subject to discounting, the effects of which are recognized under "Net financial income/(expense)", using the effective interest rate method.

1.19 Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid money-market investments subject to an insignificant risk of changes in value over time.

Money-market investments are measured at their market value, based on price quotations at the close of trading and on the exchange rate prevailing at the fiscal year-end date, with any changes in value recognized as part of "Net financial income/(expense)".

1.20 Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated. See also Notes 1.24 and 20.

When execution of its obligation is expected to occur in more than one year, the provision amount is discounted, the effects of which are recognized in "Net financial income/(expense)" using the effective interest rate method.

1.21 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 value of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedging instruments are measured at their market value at the balance sheet date, with any changes in those values recognized within "Net financial income/(expense)", under "Fair value adjustment of borrowings and interest rate hedges". See Note 1.9 regarding the measurement of hedged borrowings at market value. Interest income and expenses related to hedging instruments are recognized within "Net financial income/(expense)", under "Borrowing costs".

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

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

Net financial debt comprises short- and long- term borrowings, the market value at the balance sheet date of interest rate derivatives, less the amount at the balance sheet date of non-current available for sale financial assets used to hedge financial debt, current available for sale financial assets, cash and cash equivalents, in addition to the market value at that date of foreign exchange derivatives related to any of the aforementioned items.

1.22 Derivatives

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

To hedge against commercial, financial and investment foreign exchange risk, the Group uses options, forward contracts, foreign exchange swaps and cross-currency swaps. The time value of options, the forward point component of forward contracts and foreign exchange swaps, as well as the foreign currency basis spread component of cross-currency swaps are systematically excluded from the hedge relation. Consequently, only the intrinsic value of the instruments is considered a hedging instrument. Regarding hedged items (future foreign currency cash flows, commercial or financial liabilities and accounts receivable in foreign currencies, subsidiaries' equity denominated in a functional currency other than the euro), only their change in value in respect of foreign exchange risk is considered a hedged item. As such, aligning the hedging instruments' main features (nominal values, currencies, maturities) with those of the hedged items makes it possible to perfectly offset changes in value.

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.8 in the case of foreign exchange hedges, and as described in Note 1.21 in the case of interest rate hedges.

Market value is based on market data and commonly used valuation models.

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

1.23 Treasury shares

LVMH shares held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity, irrespective of the purpose for which they are held.

In the event of disposal, the cost of the shares disposed of is determined by allocation category (see Note 16.3) 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.

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

When plans related to retirement bonuses, pensions, contribution to medical costs and other commitments entail the payment by the Group of contributions to third-party organizations that assume sole responsibility for subsequently paying such retirement benefits, pensions or contributions to medical costs, these contributions are expensed in the fiscal year in which they fall due, with no liability recorded on the balance sheet.

When the payment of retirement bonuses, pensions, contributions to medical costs and other commitments is to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment. Changes in this provision are recognized as follows:

- the portion related to the cost of services rendered by employees and net interest for the fiscal year is recognized in profit from recurring operations for the fiscal year;
- the portion related to changes in actuarial assumptions and to differences between projected and actual data (experience adjustments) is recognized in gains and losses taken to equity.

If this commitment is partially or fully funded by payments made by the Group to external financial organizations, these dedicated funds are deducted from the actuarial commitment recorded in the balance sheet.

The actuarial commitment is calculated based on assessments that are specifically designed for the country and the Group company concerned. In particular, these assessments include assumptions regarding discount rates, salary increases, inflation, life expectancy and staff turnover.

1.25 Current and deferred tax

The tax expense comprises current tax payable by consolidated companies and deferred tax resulting from temporary differences as well as the change in uncertain tax positions.

Deferred tax is recognized in respect of temporary differences arising between the value of assets and liabilities for purposes of consolidation and the value resulting from the application of tax regulations.

Deferred tax is measured on the basis of the income tax rates enacted at the balance sheet date; the effect of changes in rates is recognized during the periods in which changes are enacted.

Future tax savings from tax losses carried forward are recorded as deferred tax assets on the balance sheet, which are impaired if they are deemed not recoverable; only amounts for which future use is deemed probable are recognized.

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries give rise to provisions if distribution is deemed probable.

1.26 Revenue recognition

Definition of revenue

Revenue mainly comprises retail sale within the Group's store network (including e-commerce websites) and sales through agents and distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

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

Wholesale sales mainly concern the Wines and Spirits businesses, as well as certain Perfumes and Cosmetics and Watches, and Jewelry brands. The Group recognizes revenue when title transfers to third-party customers.

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

Sales of services, mainly involved in the Group's "Other activities" segment, are recognized as the services are provided.

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

Provisions for product returns

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

Where this practice is applied, revenue is reduced by the estimated amount of such returns, and a provision is recognized within "Other current liabilities" (see Note 22.2), along with a corresponding entry made to inventories. The estimated rate of returns is based on historical statistical data.

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo, generally taking the form of shared entities which sell and deliver both groups' products to customers; the income statement and balance sheet of these entities is apportioned between LVMH and Diageo based on distribution agreements. According to those agreements, the assets, liabilities, income, and expenses of such entities are consolidated only in proportion to the Group's share of operations.

1.27 Advertising and promotion expenses

Advertising and promotion expenses include the costs of producing advertising media, purchasing media space, manufacturing samples and publishing catalogs, and in general, the cost of all activities designed to promote the Group's brands and products.

Advertising and promotion expenses are recorded within marketing and selling expenses upon receipt or production of goods or upon completion of services rendered.

1.28 Bonus shares and similar plans

Share purchase and subscription option plans give rise to the recognition of an expense based on the amortization of the expected gain for the recipients calculated according to the Black & Scholes method on the basis of the closing share price on the day before the board meeting at which the plan is instituted.

For bonus share plans, the expected gain is calculated on the basis of the closing share price on the day before the board meeting at which the plan is instituted, less the amount of dividends expected to accrue during the vesting period. A discount may be applied to the value of the bonus shares thus calculated to account for a period of non-transferability, where applicable.

For all plans, the amortization expense is apportioned on a straight-line basis in the income statement over the vesting period, with a corresponding impact on reserves in the balance sheet.

For cash-settled compensation plans index-linked to the change in the LVMH share price, the gain over the vesting period is estimated at each balance sheet date based on the LVMH share price at that date, and is charged to the income statement on a pro rata basis over the vesting period, with a corresponding balance sheet impact on provisions. Between that date and the settlement date, the change in the expected gain resulting from the change in the LVMH share price is recorded in the income statement.

1.29 Earnings per share

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

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 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, plus the amount not yet expensed for stock option and similar plans (see Note 1.28), would be employed to repurchase LVMH shares at a price corresponding to their average trading price over the fiscal year.

2. CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

Belmond

On April 17, 2019, pursuant to the transaction agreement announced on December 14, 2018 and approved by Belmond's shareholders on February 14, 2019, LVMH acquired, for cash, all the Class A shares of Belmond Ltd at a unit price of 25 US dollars, for a total of 2.2 billion US dollars. After taking into account the shares acquired on the market in December 2018, the carrying amount of Belmond shares held came to 2.3 billion euros. Following this acquisition, Belmond's Class A shares were no longer listed on the New York Stock Exchange.

Belmond, which has locations in 24 countries, owns and operates an exceptional portfolio of very high-end hotels and travel experiences in the world's most desirable, prestigious destinations.

The following table details the provisional allocation of the purchase price paid by LVMH on April 17, 2019, the date of acquisition of the controlling interest:

(EUR millions)	**Provisional allocation as of June 30, 2019**	**Change**	**Provisional allocation as of December 31, 2019**
Brand and other intangible assets	6	141	147
Property, plant and equipment	1,119	1,193	2,312
Other current and non-current assets	202	109	311
Net financial debt	(586)	(18)	(604)
Deferred tax	(80)	(354)	(434)
Current and non-current liabilities	(335)	(31)	(366)
Minority interests	(1)	-	(1)
Net assets acquired	**325**	**1,040**	**1,365**
Provisional goodwill	1,928	(1,040)	888
Carrying amount of shares held as of April 17, 2019	**2,253**	**-**	**2,253**

The amounts presented in the table above are taken from Belmond's unaudited financial statements at the date of acquisition of the controlling interest. A provisional allocation of the purchase price has been made. The main revaluations concern real estate assets, for 1,193 million euros, and the Belmond brand, for 140 million euros.

The carrying amount of shares held as of the date of acquisition of the controlling interest includes shares acquired in 2018 for 274 million euros.

During the fiscal year, the acquisition of Belmond shares and the payment of costs related to the acquisition generated an outflow of 2,006 million euros, net of cash acquired in the amount of 101 million euros. Following the acquisition of the controlling interest, Belmond's long-term bank borrowings were repaid in the amount of 560 million euros.

Belmond's revenue and profit from recurring operations consolidated since the date of acquisition of the controlling interest totaled 466 million euros and 94 million euros, respectively. For 2018 as a whole, Belmond had consolidated revenue of 577 million US dollars, and an operating profit of 12 million US dollars.

Château du Galoupet

In June 2019, the Group acquired the entire share capital of Château du Galoupet, a Côtes de Provence estate awarded Cru Classé status in 1955. This property, located in La Londe-les-Maures (France), extends over 68 contiguous hectares and mainly produces rosé wines.

Stella McCartney

Under the agreement announced in July 2019 to speed up the Stella McCartney brand's expansion plans, LVMH acquired a 49% stake in this fashion house in November 2019, which is accounted for using the equity method (see Note 8).

Château d'Esclans

In late November 2019, the Group acquired 55% of the share capital of Château d'Esclans. This property is located in La Motte (France) and mainly produces world-renowned rosé wines, in particular the *Garrus* and *Whispering Angel* cuvées.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			2019	2018[a]	2017[a]
	Gross	Amortization and impairment	Net	Net	Net
Brands	14,511	(775)	13,736	13,596	13,515
Trade names	3,920	(1,617)	2,303	2,265	2,176
License rights	129	(84)	45	13	14
Software, websites	2,258	(1,608)	650	544	459
Other	1,048	(569)	479	836	793
Total	**21,865**	**(4,653)**	**17,212**	**17,254**	**16,957**

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

As of December 31, 2017 and 2018, “Other intangible assets” included leasehold rights. As from January 1, 2019, in accordance with IFRS 16, leasehold rights are now presented within “Right-of-use assets” (see Note 7).

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

Gross value *(EUR millions)*	Brands	Trade names	Software, websites	Other intangible assets	Total
As of December 31, 2018	**14,292**	**3,851**	**1,903**	**1,964**	**22,010**
Impact of changes in accounting standards[a]	-	-	-	(770)	(770)
As of January 1, 2019, after restatement	**14,292**	**3,851**	**1,903**	**1,194**	**21,240**
Acquisitions	-	-	225	303	528
Disposals and retirements	-	-	(31)	(210)	(241)
Changes in the scope of consolidation	140	-	1	54	195
Translation adjustment	78	69	14	13	174
Reclassifications	-	-	146	(177)	(31)
As of December 31, 2019	**14,511**	**3,920**	**2,258**	**1,177**	**21,865**

Amortization and impairment *(EUR millions)*	Brands	Trade names	Software, websites	Other intangible assets	Total
As of December 31, 2018	**(696)**	**(1,586)**	**(1,359)**	**(1,115)**	**(4,756)**
Impact of changes in accounting standards[a]	-	-	-	391	391
As of January 1, 2019, after restatement	**(696)**	**(1,586)**	**(1,359)**	**(724)**	**(4,365)**
Amortization expense	(17)	(1)	(267)	(138)	(422)
Impairment expense	(54)	-	-	4	(50)
Disposals and retirements	-	-	29	210	239
Changes in the scope of consolidation	-	-	-	(10)	(10)
Translation adjustment	(8)	(30)	(9)	(7)	(55)
Reclassifications	-	-	(2)	12	10
As of December 31, 2019	**(775)**	**(1,617)**	**(1,608)**	**(653)**	**(4,653)**
Carrying amount as of December 31, 2019	**13,736**	**2,303**	**650**	**524**	**17,212**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2.

Changes in the scope of consolidation related to the acquisition of Belmond. See Note 2.

4. GOODWILL

(EUR millions)			2019	2018	2017
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	11,495	(1,773)	9,722	8,654	8,538
Goodwill arising on purchase commitments for minority interests' shares	6,312	-	6,312	5,073	5,299
Total	**17,807**	**(1,773)**	**16,034**	**13,727**	**13,837**

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

(EUR millions)			2019	2018	2017
	Gross	Impairment	Net	Net	Net
As of January 1	**15,462**	**(1,735)**	**13,727**	**13,837**	**10,401**
Changes in the scope of consolidation	1,033	(1)	1,033	45	2,605
Changes in purchase commitments for minority interests' shares	1,247	-	1,247	(126)	1,008
Changes in impairment	-	(22)	(22)	(100)	(51)
Translation adjustment	65	(15)	50	71	(126)
As of December 31	**17,807**	**(1,773)**	**16,034**	**13,727**	**13,837**

Changes in the scope of consolidation mainly resulted from the acquisition of Belmond. See Note 2.

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

The impact of changes in the scope of consolidation in 2017 mainly arose from the acquisition of Christian Dior Couture and Rimowa.

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 were subject to annual impairment testing as of December 31, 2019. See Note 26 regarding the impairment and amortization expense recorded during the fiscal year.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			2019	2018[a]	2017[a]
	Gross	Depreciation and impairment	Net	Net	Net
Land	4,429	(18)	4,411	2,838	2,374
Vineyard land and producing vineyards[b]	2,655	(118)	2,537	2,473	2,432
Buildings	5,346	(2,128)	3,218	2,292	2,052
Investment property	357	(37)	319	602	763
Leasehold improvements, machinery and equipment	14,243	(9,526)	4,717	4,078	3,971
Assets in progress	1,652	(2)	1,650	1,237	785
Other property, plant and equipment	2,205	(524)	1,682	1,592	1,485
Total	**30,887**	**(12,354)**	**18,533**	**15,112**	**13,862**
Of which: historical cost of vineyard land	*587*	-	*587*	*576*	*543*

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) Almost all of the carrying amount of "Vineyard land and producing vineyards" corresponds to vineyard land.

Changes in property, plant and equipment during the fiscal year broke down as follows:

Gross value *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other property, plant and equipment	Total
				Stores and hotels	Production, logistics	Other			
As of December 31, 2018	**2,584**	**7,051**	**637**	**8,632**	**2,756**	**1,351**	**1,238**	**2,074**	**26,323**
Impact of changes in accounting standards[(a)]	-	(395)	-	(149)	(50)	(32)	(3)	(1)	(630)
As of January 1, after restatement	**2,584**	**6,656**	**637**	**8,483**	**2,706**	**1,319**	**1,235**	**2,073**	**25,693**
Acquisitions	11	225	12	806	165	143	1,375	124	2,860
Change in the market value of vineyard land	42	-	-	-	-	-	-	-	42
Disposals and retirements	(1)	(84)	(23)	(604)	(55)	(77)	(23)	(21)	(890)
Changes in the scope of consolidation	17	2,339	-	454	12	-	22	10	2,854
Translation adjustment	2	91	8	153	15	15	8	10	301
Other movements, including transfers	1	549	(277)	509	121	79	(964)	9	27
As of December 31, 2019	**2,655**	**9,775**	**357**	**9,801**	**2,964**	**1,478**	**1,652**	**2,205**	**30,887**

Depreciation and impairment *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other property, plant and equipment	Total
				Stores and hotels	Production, logistics	Other			
As of December 31, 2018	**(111)**	**(1,921)**	**(35)**	**(5,907)**	**(1,810)**	**(944)**	**(1)**	**(482)**	**(11,211)**
Impact of changes in accounting standards[(a)]	-	135	-	88	28	23	(1)	2	275
As of January 1, after restatement	**(111)**	**(1,786)**	**(35)**	**(5,819)**	**(1,782)**	**(921)**	**(2)**	**(480)**	**(10,936)**
Depreciation expense	(6)	(213)	(4)	(1,030)	(189)	(144)	-	(68)	(1,655)
Impairment expense	-	62	(1)	(5)	(2)	-	(16)	-	38
Disposals and retirements	1	77	1	603	54	75	16	29	855
Changes in the scope of consolidation	(2)	(222)	-	(236)	(4)	-	-	(2)	(466)
Translation adjustment	-	(22)	-	(100)	(10)	(11)	-	(6)	(150)
Other movements, including transfers	-	(43)	3	3	(15)	9	-	4	(40)
As of December 31, 2019	**(118)**	**(2,146)**	**(37)**	**(6,586)**	**(1,949)**	**(991)**	**(2)**	**(524)**	**(12,354)**
Carrying amount as of December 31, 2019	**2,537**	**7,628**	**319**	**3,216**	**1,015**	**486**	**1,650**	**1,682**	**18,533**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.

"Other property, plant and equipment" includes in particular the works of art owned by the Group.

Purchases of property, plant and equipment mainly include investments by the Group's brands – notably Louis Vuitton, Sephora, DFS, Christian Dior Couture and Celine – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses, Hennessy, Parfums Christian Dior and Louis Vuitton in their production equipment.

Changes in the scope of consolidation mainly resulted from the acquisition of Belmond. See Note 2.

The impact of marking vineyard land to market was 1,836 million euros as of December 31, 2019 (1,793 million euros as of December 31, 2018; 1,785 million euros as of December 31, 2017). See Notes 1.9 and 1.13 on the measurement method for vineyard land.

7. LEASES

7.1 Right-of-use assets

Right-of-use assets break down as follows, by type of underlying asset:

(EUR millions)			2019	January 1, 2019
	Gross	Depreciation and impairment	Net	Net
Stores	11,817	(1,956)	9,861	9,472
Offices	1,724	(288)	1,436	1,332
Other	860	(111)	749	718
Capitalized fixed lease payments	**14,402**	**(2,355)**	**12,047**	**11,522**
Leasehold rights	738	(376)	362	345
Total	**15,140**	**(2,731)**	**12,409**	**11,867**

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

Gross value *(EUR millions)*	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
As of January 1, 2019	**9,531**	**1,365**	**728**	**11,624**	**673**	**12,297**
New leases entered into	1,862	386	94	2,342	64	2,406
Changes in assumptions	411	13	2	426	-	426
Leases ended or canceled	(240)	(21)	(18)	(279)	(44)	(323)
Changes in the scope of consolidation	24	5	38	67	2	69
Translation adjustment	200	17	12	229	6	235
Other movements, including transfers	30	(39)	3	(6)	38	32
As of December 31, 2019	**11,817**	**1,724**	**860**	**14,402**	**738**	**15,140**

Depreciation and impairment *(EUR millions)*	Capitalized fixed lease payments				Leasehold rights	Total
	Stores	Offices	Other	Total		
As of January 1, 2019	**(59)**	**(33)**	**(10)**	**(102)**	**(328)**	**(430)**
Depreciation and amortization expense	(1,970)	(274)	(108)	(2,352)	(53)	(2,405)
Impairment expense	-	(7)	-	(7)	5	(2)
Leases ended or canceled	102	15	9	125	33	158
Changes in the scope of consolidation	(2)	-	(2)	(3)	(5)	(8)
Translation adjustment	(6)	(1)	-	(7)	(2)	(9)
Other movements, including transfers	(21)	13	(1)	(9)	(24)	(33)
As of December 31, 2019	**(1,956)**	**(288)**	**(111)**	**(2,355)**	**(376)**	**(2,731)**
Carrying amount as of December 31, 2019	**9,861**	**1,436**	**749**	**12,047**	**362**	**12,409**

"New leases entered into" mainly concern store leases, in particular for Sephora, Christian Dior Couture, Bvlgari, Louis Vuitton and DFS. They also include leases of office space, mainly for Parfums Christian Dior.

7.2 Lease liabilities

Lease liabilities break down as follows:

(EUR millions)	2019	January 1, 2019
Non-current lease liabilities	10,373	9,679
Current lease liabilities	2,172	2,149
Total	**12,545**	**11,828**

The change in lease liabilities during the fiscal year breaks down as follows:

(EUR millions)	Stores	Offices	Other	Total
As of January 1, 2019	**9,692**	**1,420**	**716**	**11,828**
New leases entered into	1,834	373	94	2,302
Principal repayments	(1,828)	(238)	(101)	(2,166)
Change in accrued interest	40	5	5	50
Leases ended or canceled	(138)	(6)	(8)	(152)
Changes in assumptions	403	11	2	415
Changes in the scope of consolidation	26	-	30	56
Translation adjustment	198	17	12	228
Other movements, including transfers	36	(50)	-	(13)
As of December 31, 2019	**10,264**	**1,532**	**749**	**12,545**

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)	2019				2018		2017	
	Gross	Impairment	Net	*Of which joint arrangements*	Net	*Of which joint arrangements*	Net	*Of which joint arrangements*
Share of net assets of joint ventures and associates as of January 1	**638**	**-**	**638**	***278***	**639**	***273***	**770**	***362***
Share of net profit (loss) for the period	28	-	28	*11*	23	*12*	(3)	*2*
Dividends paid	(20)	-	(20)	*(9)*	(28)	*(9)*	(22)	*(8)*
Changes in the scope of consolidation	415	-	415	*163*	(10)	*2*	(82)	*(84)*
Capital increases subscribed	5	-	5	*2*	3	*1*	5	*3*
Translation adjustment	5	-	5	*-*	7	*-*	(33)	*(7)*
Other, including transfers	3	-	3	*3*	4	*(1)*	4	*5*
Share of net assets of joint ventures and associates as of December 31	**1,074**	**-**	**1,074**	***448***	**638**	***278***	**639**	***273***

As of December 31, 2019, investments in joint ventures and associates consisted primarily of:

- For joint arrangements:
  - a 50% stake in the Château Cheval Blanc wine estate (Gironde, France), which produces the eponymous Saint-Émilion Grand Cru Classé A;
  - a 50% stake in hotel and rail transport activities operated by Belmond in Peru.
- For other companies:
  - a 40% stake in Mongoual SA, the real estate company that owns the office building in Paris (France) that serves as the headquarters of LVMH Moët Hennessy – Louis Vuitton;
  - a 45% stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports;
  - a 46% stake in JW Anderson, a London-based ready-to-wear brand;

- a 40% stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton;
- a 49% stake in Stella McCartney, a London-based ready-to-wear brand.

Changes in the scope of consolidation in 2019 were mainly related to the acquisition of the stake in Stella McCartney and to the acquisition of Belmond. See Note 2.

9. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	**2019**	**2018**	**2017**
As of January 1	**1,100**	**789**	**744**
Acquisitions	146	450	125
Disposals at net realized value	(45)	(45)	(85)
Changes in market value[(a)]	(16)	(101)	101
Changes in the scope of consolidation	-	-	5
Translation adjustment	7	16	(43)
Reclassifications	(276)	(9)	(58)
As of December 31	**915**	**1,100**	**789**

(a) Recognized within "Net financial income/(expense)".

Reclassifications resulted from the acquisition of a controlling interest in Belmond; the shares acquired in 2018 for 274 million euros are now included in the carrying amount of the investment held in Belmond. See Note 2.

Acquisitions in fiscal year 2019 included, for 110 million euros, the impact of subscription of securities in investment funds.

Acquisitions in fiscal year 2018 included in particular, for 274 million euros, the impact of the acquisition of Belmond shares (see Note 19), as well as, for 87 million euros, the impact of subscription of securities in investment funds and acquisitions of minority interests.

Acquisitions in fiscal year 2017 included, for 64 million euros, the impact of subscription of securities in investment funds.

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.9.

10. OTHER NON-CURRENT ASSETS

(EUR millions)	**2019**	**2018[(a)]**	**2017[(a)]**
Warranty deposits	429	379	320
Derivatives[(b)]	782	257	246
Loans and receivables	291	303	264
Other	45	47	39
Total	**1,546**	**986**	**869**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) See Note 23.

11. INVENTORIES AND WORK IN PROGRESS

(EUR millions)			2019	2018	2017
	Gross	Impairment	Net	Net	Net
Wines and *eaux-de-vie* in the process of aging	5,027	(10)	5,017	4,784	4,517
Other raw materials and work in progress	2,377	(476)	1,900	1,700	1,370
	7,404	(487)	6,917	6,484	5,887
Goods purchased for resale	2,405	(216)	2,189	2,091	1,767
Finished products	5,728	(1,117)	4,611	3,910	3,234
	8,133	(1,333)	6,800	6,001	5,001
Total	**15,537**	**(1,820)**	**13,717**	**12,485**	**10,888**

See Note 1.17.

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

(EUR millions)			2019	2018	2017
	Gross	Impairment	Net	Net	Net
As of January 1	**14,069**	**(1,584)**	**12,485**	**10,888**	**10,546**
Change in gross inventories	1,604	-	1,604	1,722	1,006
Impact of provision for returns[(a)]	2	-	2	7	11
Impact of marking harvests to market	(6)	-	(6)	16	(21)
Changes in provision for impairment	-	(559)	(559)	(285)	(339)
Changes in the scope of consolidation	36	-	36	25	237
Translation adjustment	189	(36)	153	109	(550)
Other, including reclassifications	(358)	359	-	3	(2)
As of December 31	**15,537**	**(1,820)**	**13,717**	**12,485**	**10,888**

(a) See Note 1.26.

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

(EUR millions)	2019	2018	2017
Impact of marking the period's harvest to market	14	41	5
Impact of inventory sold during the period	(20)	(25)	(26)
Net impact on cost of sales for the period	**(6)**	**16**	**(21)**
Net impact on the value of inventory as of December 31	**120**	**126**	**110**

See Notes 1.9 and 1.17 on the method of marking harvests to market.

12. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2019	2018	2017
Trade accounts receivable, nominal amount	3,539	3,302	3,079
Provision for impairment	(89)	(78)	(78)
Provision for product returns[(a)]	-	(2)	(265)
Net amount	**3,450**	**3,222**	**2,736**

(a) See Note 1.26.

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

(EUR millions)			2019	2018	2017
	Gross	Impairment	Net	Net	Net
As of January 1	**3,300**	**(78)**	**3,222**	**2,736**	**2,685**
Changes in gross receivables	121	-	121	179	134
Changes in provision for impairment	-	(10)	(10)	(1)	(11)
Changes in provision for product returns[(a)]	-	-	-	7	(43)
Changes in the scope of consolidation	51	(1)	50	5	141
Translation adjustment	73	(1)	72	24	(154)
Reclassifications	(5)	-	(5)	272	(16)
As of December 31	**3,539**	**(89)**	**3,450**	**3,222**	**2,736**

(a) See Note 1.26.

The trade accounts receivable balance is comprised essentially of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains long-term relationships for the most part.

13. OTHER CURRENT ASSETS

(EUR millions)	2019	2018[(a)]	2017[(a)]
Current available for sale financial assets[(b)]	733	666	515
Derivatives[(c)]	180	123	496
Tax accounts receivable, excluding income taxes	1,055	895	747
Advances and payments on account to vendors	254	216	203
Prepaid expenses	454	430	396
Other receivables	589	538	562
Total	**3,264**	**2,868**	**2,919**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) See Note 14.
(c) See Note 23.

14. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

(EUR millions)	**2019**	**2018**	**2017**
As of January 1	**666**	**515**	**374**
Acquisitions	50	311	112
Disposals at net realized value	(121)	(164)	(181)
Changes in market value[a]	138	3	156
Changes in the scope of consolidation	-	-	-
Translation adjustment	-	1	(4)
Reclassifications	-	-	58
As of December 31	**733**	**666**	**515**
Of which: Historical cost of current available for sale financial assets	*538*	*576*	*344*

(a) Recognized within "Net financial income/(expense)".

The market value of current available for sale financial assets is determined using the methods described in Note 1.9.

15. CASH AND CHANGE IN CASH

15.1 Cash and cash equivalents

(EUR millions)	**2019**	**2018**	**2017**
Term deposits (less than 3 months)	879	654	708
SICAV and FCP funds	147	192	194
Ordinary bank accounts	4,647	3,764	2,836
Cash and cash equivalents per balance sheet	**5,673**	**4,610**	**3,738**

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)	**2019**	**2018**	**2017**
Cash and cash equivalents	5,673	4,610	3,738
Bank overdrafts	(176)	(197)	(120)
Net cash and cash equivalents per cash flow statement	**5,497**	**4,413**	**3,618**

15.2 Change in working capital

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

(EUR millions)	Notes	2019	2018	2017
Change in inventories and work in progress	11	(1,604)	(1,722)	(1,006)
Change in trade accounts receivable	12	(121)	(179)	(134)
Change in balance of amounts owed to customers		9	8	2
Change in trade accounts payable	22	463	715	257
Change in other receivables and payables		98	91	367
Change in working capital [(a)]		**(1,154)**	**(1,087)**	**(514)**

(a) Increase/(Decrease) in cash and cash equivalents.

15.3 Operating investments

Operating investments comprise the following elements for the fiscal years presented:

(EUR millions)	Notes	2019	2018 [(a)]	2017 [(a)]
Purchase of intangible assets	3	(528)	(537)	(456)
Purchase of property, plant and equipment	6	(2,860)	(2,590)	(1,883)
Change in accounts payable related to fixed asset purchases		163	137	40
Initial direct costs		(62)	-	-
Net cash used in purchases of fixed assets		**(3,287)**	**(2,990)**	**(2,299)**
Net cash from fixed asset disposals		29	10	26
Guarantee deposits paid and other cash flows related to operating investments		(36)	(58)	(3)
Operating investments [(b)]		**(3,294)**	**(3,038)**	**(2,276)**

(a) The 2017 and 2018 financial statements have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) Increase/(Decrease) in cash and cash equivalents.

15.4 Interim and final dividends paid and other transactions related to equity

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

(EUR millions)	2019	2018	2017
Interim and final dividends paid by LVMH	(3,119)	(2,715)	(2,110)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(429)	(339)	(260)
Tax paid related to interim and final dividends paid	(130)	(36)	388
Interim and final dividends paid	**(3,678)**	**(3,090)**	**(1,982)**

Other transactions related to equity comprise the following elements for the periods presented:

(EUR millions)	Notes	2019	2018	2017
Capital increases of LVMH	16	21	49	53
Capital increases of subsidiaries subscribed by minority interests		82	41	44
Acquisition and disposals of LVMH treasury shares	16	(49)	(295)	(67)
Other equity-related transactions		**54**	**(205)**	**30**

16. EQUITY

16.1 Equity

(EUR millions)	Notes	2019	2018[a]	2017[a]
Share capital	16.1	152	152	152
Share premium account	16.1	2,319	2,298	2,614
LVMH shares	16.3	(403)	(421)	(530)
Cumulative translation adjustment	16.5	862	573	354
Revaluation reserves		813	875	1,111
Other reserves		25,672	22,462	19,903
Net profit, Group share		7,171	6,354	5,365
Equity, Group share		**36,586**	**32,293**	**28,969**

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

16.2 Share capital and share premium account

As of December 31, 2019, the share capital consisted of 505,431,285 fully paid-up shares (505,029,495 as of December 31, 2018 and 507,042,596 as of December 31, 2017), with a par value of 0.30 euros per share, including 232,293,143 shares with double voting rights (231,834,011 as of December 31, 2018 and 229,656,385 as of December 31, 2017). Double voting rights are attached to registered shares held for more than three years.

Changes in the share capital and share premium account, in value and in terms of number of shares, break down as follows:

(EUR millions)				2019	2018	2017
	Number			Amount	Amount	Amount
		Share capital	Share premium account	Total		
As of January 1	**505,029,495**	**152**	**2,298**	**2,450**	**2,766**	**2,753**
Exercise of share subscription options	403,946	-	21	21	49	53
Retirement of LVMH shares	(2,156)	-	-	-	(365)	(40)
As of December 31	**505,431,285**	**152**	**2,319**	**2,470**	**2,450**	**2,766**

16.3 LVMH shares

The portfolio of LVMH shares is allocated as follows:

(EUR millions)		2019	2018	2017
	Number	Amount	Amount	Amount
Share subscription option plans	403,946	20	20	57
Bonus share plans	1,066,965	294	302	122
Shares held for stock option and similar plans[a]	**1,470,911**	**314**	**322**	**179**
Liquidity contract	38,000	15	25	23
Shares pending retirement	270,000	74	74	328
LVMH treasury shares	**1,778,911**	**403**	**421**	**530**

(a) See Note 17 regarding stock option and similar plans.

The market value of LVMH shares held under the liquidity contract as December 31, 2019 amounted to 16 million euros.

The portfolio movements of LVMH shares during the fiscal year were as follows:

(Number of shares or EUR millions)	Number	Amount	Impact on cash
As of December 31, 2018	**2,135,404**	**421**	
Share purchases [(a)]	614,711	213	(213)
Vested bonus shares	(477,837)	(77)	-
Retirement of LVMH shares	(2,156)	-	-
Disposals at net realized value [(a)]	(491,211)	(165)	165
Gain/(loss) on disposal	-	10	-
As of December 31, 2019	**1,778,911**	**403**	**(48)**

(a) Purchases and sales of LVMH shares mainly related to the management of the liquidity contract.

16.4 Dividends paid by the parent company LVMH SE

In accordance with French regulations, dividends are taken from the profit for the fiscal year and the distributable reserves of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares.

As of December 31, 2019, the distributable amount was 15,918 million euros; after taking into account the proposed dividend distribution in respect of the 2019 fiscal year, it was 13,593 million euros.

(EUR millions)	2019	2018	2017
Interim dividend for the current fiscal year (2019: 2.20 euros; 2018: 2.00 euros; 2017: 1.60 euros)	1,112	1,010	811
Impact of treasury shares	(4)	(4)	(7)
Gross amount disbursed for the fiscal year	**1,108**	**1,006**	**804**
Final dividend for the previous fiscal year (2018: 4.00 euros; 2017: 3.40 euros; 2016: 2.60 euros)	2,020	1,717	1,319
Impact of treasury shares	(8)	(8)	(13)
Gross amount disbursed for the previous fiscal year	**2,012**	**1,709**	**1,306**
Total gross amount disbursed during the period [(a)]	**3,119**	**2,715**	**2,110**

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

The final dividend for fiscal year 2019, as proposed at the Shareholders' Meeting of April 16, 2020, is 4.60 euros per share, representing a total of 2,325 million euros before deduction of the amount attributable to treasury shares held at the ex-dividend date.

16.5 Cumulative translation adjustment

The change in "Cumulative translation adjustment" recognized within "Equity, Group share", net of hedging effects of net assets denominated in foreign currency, breaks down as follows by currency:

(EUR millions)	2019	Change	2018	2017
US dollar	364	71	293	139
Swiss franc	761	129	632	528
Japanese yen	125	16	109	69
Hong Kong dollar	388	34	354	316
Pound sterling	(75)	40	(115)	(107)
Other currencies	(230)	20	(250)	(170)
Foreign currency net investment hedges [(a)]	(471)	(21)	(450)	(421)
Total, Group share	**862**	**289**	**573**	**354**

(a) Including: -146 million euros with respect to the US dollar (-141 million euros as of December 31, 2018 and -130 million euros as of December 31, 2017), –117 million euros with respect to the Hong Kong dollar (-117 million euros as of December 31, 2018 and 2017) and –208 million euros with respect to the Swiss franc (-193 million euros as of December 31, 2018 and -180 million euros as of December 31, 2017). These amounts include the tax impact.

17. STOCK OPTION AND SIMILAR PLANS

17.1 Share subscription option plans

The number of unexercised share subscription options and the weighted average exercise price changed as follows during the fiscal years presented:

	2019		2018		2017	
	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	**411,088**	**50.86**	**1,180,692**	**59.56**	**1,903,010**	**65.17**
Options expired	(7,142)	50.86	(6,753)	63.98	(13,833)	74.67
Options exercised	(403,946)	50.86	(762,851)	64.21	(708,485)	74.33
Share subscription options outstanding as of December 31	-	-	**411,088**	**50.86**	**1,180,692**	**59.56**

17.2 Bonus share plans

The number of provisional allocations changed as follows during the fiscal years presented:

(number of shares)	2019	2018	2017
Provisional allocations as of January 1	**1,351,978**	**1,395,351**	**1,312,587**
Provisional allocations for the period	200,077	462,281	455,252
Shares vested during the period	(477,837)	(459,741)	(335,567)
Shares expired during the period	(21,500)	(45,913)	(36,921)
Provisional allocations as of December 31	**1,052,718**	**1,351,978**	**1,395,351**

Vested share allocations were settled in existing shares held.

17.3 Expense for the period

(EUR millions)	2019	2018	2017
Expense for the period for share subscription option and bonus share plans	72	82	62

The LVMH closing share price the day before the grant date of the plan was 375.00 euros for the plan dated October 24, 2019.

The average unit value of non-vested bonus shares awarded under this plan during the 2019 fiscal year was 353.68 euros.

18. MINORITY INTERESTS

(EUR millions)	2019	2018	2017
As of January 1	**1,664**	**1,408**	**1,510**
Minority interests' share of net profit	611	636	475
Dividends paid to minority interests	(433)	(345)	(261)
Impact of changes in control of consolidated entities	25	41	114
Of which: Rimowa	*-*	*-*	*89*
Other	*25*	*41*	*25*
Impact of acquisition and disposal of minority interests' shares	-	(19)	(56)
Of which: Loro Piana	*-*	*-*	*(58)*
Other	*-*	*(19)*	*2*
Total impact of changes in the ownership interests in consolidated entities	**25**	**22**	**58**
Capital increases subscribed by minority interests	95	50	44
Minority interests' share in gains and losses recognized in equity	17	45	(134)
Minority interests' share in stock option plan expenses	3	4	7
Impact of changes in minority interests with purchase commitments	(203)	(156)	(291)
As of December 31	**1,779**	**1,664**	**1,408**

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

(EUR millions)	Cumulative translation adjustment	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commitments	Minority interests' share in cumulative translation adjustment and revaluation reserves
As of December 31, 2016	**224**	**(14)**	**246**	**(39)**	**417**
Changes during the fiscal year	(178)	30	11	3	(134)
As of December 31, 2017	**46**	**16**	**257**	**(36)**	**283**
Changes during the fiscal year	69	(30)	3	3	45
As of December 31, 2018	**115**	**(14)**	**260**	**(33)**	**328**
Changes during the fiscal year	23	4	6	(17)	17
As of December 31, 2019	**138**	**(10)**	**266**	**(50)**	**345**

Minority interests are composed primarily of Diageo's 34% stake in Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") and the 39% stake held by Mari-Cha Group Ltd in DFS. Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified at the period-end within "Purchase commitments for minority interests' shares" under "Other non-current liabilities" and is therefore excluded from the total amount of minority interests at the period-end. See Notes 1.12 and 21.

19. BORROWINGS

19.1 Net financial debt

(EUR millions)	2019	2018 [(a)]	2017 [(a)]
Bonds and Euro Medium-Term Notes (EMTNs)	4,791	5,593	6,557
Finance leases	-	315	296
Bank borrowings	310	97	193
Long-term borrowings	**5,101**	**6,005**	**7,046**
Bonds and Euro Medium-Term Notes (EMTNs)	1,854	996	1,753
Commercial paper	4,868	3,174	1,855
Bank overdrafts	176	197	120
Other short-term borrowings	712	660	802
Short-term borrowings	**7,610**	**5,027**	**4,530**
Gross borrowings	**12,711**	**11,032**	**11,576**
Interest rate risk derivatives	(16)	(16)	(28)
Foreign exchange risk derivatives	47	146	(25)
Gross borrowings after derivatives	**12,742**	**11,162**	**11,523**
Current available for sale financial assets [(b)]	(733)	(666)	(515)
Non-current available for sale financial assets used to hedge financial debt	(130)	(125)	(117)
Cash and cash equivalents [(c)]	(5,673)	(4,610)	(3,738)
Net financial debt	**6,206**	**5,761**	**7,153**
Belmond shares (presented within "Non-current available for sale financial assets") [(d)]	-	(274)	-
Adjusted net financial debt, excluding the acquisition of Belmond shares	**6,206**	**5,487**	**7,153**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) See Note 14.
(c) See Note 15.1.
(d) See Note 9.

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

(EUR millions)	Dec. 31, 2018	Impact of changes in accounting standards [(a)]	Jan. 1, 2019, after restatement	Impact on cash [(b)]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclassifications and Other	Dec. 31, 2019
Long-term borrowings	6,005	(315)	5,690	496	42	2	733	(1,862)	5,101
Short-term borrowings	5,027	(26)	5,001	656	37	10	32	1,873	7,610
Gross borrowings	**11,032**	**(341)**	**10,691**	**1,152**	**79**	**12**	**764**	**12**	**12,711**
Derivatives	130	-	130	2	-	(102)	1	-	31
Gross borrowings after derivatives	**11,162**	**(341)**	**10,821**	**1,154**	**79**	**(89)**	**766**	**12**	**12,742**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) Including a positive impact of 2,837 million euros in respect of proceeds from borrowings and a negative impact of 1,810 million euros in respect of repayment of borrowings.

Changes in the scope of consolidation were related to the acquisition of Belmond. The bank borrowings on Belmond's balance sheet at the acquisition date were repaid in the amount of 560 million euros. See Note 2.

In February 2019, LVMH completed two fixed-rate bond issues totaling 1.0 billion euros, comprised of 300 million euros in bonds maturing in 2021 and 700 million euros in bonds maturing in 2023.

During the fiscal year, LVMH repaid the 300 million euro bond issued in 2014, the 600 million euro bond issued in 2013 and the 150 million Australian dollar bond issued in 2014.

Net financial debt does not include purchase commitments for minority interests (see Note 21) or lease liabilities (see Note 7). The finance lease liability was reclassified within lease liabilities.

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

(EUR millions)		Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	December 31, 2020	7,099	511	7,610	(333)	404	71	6,766	915	7,681
	December 31, 2021	1,694	152	1,846	(676)	636	(40)	1,018	788	1,806
	December 31, 2022	1,306	-	1,306	(668)	658	(10)	638	658	1,296
	December 31, 2023	712	-	712	18	-	18	730	-	730
	December 31, 2024	1,217	4	1,221	(301)	293	(8)	916	297	1,213
	December 31, 2025	11	-	11	-	-	-	11	-	11
	Thereafter	5	-	5	-	-	-	5	-	5
Total		**12,044**	**667**	**12,711**	**(1,960)**	**1,991**	**31**	**10,084**	**2,658**	**12,742**

See Note 23.2 regarding the market value of interest rate risk derivatives.

The breakdown by quarter of gross borrowings falling due in 2020 is as follows:

(EUR millions)	Falling due in 2020
First quarter	4,758
Second quarter	2,740
Third quarter	11
Fourth quarter	101
Total	**7,610**

19.3 Breakdown of gross borrowings by currency after derivatives

The purpose of foreign currency borrowings is to finance the development of the Group's activities outside the eurozone, as well as the Group's assets denominated in foreign currency.

(EUR millions)	2019	2018	2017
Euro	7,849	6,445	6,665
US dollar	3,457	3,277	3,045
Swiss franc	-	-	144
Japanese yen	622	662	722
Other currencies	814	778	947
Total	**12,742**	**11,162**	**11,523**

20. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Non-current provisions and other liabilities comprise the following:

(EUR millions)	2019	2018[(a)]	2017[(a)]
Non-current provisions	1,457	1,245	1,272
Uncertain tax positions	1,172	1,185	1,212
Derivatives[(b)]	712	283	229
Employee profit sharing	96	89	94
Other liabilities	375	386	370
Non-current provisions and other liabilities	**3,812**	**3,188**	**3,177**

(a) The financial statements as of December 31, 2018 and 2017 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) See Note 23.

Provisions concern the following types of contingencies and losses:

(EUR millions)	2019	2018	2017
Provisions for pensions, medical costs and similar commitments	812	605	625
Provisions for contingencies and losses	646	640	647
Non-current provisions	**1,457**	**1,245**	**1,272**
Provisions for pensions, medical costs and similar commitments	8	7	4
Provisions for contingencies and losses	406	362	400
Current provisions	**414**	**369**	**404**
Total	**1,872**	**1,614**	**1,676**

Provisions changed as follows during the fiscal year:

(EUR millions)	Dec. 31, 2018	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other[(a)]	Dec. 31, 2019
Provisions for pensions, medical costs and similar commitments	612	159	(124)	(1)	-	173	820
Provisions for contingencies and losses	1,002	373	(208)	(130)	13	-	1,052
Total	**1,614**	**533**	**(332)**	**(130)**	**13**	**173**	**1,872**

(a) Including the impact of translation adjustment and change in revaluation reserves.

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes (see Note 32), or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.).

Non-current liabilities related to uncertain tax positions included an estimate of the risks, disputes and actual or probable litigation related to the income tax computation. The Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. A liability is recognized for these rectification claims, together with any uncertain tax positions that have been identified but not yet officially notified, the amount of which is regularly reviewed in accordance with the criteria of the application of IFRIC 23 Uncertainty over Income Tax Treatment.

21. PURCHASE COMMITMENTS FOR MINORITY INTERESTS' SHARES

As of December 31, 2019, purchase commitments for minority interests' shares mainly include the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy for 80% of the fair value of Moët Hennessy at the exercise date of the option. This option may be exercised at any time subject to a six-month notice period. The fair value of this commitment was calculated by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") hold the LVMH group's investments in the Wines and Spirits businesses, with the exception of the equity investments in Château d'Yquem, Château Cheval Blanc, Clos des Lambrays and Colgin Cellars, and excluding certain champagne vineyards.

Purchase commitments for minority interests' shares also include commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%), and distribution subsidiaries in various countries, mainly in the Middle East.

22. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

22.1 Trade accounts payable

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

(EUR millions)	**2019**	**2018** [(a)]	**2017** [(a)]
As of December 31	**5,314**	**4,539**	**4,184**
Impact of changes in accounting standards	(108)	-	-
As of January 1, after restatement	**5,206**	**4,539**	**4,184**
Changes in trade accounts payable	335	715	257
Changes in amounts owed to customers	9	8	2
Changes in the scope of consolidation	216	7	315
Translation adjustment	56	49	(198)
Reclassifications	(8)	(4)	(21)
As of December 31	**5,814**	**5,314**	**4,539**

(a) The 2017 and 2018 financial statements have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

22.2 Current provisions and other liabilities

(EUR millions)	**2019**	**2018** [(a)]	**2017** [(a)]
Current provisions [(b)]	414	369	404
Derivatives [(c)]	138	166	45
Employees and social security	1,786	1,668	1,530
Employee profit sharing	123	105	101
Taxes other than income taxes	752	685	634
Advances and payments on account from customers	559	398	354
Provision for product returns [(d)]	399	356	-
Deferred payment for non-current assets	769	646	548
Deferred income	273	273	255
Other liabilities	1,093	1,288	1,286
Total	**6,305**	**5,954**	**5,157**

(a) The 2017 and 2018 financial statements have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.
(b) See Note 20.
(c) See Note 23.
(d) See Note 1.26.

23. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

23.1 Organization of foreign exchange, interest rate and equity market risk management

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets.

The management of foreign exchange and interest rate risk, in addition to transactions involving shares and financial instruments, is centralized.

The Group has implemented a stringent policy and rigorous management guidelines to manage, measure, and monitor these market risks.

These activities are organized based on a segregation of duties between risk measurement, hedging (front office), administration (back office) and financial control.

The backbone of this organization is an integrated information system which allows hedging transactions to be monitored quickly.

The Group's hedging strategy is presented to the Audit Committee. Hedging decisions are made according to an established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

Counterparties are selected based on their rating and in accordance with the Group's risk diversification strategy.

23.2 Summary of derivatives

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

(EUR millions)			Notes	2019	2018	2017
Interest rate risk	Assets:	non-current		20	23	33
		current		12	12	9
	Liabilities:	non-current		(3)	(7)	(8)
		current		(14)	(12)	(6)
			23.3	**16**	**16**	**28**
Foreign exchange risk	Assets:	non-current		68	18	34
		current		165	108	485
	Liabilities:	non-current		(15)	(60)	(42)
		current		(124)	(154)	(39)
			23.4	**93**	**(88)**	**438**
Other risks	Assets:	non-current		694	216	179
		current		3	3	2
	Liabilities:	non-current		(694)	(216)	(179)
		current		-	-	-
			23.5	**2**	**3**	**2**
Total	Assets:	non-current	10	782	257	246
		current	13	180	123	496
	Liabilities:	non-current	20	(712)	(283)	(229)
		current	22	(138)	(166)	(45)
				112	**(69)**	**468**

23.3 Derivatives used to manage interest rate risk

The aim of the Group's debt management policy is to adapt the debt maturity profile to the characteristics of the assets held, to contain borrowing costs, and to protect net profit from the impact of significant changes in interest rates.

For these purposes, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of December 31, 2019 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value [(a)(b)]			
	Less than 1 year	From 1 to 5 years	More than 5 years	Total	Future cash flow hedges	Fair value hedges	Not allocated	Total
Interest rate swaps, floating-rate payer	400	1,620	-	2,020	-	27	-	27
Interest rate swaps, fixed-rate payer	-	902	-	902	(4)	-	(4)	(8)
Foreign currency swaps, euro-rate payer	-	470	-	470	-	1	-	1
Foreign currency swaps, euro-rate receiver	57	133	-	190	-	(4)	-	(4)
Total					**(4)**	**24**	**(4)**	**16**

(a) Gain/(Loss).
(b) See Note 1.9 regarding the methodology used for market value measurement.

23.4 Derivatives used to manage foreign exchange risk

A significant portion of Group companies' sales to customers and to their own retail subsidiaries as well as certain purchases are denominated in currencies other than their functional currency; the majority of these foreign currency-denominated cash flows are intra-Group cash flows. Hedging instruments are used to reduce the risks arising from the fluctuations of currencies against the exporting and importing companies' functional currencies, and are allocated to either accounts receivable or accounts payable (fair value hedges) for the fiscal year, or to transactions anticipated for future periods (cash flow hedges).

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

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

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2019 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation [(a)]				Market value [(b)(c)]				
	2019	**2020**	**Thereafter**	**Total**	**Future cash flow hedges**	**Fair value hedges**	**Foreign currency net investment hedges**	**Not allocated**	**Total**
Options purchased									
Put USD	-	241	-	241	8	-	-	-	8
Put JPY	-	28	20	48	1	-	-	-	1
Put GBP	-	123	-	123	3	-	-	-	3
Other	-	84	-	84	2	-	-	-	2
	-	**476**	**20**	**496**	**14**	**-**	**-**	**-**	**14**
Collars									
Written USD	356	5,737	519	6,612	90	-	-	-	90
Written JPY	23	1,267	17	1,307	20	-	-	-	20
Written GBP	8	425	-	433	-	-	-	-	-
Written HKD	-	464	-	464	3	-	-	-	3
Written CNY	-	504	34	538	12	-	-	-	12
	387	**8,397**	**570**	**9,354**	**125**	**-**	**-**	**-**	**125**
Forward exchange contracts									
USD	239	(145)	-	94	1	2	-	-	3
HKD	-	-	-	-	-	-	-	-	-
JPY	35	-	-	35	-	-	-	-	-
CHF	(10)	-	-	(10)	-	1	-	-	1
RUB	39	-	-	39	-	(1)	-	-	(1)
CNY	-	-	-	-	-	-	-	-	-
GBP	36	9	-	45	-	-	-	-	-
Other	104	16	-	120	(1)	(2)	-	-	(3)
	443	**(120)**	**-**	**323**	**-**	**-**	**-**	**-**	**-**
Foreign exchange swaps									
USD	136	445	(534)	47	-	(37)	6	-	(31)
GBP	1,098	-	-	1,098	-	4	-	-	4
JPY	317	-	-	317	-	(9)	-	-	(9)
CNY	(325)	19	11	(295)	-	(2)	-	-	(2)
Other	92	-	-	92	-	(4)	(4)	-	(8)
	1,318	**464**	**(523)**	**1,259**	**-**	**(48)**	**2**	**-**	**(46)**
Total	**2,148**	**9,217**	**67**	**11,432**	**139**	**(48)**	**2**	**-**	**93**

(a) Sale/(Purchase).
(b) See Note 1.9 regarding the methodology used for market value measurement.
(c) Gain/(Loss).

23.5 Financial instruments used to manage other risks

The Group's investment policy is designed to take advantage of a long-term investment horizon. Occasionally, the Group may invest in equity-based financial instruments with the aim of enhancing the dynamic management of its investment portfolio.

The Group is exposed to risks of share price changes either directly (as a result of its holding of subsidiaries, equity investments and current available for sale financial assets) or indirectly (as a result of its holding of funds, which are themselves partially invested in shares).

The Group may also use equity-based derivatives to synthetically create an economic exposure to certain assets, to hedge cash-settled compensation plans index-linked to the LVMH share price, or to hedge certain risks related to changes in the LVMH share price. In connection with the convertible bonds issued in 2016 (see Note 18 to the consolidated financial statements as of December 31, 2016), LVMH subscribed to financial instruments enabling it to fully hedge the exposure to any positive or negative changes in the LVMH share price. As provided by applicable accounting policies, the optional components of convertible bonds and financial instruments subscribed for hedging purposes are recorded under "Derivatives". The change in market value of these options is index-linked to the change in the LVMH share price.

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers; or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2019 have a positive market value of 2 million euros. Considering nominal values of 199 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2019 would have a net impact on the Group's consolidated reserves in an amount of 1 million euros. These instruments mature in 2020.

24. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari. The Selective Retailing business group comprises the Group's own-label retailing activities. Other activities and holding companies comprise brands and businesses that are not associated with any of the abovementioned business groups, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

24.1 Information by business group

Fiscal year 2019

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [(a)]	Total
Sales outside the Group	5,547	22,164	5,738	4,286	14,737	1,199	-	53,670
Intra-Group sales	28	73	1,097	120	54	16	(1,388)	-
Total revenue	**5,576**	**22,237**	**6,835**	**4,405**	**14,791**	**1,214**	**(1,388)**	**53,670**
Profit from recurring operations	1,729	7,344	683	736	1,395	(351)	(32)	11,504
Other operating income and expenses	(7)	(20)	(27)	(28)	(15)	(135)	-	(231)
Depreciation, amortization and impairment expenses	(191)	(1,856)	(431)	(477)	(1,409)	(253)	98	(4,519)
Of which: Right-of-use assets	*(31)*	*(1,146)*	*(141)*	*(230)*	*(872)*	*(85)*	*98*	*(2,408)*
Other	*(160)*	*(710)*	*(290)*	*(247)*	*(536)*	*(168)*	*-*	*(2,111)*
Intangible assets and goodwill [(b)]	7,582	13,120	1,401	5,723	3,470	1,950	-	33,246
Right-of-use assets	116	5,239	487	1,196	5,012	824	(465)	12,409
Property, plant and equipment	3,142	4,308	773	610	1,919	7,788	(7)	18,533
Inventories and work in progress	5,818	2,884	830	1,823	2,691	44	(375)	13,717
Other operating assets [(c)]	1,547	2,028	1,518	740	895	1,317	10,558	18,603
Total assets	**18,205**	**27,581**	**5,009**	**10,092**	**13,987**	**11,923**	**9,711**	**96,507**
Equity	-	-	-	-	-	-	38,365	38,365
Lease liabilities	118	5,191	481	1,141	5,160	888	(434)	12,545
Other liabilities [(d)]	1,727	4,719	2,321	1,046	2,938	1,674	31,172	45,597
Total liabilities and equity	**1,845**	**9,910**	**2,802**	**2,187**	**8,098**	**2,562**	**69,104**	**96,507**
Operating investments [(e)]	(325)	(1,199)	(378)	(296)	(659)	(436)	-	(3,294)

Fiscal year 2018 [f]

(EUR millions)	**Wines and Spirits**	**Fashion and Leather Goods**	**Perfumes and Cosmetics**	**Watches and Jewelry**	**Selective Retailing**	**Other and holding companies**	**Eliminations and not allocated [a]**	**Total**
Sales outside the Group	5,115	18,389	5,015	4,012	13,599	696	-	46,826
Intra-Group sales	28	66	1,077	111	47	18	(1,347)	-
Total revenue	**5,143**	**18,455**	**6,092**	**4,123**	**13,646**	**714**	**(1,347)**	**46,826**
Profit from recurring operations	1,629	5,943	676	703	1,382	(270)	(60)	10,003
Other operating income and expenses	(3)	(10)	(16)	(4)	(5)	(88)	-	(126)
Depreciation, amortization and impairment expense	(162)	(764)	(275)	(239)	(463)	(169)	-	(2,072)
Of which: Right-of-use assets	-	-	-	-	-	-	-	-
Other	*(162)*	*(764)*	*(275)*	*(239)*	*(463)*	*(169)*	-	*(2,072)*
Intangible assets and goodwill [b]	6,157	13,246	1,406	5,791	3,430	951	-	30,981
Right-of-use assets	-	-	-	-	-	-	-	-
Property, plant and equipment	2,871	3,869	677	576	1,817	5,309	(7)	15,112
Inventories	5,471	2,364	842	1,609	2,532	23	(356)	12,485
Other operating assets [c]	1,449	1,596	1,401	721	870	976	8,709	15,722
Total assets	**15,948**	**21,075**	**4,326**	**8,697**	**8,649**	**7,259**	**8,346**	**74,300**
Equity	-	-	-	-	-	-	33,957	33,957
Lease liabilities	-	-	-	-	-	-	-	-
Other liabilities [d]	1,580	4,262	2,115	1,075	3,005	1,249	27,057	40,343
Total liabilities and equity	**1,580**	**4,262**	**2,115**	**1,075**	**3,005**	**1,249**	**61,014**	**74,300**
Operating investments [e]	(298)	(827)	(330)	(303)	(537)	(743)	-	(3,038)

Fiscal year 2017 [f]

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	5,051	15,422	4,534	3,722	13,272	635	-	42,636
Intra-Group sales	33	50	1,026	83	39	16	(1,247)	-
Total revenue	**5,084**	**15,472**	**5,560**	**3,805**	**13,311**	**651**	**(1,247)**	**42,636**
Profit from recurring operations	1,558	4,905	600	512	1,075	(309)	(48)	8,293
Other operating income and expenses	(18)	(29)	(8)	(90)	(42)	7	-	(180)
Depreciation, amortization and impairment expense	(158)	(669)	(254)	(273)	(510)	(67)	-	(1,931)
Of which: Right-of-use assets	-	-	-	-	-	-	-	-
Other	*(158)*	*(669)*	*(254)*	*(273)*	*(510)*	*(67)*	-	*(1,931)*
Intangible assets and goodwill [b]	6,277	13,149	1,280	5,684	3,348	1,056	-	30,794
Right-of-use assets	-	-	-	-	-	-	-	-
Property, plant and equipment	2,740	3,714	607	537	1,701	4,570	(7)	13,862
Inventories	5,115	1,884	634	1,420	2,111	16	(292)	10,888
Other operating assets [c]	1,449	1,234	1,108	598	845	1,279	7,698	14,211
Total assets	**15,581**	**19,981**	**3,629**	**8,239**	**8,005**	**6,921**	**7,399**	**69,755**
Equity	-	-	-	-	-	-	30,377	30,377
Lease liabilities	-	-	-	-	-	-	-	-
Other liabilities [d]	1,544	3,539	1,706	895	2,839	1,223	27,632	39,378
Total liabilities and equity	**1,544**	**3,539**	**1,706**	**895**	**2,839**	**1,223**	**58,009**	**69,755**
Operating investments [e]	(292)	(563)	(286)	(269)	(570)	(297)	1	(2,276)

(a) Eliminations correspond to sales between business groups; these generally consist of sales to Selective Retailing from other business groups. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Intangible assets and goodwill correspond to the carrying amounts shown in Notes 3 and 4.
(c) Assets not allocated include available for sale financial assets, other financial assets, and current and deferred tax assets.
(d) Liabilities not allocated include financial debt, current and deferred tax liabilities, and liabilities related to purchase commitments for minority interests' shares.
(e) Increase/(Decrease) in cash and cash equivalents.
(f) The 2017 and 2018 financial statements have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 regarding the impact of the application of IFRS 16.

24.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2019	2018	2017
France	4,725	4,491	4,172
Europe (excl. France)	10,203	8,731	8,000
United States	12,613	11,207	10,691
Japan	3,878	3,351	2,957
Asia (excl. Japan)	16,189	13,723	11,877
Other countries	6,062	5,323	4,939
Revenue	**53,670**	**46,826**	**42,636**

Operating investments by geographic region of delivery are as follows:

(EUR millions)	2019	2018	2017
France	1,239	1,054	921
Europe (excl. France)	687	539	450
United States	453	765	393
Japan	133	80	51
Asia (excl. Japan)	534	411	309
Other countries	248	189	152
Operating investments	**3,294**	**3,038**	**2,276**

No geographic breakdown of segment assets is provided since a significant portion of these assets consists of brands and goodwill, which must be analyzed on the basis of the revenue generated by these assets in each region, and not in relation to the region of their legal ownership.

24.3 Quarterly information

Quarterly revenue by business group breaks down as follows:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	1,349	5,111	1,687	1,046	3,510	187	(352)	12,538
Second quarter	1,137	5,314	1,549	1,089	3,588	193	(326)	12,544
Third quarter	1,433	5,448	1,676	1,126	3,457	511 (a)	(335)	13,316
Fourth quarter	1,657	6,364	1,923	1,144	4,236	323	(375)	15,272
Total for 2019	**5,576**	**22,237**	**6,835**	**4,405**	**14,791**	**1,214**	**(1,388)**	**53,670**
First quarter	1,195	4,270	1,500	959	3,104	161	(335)	10,854
Second quarter	1,076	4,324	1,377	1,019	3,221	186	(307)	10,896
Third quarter	1,294	4,458	1,533	1,043	3,219	173	(341)	11,379
Fourth quarter	1,578	5,403	1,682	1,102	4,102	194	(364)	13,697
Total for 2018	**5,143**	**18,455**	**6,092**	**4,123**	**13,646**	**714**	**(1,347)**	**46,826**
First quarter	1,196	3,405	1,395	879	3,154	163	(308)	9,884
Second quarter	1,098	3,494 (b)	1,275	959	3,126	163	(285)	9,830
Third quarter	1,220	3,939	1,395	951	3,055	146	(325)	10,381
Fourth quarter	1,570	4,634	1,495	1,016	3,976	179	(329)	12,541
Total for 2017	**5,084**	**15,472**	**5,560**	**3,805**	**13,311**	**651**	**(1,247)**	**42,636**

(a) Including the entire revenue of Belmond from April to September, 2019.
(b) Including the entire revenue of Rimowa for the first half of 2017.

25. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	2019	2018	2017
Advertising and promotion expenses	6,265	5,518	4,831
Personnel costs	9,419	8,290	7,618
Research and development expenses	140	130	130

See also Note 7 regarding the breakdown of lease expenses.

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

As of December 31, 2019, a total of 4,915 stores were operated by the Group worldwide (4,592 in 2018, 4,374 in 2017) particularly by Fashion and Leather Goods and Selective Retailing.

Personnel costs consist of the following elements:

(EUR millions)	2019	2018	2017
Salaries and social security contributions	9,180	8,081	7,444
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans[(a)]	167	127	112
Stock option plan and related expenses[(b)]	72	82	62
Personnel costs	**9,419**	**8,290**	**7,618**

(a) See Note 30.
(b) See Note 17.3.

26. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2019	2018	2017
Net gains/(losses) on disposals	-	(5)	(15)
Restructuring costs	(57)	1	(15)
Remeasurement of shares acquired prior to their initial consolidation	-	-	(12)
Transaction costs relating to the acquisition of consolidated companies	(45)	(10)	(13)
Impairment or amortization of brands, trade names, goodwill and other fixed assets	(26)	(117)	(128)
Other items, net	(104)	5	3
Other operating income and expenses	**(231)**	**(126)**	**(180)**

Impairment and amortization expenses recorded are mostly for brands and goodwill. “Other items, net” notably includes the donation for the reconstruction of Notre-Dame de Paris for an amount of 100 million euros.

27. NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	2019	2018[(a)]	2017[(a)]
Borrowing costs	(156)	(158)	(169)
Income from cash, cash equivalents and current available for sale financial assets	50	44	34
Fair value adjustment of borrowings and interest rate hedges	(1)	(3)	(2)
Cost of net financial debt	**(107)**	**(117)**	**(137)**
Interest on lease liabilities	**(290)**	**-**	**-**
Dividends received from non-current available for sale financial assets	8	18	13
Cost of foreign exchange derivatives	(230)	(160)	(168)
Fair value adjustment of available for sale financial assets	82	(108)	264
Other items, net	(22)	(21)	(31)
Other financial income and expenses	**(162)**	**(271)**	**78**
Net financial income/(expense)	**(559)**	**(388)**	**(59)**

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

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

(EUR millions)	**2019**	**2018**	**2017**
Income from cash and cash equivalents	36	31	21
Income from current available for sale financial assets	14	13	13
Income from cash, cash equivalents and current available for sale financial assets	**50**	**44**	**34**

The cost of foreign exchange derivatives breaks down as follows:

(EUR millions)	**2019**	**2018**	**2017**
Cost of commercial foreign exchange derivatives	(230)	(156)	(175)
Cost of foreign exchange derivatives related to net investments denominated in foreign currency	5	3	-
Cost and other items related to other foreign exchange derivatives	(5)	(7)	7
Cost of foreign exchange derivatives	**(230)**	**(160)**	**(168)**

28. INCOME TAXES

(EUR millions)	**2019**	**2018**	**2017**
Current income taxes for the fiscal year	(3,234)	(2,631)	(2,875)
Current income taxes relating to previous fiscal years	12	76	474
Current income taxes	**(3,222)**	**(2,555)**	**(2,401)**
Change in deferred income taxes	300	57	137
Impact of changes in tax rates on deferred income taxes	(10)	(1)	50
Deferred income taxes	**290**	**56**	**187**
Total tax expense per income statement	**(2,932)**	**(2,499)**	**(2,214)**
Tax on items recognized in equity	**28**	**118**	**(103)**

The following table presents the effective tax rate:

(EUR millions)	**2019**	**2018**	**2017**
Profit before tax	10,714	9,489	8,054
Total income tax expense	(2,932)	(2,499)	(2,214)
Effective tax rate	**27.4%**	**26.3%**	**27.5%**

In October 2017, the French Constitutional Court struck down the French dividend tax, introduced in 2012, which required French companies to pay a tax equal to 3% of dividends paid. In order to finance the corresponding reimbursement, an exceptional surtax was introduced, which raised the income tax payable by French companies in respect of fiscal year 2017 by 15% or 30%, depending on the company's revenue bracket. The reimbursement received, including interest on arrears and net of the exceptional surtax, represented income in the amount of 228 million euros.

In 2017, the impact of changes in tax rates on deferred income taxes mainly involved two opposing trends. First, the 2018 Budget Act in France continued the gradual reduction of the corporate tax rate initiated by the 2017 Budget Act, lowering the tax rate to 25.83% from 2022; long-term deferred taxes of the Group's French entities, mainly relating to acquired brands, were thus revalued based on the rate applicable from 2022. Moreover, the tax reform signed into law in the United States lowered the overall corporate income tax rate from 40% to 27% beginning in fiscal year 2018; deferred taxes of entities that are taxable in the United States were thus revalued.

29. EARNINGS PER SHARE

	2019	2018	2017
Net profit, Group share *(EUR millions)*	**7,171**	**6,354**	**5,365**
Average number of shares outstanding during the fiscal year	505,281,934	505,986,323	507,172,381
Average number of treasury shares owned during the fiscal year	(2,063,083)	(3,160,862)	(4,759,687)
Average number of shares on which the calculation before dilution is based	**503,218,851**	**502,825,461**	**502,412,694**
Basic earnings per share *(EUR)*	**14.25**	**12.64**	**10.68**
Average number of shares outstanding on which the above calculation is based	503,218,851	502,825,461	502,412,694
Dilutive effect of stock option and bonus share plans	620,691	1,092,679	1,597,597
Other dilutive effects	-	-	-
Average number of shares on which the calculation after dilution is based	**503,839,542**	**503,918,140**	**504,010,291**
Diluted earnings per share *(EUR)*	**14.23**	**12.61**	**10.64**

As of December 31, 2019, all of the instruments that may dilute earnings per share have been taken into consideration when determining the dilutive effect, given that all of the outstanding subscription options are considered to be available to be exercised at that date, since the LVMH share price is higher than the exercise price of these options.

No events occurred between December 31, 2019 and the date at which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

30. PROVISIONS FOR PENSIONS, CONTRIBUTION TO MEDICAL COSTS AND OTHER EMPLOYEE BENEFIT COMMITMENTS

The expense recognized in the fiscal years presented for provisions for pensions, contribution to medical costs and other employee benefit commitments is as follows:

(EUR millions)	2019	2018	2017
Service cost	112	113	110
Net interest cost	12	12	12
Actuarial gains and losses	(2)	(1)	-
Changes in plans	46	3	(10)
Total expense for the fiscal year for defined-benefit plans	**167**	**127**	**112**

Changes in plans correspond to the impact of the vesting of rights under supplementary pension plans covering the Group's Executive Committee members and senior executives, following the entry into force of the French PACTE law and the Order of July 3, 2019.

31. OFF-BALANCE SHEET COMMITMENTS

31.1 Purchase commitments

(EUR millions)	2019	2018	2017
Grapes, wines and *eaux-de-vie*	2,840	2,040	1,925
Other purchase commitments for raw materials	211	215	123
Industrial and commercial fixed assets	674	721	525
Investments in joint venture shares and non-current available for sale financial assets	14,761	2,151	205

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

As of December 31, 2019, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co. ("Tiffany") at a unit price of 135 US dollars, for a total of 16.2 billion US dollars. The transaction, recommended by Tiffany's Board of Directors, is expected to close in mid-2020, subject to approval at Tiffany's Shareholders' Meeting convened on February 4, 2020, and subject to customary approval by regulatory authorities.

As of December 31, 2018, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the Class A shares of Belmond Ltd at a unit price of 25 US dollars, for a total of 2.3 billion US dollars, after taking into account the shares acquired on the market in December 2018. This transaction took place in April 2019; see Note 2.

As of December 31, 2019, the maturity schedule of these commitments is as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and *eaux-de-vie*	742	2,058	40	2,840
Other purchase commitments for raw materials	152	59	-	211
Industrial and commercial fixed assets	576	100	(2)	674
Investments in joint venture shares and non-current available for sale financial assets	14,601	159	-	14,761

31.2 Collateral and other guarantees

As of December 31, 2019, these commitments broke down as follows:

(EUR millions)	2019	2018	2017
Securities and deposits	371	342	379
Other guarantees	163	160	274
Guarantees given	**534**	**502**	**653**
Guarantees received	**53**	**70**	**40**

The maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	156	210	5	371
Other guarantees	69	81	13	163
Guarantees given	**225**	**291**	**18**	**534**
Guarantees received	**(22)**	**(27)**	**(4)**	**(53)**

31.3 Other commitments

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

32. EXCEPTIONAL EVENTS AND LITIGATION

As part of its day-to-day management, the Group may be party to various legal proceedings concerning trademark rights, the protection of intellectual property rights, the protection of selective retailing networks, licensing agreements, employee relations, tax audits, and any other matters inherent to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation proceedings and disputes that are in progress and any others of which it is aware at the year-end, are sufficient to avoid its consolidated financial position being materially impacted in the event of an unfavorable outcome.

There were no significant developments in fiscal year 2019 with regard to exceptional events or litigation.

To the best of the Company's knowledge, there are no pending or impending administrative, judicial or arbitration procedures that are likely to have, or have had over the twelve-month period under review, any significant impact on the financial position or profitability of the Group.

33. RELATED-PARTY TRANSACTIONS

No significant related-party transactions occurred during the fiscal year.

34. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2019 and January 28, 2020, the date at which the financial statements were approved for publication by the Board of Directors.

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LVMH

MOËT HENNESSY • LOUIS VUITTON

For any information:
LVMH, 22 avenue Montaigne - 75008 Paris
Tel. +33 1 44 13 22 22 - Fax +33 1 44 13 21 19

www.lvmh.com