

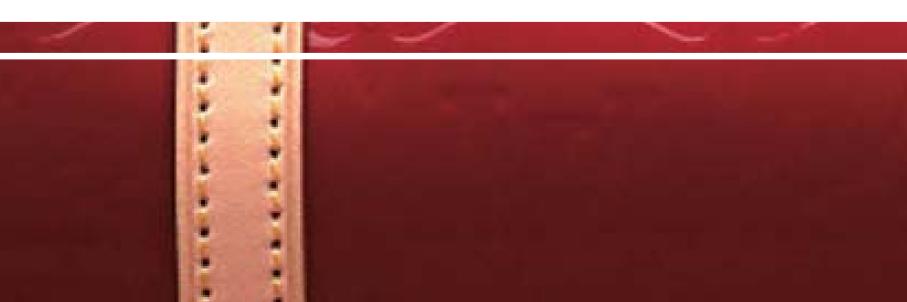


02 . Chairman's Message

- **06.** Financial Highlights
- **08.** Interview with Antonio Belloni: Many talents A unique success
- **10.** Corporate Governance
- 12. The LVMH Share

14. Review of operations

- 16. Wines & Spirits
- 24. Fashion & Leather Goods
- **32.** Perfumes & Cosmetics
- 40. Watches & Jewelry
- 46. Selective Retailing

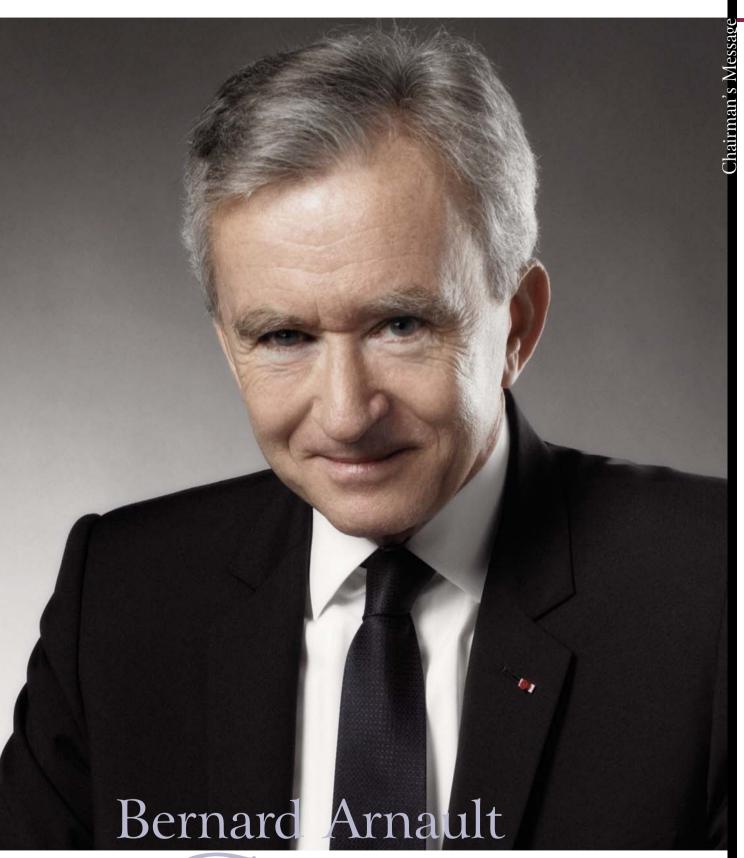




52 . Sustainable development

- **54.** Human resources Strengthening talents Committing values
- **62.** Corporate sponsorship to support culture, youth and humanitarian action
- **63.** Protecting the environment

67 . Consolidated Financial Statements



The main strength of our Group, demonstrated by the consistency of the financial results, is without doubt LVMH's unique portfolio of exceptional, globally recognised brands which are emblematic of the history and the world of luxury.

Continue

The growth of LVMH has been driven by strong consumer demand for our products, as much in Europe and the United States as in emerging markets. In China, Russia and India, all markets with strong cultural traditions, new clients are looking to LVMH's star brands as symbolic of a lifestyle to which they aspire enthusiastically. Thanks to its unique portfolio of iconic brands, the talent of its teams and the global reach of its business, LVMH is in an excellent position to gain market share and to continue its leadership in the luxury goods market in 2008 and beyond.

By accentuating growth in both traditional and emerging markets over the course of 2007, LVMH has made considerable further progress while continuing to improve operating margin. All businesses contributed to this performance, recording double digit organic revenue growth and improved profitability.

Our Group has thus maintained strong growth in a contrasting economic environment: strong global demand, but also significant currency volatility throughout the year and, in the second half, major financial turbulence and the first signs of a slowdown in America. The excellent results obtained against this backdrop confirm our confidence in LVMH's ability to achieve consistent growth and to react to a competitive and changing world.

A unique portfolio of iconic brands

The main strength of our Group, demonstrated by the consistency of the financial results, is without doubt LVMH's unique portfolio of exceptional, globally recognised brands which are emblematic of history and the world of luxury. Some of our brands are steeped in centuries of history. Let us not forget that Madame Clicquot, resisting the sanctions imposed by the Napoleonic wars, arranged for her champagne to be sent to Saint-Petersburg in 1814 and that

Louis Vuitton trunks have been sold in Australia since the end of the 19th century. Hennessy cognac was first exported to China in 1859 and to New York in 1794. And only a year after opening his Maison de Couture, Christian Dior figured among the five most famous personalities in the world.

Over the last few years, eight of our Maisons have had the honour of winning the 'Entreprise du Patrimoine Vivant' award. Our star brands have become benchmarks for the industry. In all four corners of the world they embody values and traditions of excellence, fulfilling dreams and accompanying extraordinary moments. Thanks to strong, sustained and genuine innovation, they remain loyal to their roots and their magic and success persists in a modern context.

Strong internal growth driven by the performance of both premium established brands and rising stars

Louis Vuitton, Hennessy, Christian Dior, Dom Pérignon, Moët & Chandon, Sephora, TAG Heuer... In 2008, which has started with widespread economic uncertainty, the extraordinary momentum of our star brands, sure values for our loyal clientele and models of profitability within LVMH, remain our core asset. Our strategy has not changed and our priority remains

to invest in their development. Over the years their performance has progressively been overtaken by the emerging brands in each of our business groups. Fendi has already risen to become one of our star brands, Krug, Ruinart, our New World wines, Loewe, Marc Jacobs, Guerlain, BeneFit.... all will again increase their contribution in 2008 and still retain remarkable potential.

2008 will be a year during which innovation, the development of our product range and the strength of our distribution network will be the drivers of growth. Our brands are engaged in particularly ambitious new product launch programmes. This is particularly true of Louis Vuitton, Fendi, and all of our Perfumes and Cosmetics brands. Our watch and jewelry brands will continue to innovate and to strengthen their iconic ranges. Illustrating their creative energy, the Wines and Spirits houses will continue to offer products of high quality, limited edition ranges and original events. In 2007, we passed the mark of 2,000 stores worldwide. This network, which will continue to expand in 2008, is not only remarkable for its size; it is also the subject of constant refurbishment and innovation and is remarkable for its capacity to communicate the excellence and modernity of the Group's businesses to our loyal clientele across the world.

exceptional development

Continue an exceptional development

Value chain

All that fascinates and intrigues our clients our products, window displays, fashion shows and marketing campaigns - bears witness to the quality and creativity of our Group. But the overall strength of LVMH lies with its craftsmen who, in our workshops, maintain a rare and demanding expertise; with the creative teams who revisit our classic designs with fresh eyes and infuse them with current tastes; with a powerful and efficient business organisation which facilitates simultaneous global product launches and the delivery of our collections to our stores in record time; with the careful and uncompromising control over each detail of our businesses... All of these skills form a value chain, from the conception of our products to their distribution, orchestrated by managers of the highest quality. Our Group is driven by passionate and talented teams. The remarkable work which they accomplish is not always widely recognised, but it is on this and on the overall quality of our organisation that the exceptional and uninterrupted growth of LVMH relies since the inception of the Group, and by which the strong growth that we expect in years to come will be driven.

6 February 2008



Bernard Arnault Chairman & Chief Executive Officer



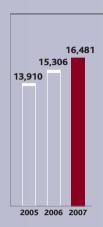


LVMH generated organic revenue growth of 13%, to which all geographic regions contributed. All business groups improved their profitability, driving a new increase in the Group's operating margin.

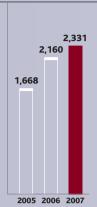
Revenue EUR million

Profit from recurring operations EUR million

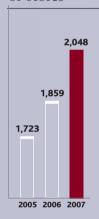
Net profit EUR million







Number of stores





Revenue by business group EUR million

	2005	2006	2007
Total equity ⁽¹⁾	10,484	11,594	12,528
Net financial debt to equity ratio	41 %	29 %	25 %

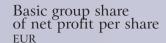
(1) Includes minority interests.

	2005	2006	2007
Wines and Spirits	2,644	2,994	3,226
Fashion and Leather Goods	4,812	5,222	5,628
Perfumes and Cosmetics	2,285	2,519	2,731
Watches and Jewelry	585	737	833
Selective Retailing	3,648	3,891	4,179
Other activities and eliminations	(64)	(57)	(116)
Total	13,910	15,306	16,481



Strong revenue growth and improved operating margin

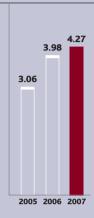
Group share of net profit EUR million

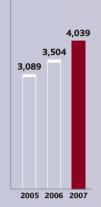




Capital expenditures⁽²⁾ EUR million







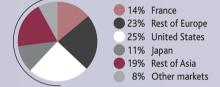


(2) Acquisitions of tangible and intangible fixed assets.

Store	netwoi	rk	
at déc	embre	31,	2007

France	306
Rest of Europe	523
North America	463
Japan	253
Rest of Asia	409
Other markets	94

Revenue by geographic region of delivery in %

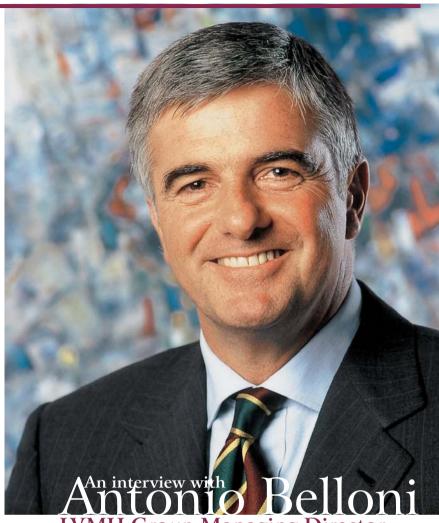


Profit from recurring operations by business group EUR million

	2005	2006	2007
Wines and Spirits	869	962	1,058
Fashion and Leather Goods	1,467	1,633	1,829
Perfumes and Cosmetics	173	222	256
Watches and Jewelry	21	80	141
Selective Retailing	347	400	439
Other activities and eliminations	(134)	(125)	(168)
Total	2,743	3,172	3,555



Many talents-a single



LVMH Group Managing Director

Over the last twenty years, LVMH has substantially developed its original businesses, opened new markets and won strong positions in new business sectors. The Group has increased its revenue by a factor of eight and its work force by nearly a factor of six. The diversity of backgrounds, cultures and talents of the men and women of the Group throughout the world forms a unique capital asset, and is the source of our incomparable success in the luxury market. How do we continue to develop and enhance this resource of capital?

Isn't it a cliché to say that it is the teams and diversity of their talents that determine the strength and success of a company?

Antonio Belloni: The market value of LVMH is substantially higher than the book value of its capital. That clearly means that the market gives high importance to its intangible assets: the strength of its brands, of course, but also the many skills and talents within the Group, and the ambitions and values shared by its managers and its teams. We often say that our designers and our artisans are the soul of our companies, but we can

also state that our marketing and communications teams give our brands their modernity, that our sales teams are the artisans of our successes in the field, that our financial and legal teams ensure good governance and the power of the Group. I would like to insist on this point: within LVMH, all the businesses are businesses of excellence, and it is strategic to recruit, find and develop the best talent in each position. This is the principal mission for Chantal Gaemperle, who is making Human Resources a major player within the Group.

LVMH is present in 66 countries and more than 70% of its employees work in the international sector. Can one describe the Group, therefore, as multicultural?

A. B.: This diversity of cultures is an extraordinary source of richness and a key factor in competitiveness. In effect, all our brands combine a global vision with a local approach. In our Companies—French and European for the most part, the managers are responsible for the vision of the brand and the resulting global strategy. In the markets, they define that strategy and adapt it to the specific characteristics

of the country and the customers. The successful articulation of these two components effectively implies that we train multi-cultural teams, that men and women of diverse origins from all over the world learn to work together, and that we offer our managers international career paths so that they are open to the world and to other cultures. The size of the Group and the scope of its operations encourage this geographic mobility which, along with the prestige and number of our brands, is one of the primary factors in the attractiveness of the career prospects we offer.

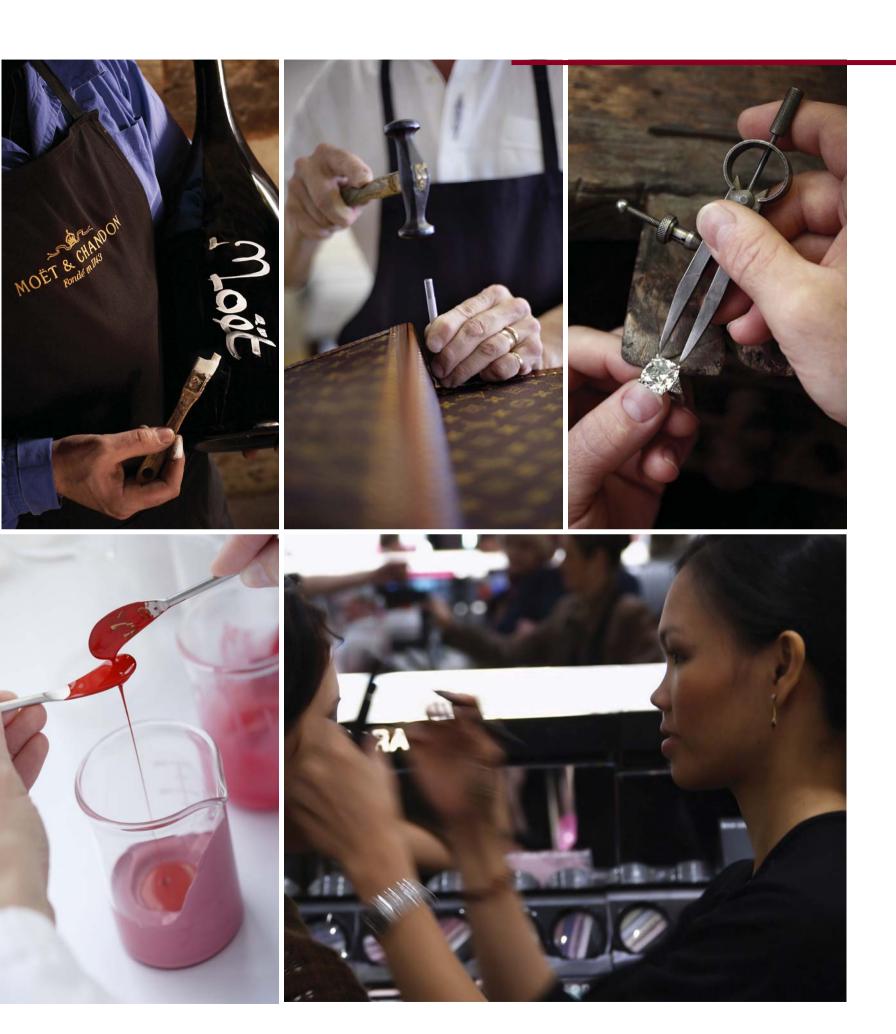
Attracting the best talent is one thing. Then, they have to be allowed to achieve their full potential. How does the Group accomplish that?

A. B.: Our organization is highly decentralized, and our management style promotes independence and works to encourage initiative and efficiency. In this context, success is based squarely on the quality of the people. We have a strong culture of leadership and results: in this highly motivating environment for all members of our teams, whatever their position, the best talents necessarily emerge. Of course, while our brands are tremendous assets, our ability to transfer resources and knowledge is a competitive advantage for the Group. We must balance the autonomy of the Companies with cross-group mechanisms that identify our talent and offer them growth opportunities. This is the role of Human Resources, which ensures this fluid transfer by leading the discussions of succession and mobility throughout all our business sectors. In this stimulating environment, our managers and employees develop an almost emotional attachment to the brand for which they work and a pride in belonging to the

Is a culture of performance enough to stimulate this pride in belonging and retain the talent needed within the Group?

A. B.: No, because expectations today are much more holistic. Many other elements are involved: the pleasure of working in a world of beauty and creativity, the chance to contribute to the growth of brands with an exceptional history and aura, the opportunity to be open to other cultures and to meet outstanding men and women... And, then, today, an awareness of the challenges related to sustainable development is an integral component of the desire for individual accomplishment. The citizen dimension of the company, the values it intends to promote, contribute to their pride in belonging. LVMH has always incorporated these aspects in its growth strategy, and the Group's values form a key link among its teams around the world. Today, these issues are becoming increasingly important in the life of each Company.

success



Corporate governance

The objectives of the Board of Directors, the strategic body of LVMH, are to ensure the sustainable development of the value of the company, to adopt the major strategies that guide its management, to verify the fair and accurate presentation of information about the company, and to protect its corporate assets. As part of its mission, the Board of Directors supports the priority objective of LVMH management, which is, as it always has been, to ensure the continuous growth of the Group and a steady increase in value for its shareholders.

The Board of Directors has adopted a Charter that spells out the membership, mandates, operations and responsibilities of the Board of Directors.

The Board of Directors has two Committees, the membership, role and mandates of which are defined by internal procedural rules.

The Board of Directors' Charter and the internal rules of the Committees are provided to every candidate for the position of Director, and to the permanent representative of any legal entity, before he assumes his duties.

Pursuant to the provisions of the Board Charter, Directors must inform the Chairman of the Board of Directors of any conflict of interest, even a potential conflict, between their duties to the company and their private interests or other duties. They must also inform the chairman of any conviction for fraud, accusations and/or public sanctions, prohibition on managing or administration which has been ordered against them, and any bankruptcy, receivership or liquidation in which they have been involved. No information has been provided under this obligation.

The Company complies with current legal and regulatory provisions in France with regard to corporate governance.

Board of Directors

The Board of Directors is made up of 18 members, 6 of whom are independent and free of any interests with respect to the company.

Members of the Board of Directors must personally own at least 500 shares of LVMH.

The Board of Directors met four times in 2007, with an average attendance rate of 83.5%. The Board approved the annual and interim financial statements and reviewed the Group's major strategic guidelines, budget, the implementation of a stock subscription option plan and the allotment of bonus shares, authorization for third party guarantees, as well as various agreements with affiliated companies.

LVMH paid a total of 1,125,000 euros in directors' fees to the members of its Board of Direc-

tors. These fees were distributed among the Directors and advisors in accordance with a distribution key defined by the Board of Directors that takes into account the duties performed on the Board and in the Committees.

Executive Management

The Chairman of the Board of Directors also serves as Chief Executive Officer of the company. The Chief Executive Officer's powers are not limited in any way.

In agreement with the Chairman and Chief Executive Officer, the Board of Directors has appointed a Managing Director who has the same powers as the Chief Executive Officer.

Performance Audit Committee

The Performance Audit Committee is primarily responsible for ensuring that the accounting principles followed by the company comply with IFRS, for reviewing the corporate and consolidated financial statements before they are submitted to the Board of Directors, and for ensuring the effective implementation of the Group's internal control. It has currently 3 Directors, 2 of whom are independent. Its members and Chairman are appointed by the Board of Directors.

The Audit Performance Committee met four times in 2007. One meeting was attended by all members, and the three other meetings were attended by the Chairman and one of the two other members, as well as by the Auditors, the Chief Operating Officer, the Chief Financial Officer, the Management Control Director, the Internal Audit Director, the Accounting Director, the General Counsel and, depending on the issues discussed, the Director of Financing, the Treasurer, the Tax Director and an Advisor to the Chairman.

In addition to reviewing the corporate and consolidated financial statements, the work of the Committee focused primarily on the work of Internal Audit, the currency hedging policy, as well as legal issues, in particular any major litigation in progress.

Nominating and Compensation Committee

The responsibilities of the Nominating and Compensation Committee are listed below:

- recommendations on the distribution of Directors' fees paid by the company, as well as compensation, in-kind benefits and stock options granted to the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Managing Director(s) of the company,
- opinions on candidates for the positions of Director and Advisor to the Board or membership on the Executive Committee of the group or the general management of its principal subsidiaries, on the compensation and in-kind benefits granted to the Directors and Advisors of the company by the company or its subsidiaries, and on fixed or variable, immediate or deferred compensation and incentive plans for senior executives of the Group.

The Committee has 3 members, 2 of whom are independent. Its members and Chairman are appointed by the Board of Directors.

The Committee met twice in 2007 with all its members in attendance. It issued recommendations on compensation and the awarding of stock options to the Chairman & CEO and the Group Managing Director, and issued an opinion on the compensation, the stock options and the benefits inkind awarded to some Directors by the company or its subsidiaries.

Advisory Board

The Shareholders' Meeting may, on the recommendation of the Board of Directors, appoint a maximum of nine Advisors.

The Advisors are drawn from the shareholders based on individual merit, and form an Advisory Board.

They are appointed for a three-year term that ends immediately after the Shareholders' Meeting called to approve the financial statements for the previous fiscal year, which is held during the year in which an Advisor's term expires.

Advisors are invited to attend Board of Directors' meetings and participate in the deliberations in an advisory capacity; their absence does not affect the validity of these proceedings.

Compensation Policy

Part of the compensation paid to members of the Executive Committee and key operations personnel is based on the generation of cash, operating profit, and the return on capital employed for the business groups and companies headed by the respective executives, as well as on their individual performance. The variable portion generally represents between one-third and one-half of their compensation.

Board of directors and general management

Board of Directors

Bernard Arnault

Chairman & Chief Executive Officer

Antoine Bernheim *

Vice Chairman

Antonio Belloni

Group Managing Director

Antoine Arnault

Delphine Arnault-Gancia

Jean Arnault

Nicolas Bazire

Nicholas Clive Worms *

Diego Della Valle *

Albert Frère

Jacques Friedmann *

Pierre Godé

Gilles Hennessy

Patrick Houël

Arnaud Lagardère *

Lord Powell of Bayswater

Felix G. Rohatyn

Hubert Védrine *

Advisory Board Member

Kilian Hennessy *

Performance Audit Committee

Antoine Bernheim *

Chairman

Nicholas Clive Worms *

Gilles Hennessy

Nominating and Compensation Committee

Antoine Bernheim *

Chairman

Albert Frère

Kilian Hennessy *

* Independent Director

Executive Committee

Bernard Arnault

Chairman & Chief Executive Officer

Antonio Belloni

Group Managing Director

Nicolas Bazire

Development & Acquisitions

Ed Brennan

Travel retail

Yves Carcelle

Fashion & Leather Goods

Chantal Gaemperle

Human Resources

Pierre Godé

Advisor to the Chairman

Jean-Jacques Guiony

Finance

Patrick Houël

Advisor to the Chairman

Christophe Navarre

Wines & Spirits

Philippe Pascal

Watches & Jewelry

Daniel Piette

Investment funds

Bernard Rolley

Operations

Pierre-Yves Roussel

Fashion

Mark Weber

Donna Karan, LVMH Inc.

General Secretary

Marc-Antoine Jamet

Statutory Auditors

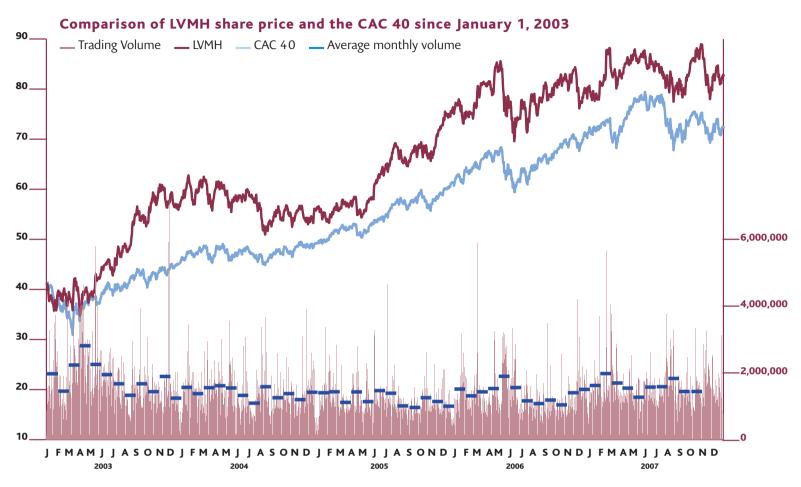
ERNST & YOUNG AUDIT represented by Jeanne Boillet and Olivier Breillot

DELOITTE & ASSOCIÉS

represented by Thierry Benoit

and Alain Pons





Changes in LVMH share price

After a positive first half, the stock markets were heavily impacted in the summer by the financial crisis that started in the United States. Higher interest rates and declining housing values in this country generated a progression of payment defaults on high-risk residential mortgage loans (known as "subprime" loans), triggering a crisis of confidence that extended to the credit markets, the money markets and the equity markets in the United States and Europe. After an improve-

ment in September and October following rate cuts decided by the US Federal Reserve, poor earnings from financial institutions again created a climate of mistrust in the markets. In this environment marked by uncertainty and an increase in the price of risk, the European markets closed the year up 1.3% for the CAC 40 and 6.8% for the DJ-Eurostoxx 50.

The LVMH share resisted the tensions in the second half well thanks to solid activity considered to be less sensitive to the slowdown in US

consumption. Thus, LVMH ended the year up 3.4% at 82.68 euros.

As of December 31, 2007, the market capitalization of LVMH was 40.5 billion euros, ranking it eleventh in the CAC 40.

LVMH is included in the major French and European indices used by fund managers: CAC 40, DJ-EuroStoxx 50, MSCI Euro, FTSE-Eurotop 100.

The LVMH share is listed for trading on Euronext Paris (Reuters Code: LVMH.PA, Bloomberg Code: MC FP, ISIN Code: FR0000121014). In addition, negotiable options on LVMH shares are traded on Euronext.liffe.

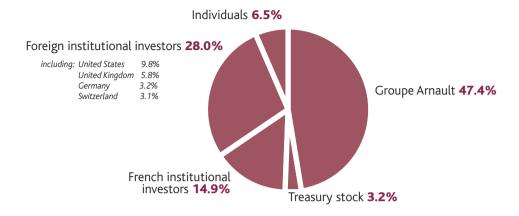
Total return for shareholders

An LVMH shareholder who invested 1,000 euros on January 1, 2003 would have 2,260 euros as of December 31, 2007, on the basis of dividend reinvestment in stocks. In five years, the investment would have offered an average annual return of about 18%.

AGENDA		
Thursday, February 6, 2008	publication of 2007 revenue and annual results	
April 2008	publication of 2008 first quarter revenue	
Thursday, May 15, 2008 Annual Shareholders' Meeting		
Friday, May 23, 2008	Payment of the balance of the dividend for 2007	
	(last trading day with dividend rights: May 19, 2008)	
July 2008	Publication of 2008 half year revenue and results	
October 2008	Publications of 2008 third quarter revenue	

Capital structure

(Euroclear France survey on bearer shares at mid-December 2007)



The French Shareholders' Club - An Initiative to Strengthen Ties

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

The magazine "Apartés," published in French for Club members, lets them order products to be delivered to addresses in France, subscribe to Investir, Connaissance des Arts and Le Monde de la Musique at special rates, be special guests on certain sites adapted for tours (caves and cellars) and benefit from special priority tickets for exhibits funded by LVMH (L'atelier d'Alberto Giacometti at the Pompidou Center in 2006).

Market capitalization

Million of euros	
December 31, 2005	36,770
December 31, 2006	39,170
December 31, 2007	40,508

A progressing dividend

	2007	2006	2005
Net dividend (€)	1.60	1.40	1.15
Growth for the year	14.3%	21.7%	21.1%
Payout ratio*	39%	36%	39%

 $[\]ensuremath{^*}$ as a percentage of Group share of net profit.

Contacts

Investor and Shareholder Relations

+ 33 1 44 13 27 27 Fax: + 1 44 13 21 19

www.lvmh.com

Breakdown of capital and voting rights

at December 31, 2007

	Number of shares	Number of voting rights (1)	% of capital	% of voting rights
Groupe Arnault	232,333,190	454,143,600	47.42%	63.46%
Other	257,604,220	261,463,846	52.58%	36.54%
Total	489,937,410	715,607,446	100.00%	100.00%

⁽¹⁾ Total number of theoretical voting rights. As of December 31, 2007, the total number of voting right net of shares deprived of voting rights was 700,184,422. As of December 31, 2007, there were 15,423,024 shares of treasury stock, without voting rights.



LVMH Rev O





2007 iew f tions



















Vence Chequot Ponsardin

LA GRANDE DAME





LA GRANDE DAME

ROSE 1998

LA GRANDE DAME

Name Chrysof Bassining

Vege Graps of Bassindre

LA GRANDE DAME



Veuve Clicquot
LA CRANDE DAME
Chimmpagane
Rose



LA GRANDE DAME

Venne Chequot Ponsardin

BANDE DA



Wines & Spirits Exceptional

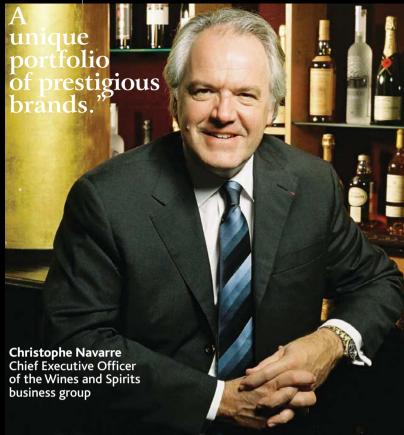
for customers who love quality

As the ambassadors of luxury in the world, the LVMH Wines & Spirits brands market exceptional products that reflect a high-growth trend in consumption. These brands make our Group the world leader in prestigious wines and spirits.

Highlights

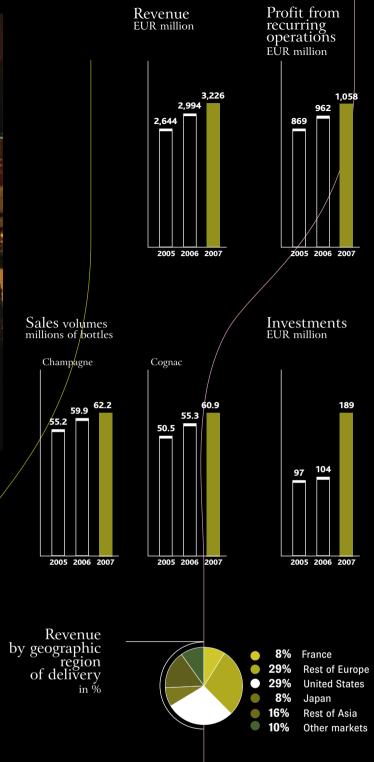
||| The Wines and Spirits business group recorded organic revenue growth of 13%, driven by the increase in volumes, improved product mix, and the implementation of a policy to raise prices. Based on published figures, revenue growth was 8% and profit from recurring operations rose 10%. ||| Revenue for Champagne and Wines totaled 1,802 million euros, with organic growth of 11% (7% based on published figures). Profit from recurring operations was 650 million euros, with organic growth of 16% (9% based on published figures) and generated profit from recurring operations of 408 million euros, an increase of 12%. Volumes for Hennessy cognac rose 10%. ||| Moët Hennessy expanded its presence in China with the acquisition of 55% of the share capital of Wen Jun Spirits, a producer of high-end white alcohols. ||| As a result of an agreement with Belvedere Winery, Moët Hennessy acquired the brand and Belvedere domain name in the United States, becoming the owner of the luxury vodka brand worldwide.





Strategy and objectives

With a strategy geared toward growth in value, the objective of our business group is to strengthen its position in the high-end segment of the global wines and spirits market. Our portfolio of prestigious brands, all symbols of quality, authenticity, and the art of living, is unequaled in the world, giving rise to a similar ambition. To support the products, we have a high-performance distribution network that we continued to strengthen over the years, both in the major consumer countries and in high-potential markets. A major component in our strategy is the exceptional, creative vitality cultivated by our brands. Throughout 2007, our stars and our rising stars shone with particular brilliance, successfully innovated in their products and promotions, created events, and won new customers.



The LVMH Wines and Spirits business group focuses its growth on the high-end segments of the market. The world leader in champagne, LVMH also holds sparkling and still wines from the most famous wine-making regions. The Group is the world leader in cognac with Hennessy and, as a means of complementing that historic business, is expanding its presence in luxury spirits. The portfolio of brands is backed by a powerful international distribution network

Champagne and Wines

In 2007, **Moët & Chandon** reinforced its global leadership. The brand recorded solid performances in its traditional markets and spectacular growth in promising markets such as Russia, Central Europe, China and India. Its remarkable performance in Japan should also be noted, the result of the work to build the brand in this market that still offers great potential.

Growth was achieved by the entire line of products, but was particularly tangible in the premium rosés, again demonstrating the brand's leadership role in this promising segment. The spectacular launch of the Grand Vintage 2000, unanimously praised by the critics, allowed Moët & Chandon to create an event and accelerate its growth in the highend segments of the market.

The brand continued its very strong international media presence through the "Be Fabulous" promotional campaign.





Dom Pérignon grew in its key markets, particularly in France and Europe, and strengthened its position as a global leader in luxury champagnes.

Pursuing its strategy to create value, the brand accelerated its development in the high-end segment with the international launch of Dom Pérignon Oenothèque 1993, which followed the success of Dom Pérignon Rosé in 2006. New and innovative products—Marc Newson 2 or La Belle and the Jeroboam in partnership with Chaumet—enhanced the ultra-luxury offers. The renovation of the brand's packaging generated a synergy with these initiatives. Karl Lagerfeld continued his collaboration with Dom Pérignon by designing a promotional campaign incarnated by Claudia Schif-



fer

Ruinart recorded a new record year in 2007. This growth was the result of the strategy to create value for the brand by giving priority to the premium products Ruinart Blanc de Blancs and Ruinart Rosé, and to the prestigious Dom Ruinart vintage. Its three flagship countries in Europe played a key role in the growth and excellent results were recorded in Russia, Japan, and the United States. Marked by exceptionally beautiful events, the year 2007 saw, among others, the launch of the second Prestige Collection designed by Christian Biecher.

Mercier, a benchmark brand in France, confirmed its position. Basing its development on the values of friendship and authenticity, the brand remained a major partner for the traditional restaurant industry.



Veuve Clicquot Ponsardin confirmed the success of its strategy to create value. The recognized excellence of the wines, the creativity of its innovations, and the support of major promotional plans enhanced and intensified the dynamic image of the brand. The Moët Hennessy distribution network applied the planned price increases, thus strengthening its premium positioning.

The brand continued to grow in its key countries, like the United States, Great Britain, Italy and Japan, and rapidly expanded its presence in new markets in Asia, Australia and Latin America.

In one of the highlights of 2007, Veuve Clicquot Ponsardin celebrated the one hundred thirty years of its yellow label during an international event in New York, the occasion for the presentation of the "Yellowboams", a limited series of Yellow Card jeroboams completely handmade and luxuriously adorned with gold leaf and labels in rare leathers. The excitement generated by Veuve Clicquot Rosé continued in all markets. The new "couture" box for La Grande Dame beautifully represents the elegant and luxurious character of the 1998 vintage in brut and rosé.

Throughout 2007, **Krug** improved its positions and consolidated its targeted investments in its strategic markets. In the United States, Japan, Great Britain, France, and Italy,

Krug recorded double-digit growth carried by the enthusiasm of champagne lovers for its inimitable taste. The release of the Krug 1996 vintage was a particular success on the international stage. Wine Spectator ranked it as exceptional, from 99 to 100 points, the highest ever awarded to a champagne.

Estates & Wines, which holds the sparkling and still wines of Moët Hennessy, recorded double-digit growth in results for the fourth consecutive year. This success confirmed the pertinence of its growth model, based on a policy of excellence and innovation, and on the super premium positioning of its brands. Growth was particularly strong in the United States, the world's leading wine market in value, and in Asia and Latin America.

Château d'Yquem, the peak of the hierarchy of Sauternes wines, achieved a superb performance in 2007. The delivery of the 2004 vintage was perfectly executed and the 2007 crop suggests a very great wine. Two Château d'Yquem tastings were held in Los Angeles in November 2007 for the greatest English-speaking and Asian critics.











Cognac and Spirits

Hennessy, the undisputed world leader in cognac, accelerated its growth in volume in 2007.

The United States confirmed its position as the primary contributing market for Hennessy, which continues to be leader there in the cognac category, both in volumes and in value. The brand focused its growth on a strategy to create value. It intensified its promotional operations in selective points of sale and with innovative programs in high-end establishments. It continued to expand its consumer base through more advertising-promotional resources. An advertising campaign—signage, press and television, titled Flaunt Your Taste, gave Hennessy high visibility and an enhanced image of sophistication.

At the same time, *Hennessy Artistry*, an exceptional international communications program, both in concept and impact, was deployed for the second consecutive year with equal success.

In Asia, 2007 was another year of strong growth. In China, Hennessy continued to strengthen its leadership in value in the world of premium spirits. The brand generated exceptional growth in this country, primarily on the basis of its V.S.O.P and X.O, in which it is the unchallenged leader. It is in a very favorable position for the future in this highly strategic market. In the very competitive Taiwan market, Hennessy enjoys a similar strong position. Hennessy is the leader in the high-growth Vietnam market. A new advertising film enhanced the sophisticated and luxurious image of Hennessy X.O in Asia. The Hennessy Artistry global communications platform was deployed for the second consecutive year in China, Hong Kong, Taiwan and Malaysia.

In Europe, Russia positioned itself as the third pillar of growth for Hennessy (after the United States and China). Russian consumers appreciate all of the products, from V.S to the rarest cognacs. In Ireland, Hennessy V.S maintained its exceptional market share. In the promising markets of Central and Eastern Europe, the brand grew rapidly.



The development of a new communications strategy and the investments made in **Belvedere** vodka after the purchase of the brand in the United States accelerated its growth. All key countries advanced steadily, permitting ambitious objectives. In 2007, **Chopin** vodka benefited from the work performed on its repositioning toward the high end, which was accompanied by new packaging and an innovative promotional program.

Two years after its launch, the luxury **10 Cane** rum grew steadily in the United States and expanded distribution to several major countries.

For **Glenmorangie** whisky, two years after joining the LVMH group, 2007 was a remarkable year, in which all the elements forming the identity of the brand, particularly its packaging, were revised in order to capitalize on its extraordinary heritage. A new product range, Glenmorangie *Extra Matured*, which replaced the *Wood Finish* range, was also launched and the preparation of Glenmorangie Original, the flagship 10-year old whisky, was refined in order to enhance the quality. The first results of these developments were extremely promising. **Ardbeg** whisky, which is prepared on the island of Islay, was exceptionally well received in the industry in 2007(it

has been named World Whisky of the Year in the 2008 edition of Jim Murray's famous Whisky Bible), and developed limited edition products for its *aficionados*.

The history of **Wen Jun** from the name of a legendary Chinese figure, dates back more than 2,000 years. The distillery, which



prepares one of the most famous and prestigious white alcohols in the country, has been operating without interruption since the Ming dynasty in the 16th century. Since its acquisition in spring 2007 by Moët Hennessy, a blend with an entirely new packaging has been developed and was introduced in December in Beijing.

Beauté du Siècle: a sublime case for an exceptional cognac

Hennessy wanted to celebrate the centennial of Kilian Hennessy, by designing an unequaled cognac blended of one hundred rare eaux-de-vie drawn from the most remarkable reserves of the 20th century. This unique cognac is presented in a Beauté du Siècle case, a signed work by artist Jean-Michel Othoniel, which reflects and symbolizes the world of ultimate luxury and pure artistic creation. This masterpiece contains a bottle made of Baccarat crystal holding the precious blend, four Murano glasses and an exceptional art book on the Talbot collection purchased by the House. Beauté du Siècle was introduced to gallery clients and experts in the greatest contemporary art salons.



Outlook

In 2008, the brands of the Wines and Spirits business group will focus on their value creation strategy and their policy of innovation.

Price increases and further improving product mix will be actively continued, accompanied by substantial investments in communications, both for the star brands and for the "rising stars". Moët Hennessy will continue to reinforce its distribution network in markets with significant growth potential.

A unique family of branching the luxury market

LVMH holds a unique group of brands in the fashion and leather goods sector, led by Louis Vuitton, by far the world's leading luxury brand.

Highlights

||| In 2007, the Fashion and Leather Goods group recorded organic revenue growth of 14% and improved its profit from recurring operations by 12%. ||| Louis Vuitton achieved a remarkable performance with another year of double-digit organic revenue growth accompanied by an exceptional level of profitability.









Strategy and objectives

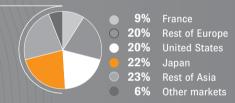
Louis Vuitton continued its exceptional path and again widened its lead in the luxury market. Our brand continued to innovate, to be the focus of the aspirations of its contemporaries, and to develop its forms of expression, but without ever forgetting its amazing heritage. The year 2007 was dedicated to travel, our core business. This theme, with its extraordinarily rich connotations, evoking both the quest for new horizons and an internal search, is the starting point for the dream that drives our customers and the success we have enjoyed for more than 150 years.

By holding fast to its heritage and deploying its creativity, Fendi also entered the winner's circle of profitable growth. The year 2007 was another dazzling illustration.

The brands of the Fashion Division, most of which are ahead of their market plans, recorded a large number of creative and commercial successes, as well as a very substantial improvement in profitability. The solid structures that have been established and future developments will strengthen this dynamic trend and win market share for LVMH in the fashion and leather goods sector.







Louis Vuitton, Fendi, Donna Karan, Loewe, Marc Jacobs, Celine, Kenzo, Givenchy, Thomas Pink, Pucci, Berluti, Stefanobi, Rossimoda and eLuxury are the brands that form the Fashion and Leather Goods business group. This exceptional collection of brands born on both sides of the Atlantic has 989 stores around the world. While it respects the individual identity and the creative positioning of its brands, LVMH supports their growth by offering shared resources.

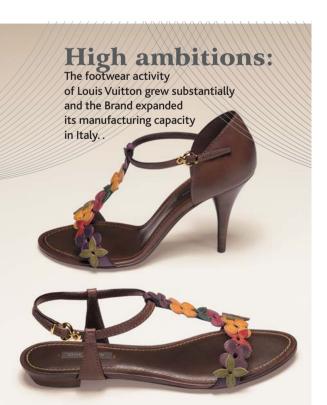
Louis Vuitton expands its leadership

Louis Vuitton generated another year of strong growth. The year 2007 was characterized by very steady growth in Europe, strong performances in North America, and exceptional vitality in Asia, particularly in China and South Korea. The brand significantly strengthened its positions in all geographic regions with local customers and reaped the full benefits of the boom in world tourism. Revenue rose substantially thanks to new travel customers from Asia, Russia and the Middle East.

As of December 31, 2007, the Louis Vuitton global retail network consisted of 390 stores. The brand opened a net 22 stores during the year, including three in new countries and completed several notable renovation projects.

An intense creative vitality

The year 2007 was marked by a strong dynamic innovation and enhancement of the permanent leather lines. The *Damier Azur* line introduced at the end of 2006 was a success alongside *Damier Ebène*, which continued to grow through the introduction of new models. The *Monogram Vernis* line added two new colors, *Pomme d'Amour* and *Amarante*, while the *Ivory* and *Verona* shades respectively appeared in the *Epi* and *Suhali* lines. **Louis Vuitton** also created new models (*Beverly, Neverfull, Riveting...*) for its traditional *Monogram* and *Epi* lines. The other segments of ready-to-wear,





Sold acclusively in Levis Veitton stores, Tel. 020 7399 4050 www.levisreitton.com

LOUIS VUITTON

footwear, watches and accessories recorded significant growth. To highlight the relationship between Louis Vuitton and the art world, Marc Jacobs intensified his collaborations with major artists like Richard Prince and Takashi Murakami.

In order to meet strong growth in current and future sales, Louis Vuitton significantly increased production hours at its 14 leather workshops. As a result of the growth in footwear, the brand expanded the capacities of its site in Fiesso d'Artico in Italy, which houses all the expertise, from development to production, for all footwear categories.

Travel and eternal values

Reflecting its eternal values and its core business, Louis Vuitton placed 2007 under the sign of the voyage: products, windows, models, events returned to the roots of the brand. One of the high points of this theme was the launch of the new institutional campaign represented by Mikhail Gorbatchev, Catherine Deneuve, Steffi Graf and André Agassi who posed for the lens of Annie Leibovitz on behalf of environmental organizations. The Louis Vuitton Museum also presented at Asnières a new scenic design titled "Voyages and voyagers". The Louis Vuitton Cultural Space at the Maison des Champs-Élysées in Paris hosted the exhibits "The temptation of space" and "Moscopolis", a presentation of the work of eleven contemporary Russian artists.

Fendi intensifies its rise

The activity of **Fendi** in 2007 continued the excellent trend of the previous two years. Double-digit organic revenue growth paralleled new and solid improvement in profit from recurring operations.

Ready-to-wear and footwear recorded excellent growth. The new leather goods lines *B-Mix*, *Crossword* and *To You* generated solid performances, like the *Chef* line launched earlier with continued success. The development of Fendi sunglasses is equally progressing well

As a breathtaking symbol of the creativity and the rebirth of the Roman brand, a fashion show of the 2008 spring-summer collection, designed by Karl Lagerfeld for the ready-to-wear and Silvia Fendi for the leather goods, was organized at the Great Wall in China in October. This spectacular and completely original event in the fashion world, received extensive coverage from the international press, giving Fendi exceptional visibility.

The brand continued to expand its retail network, opening 25 new stores in all its geographic regions. It inaugurated its presence in four new countries—Spain, Turkey, Switzerland and Bahrain—and had a network of 160 stores as of December 31, 2007.

Fendi also returned to the perfume segment with the launch of *Palazzo*, developed within the Perfumes and Cosmetics business group of LVMH.



Trends for the other business group brands

With a stronger management, a coherent strategy and an optimized organization, **Donna Karan** turned in a very dynamic performance last year, marked by solid improvements. The brand capitalized on the strength of its designs and its stylistic orientation deliberately based on the values that have made it a cult fashion brand in the United States.

Throughout the year, Donna Karan enjoyed remarkable coverage from the international press, which drove demand for all its products. The deployment of the Donna Karan *Gold* and *Icons* collections in the luxury *Collection* line generated significant growth. In its exclusive boutiques, Donna Karan recorded double-digit revenue growth in dollars. The *DKNY* ready-to-wear products increased their retail success, which should leave solid growth in orders for the coming seasons.

Loewe achieved an excellent performance in 2007 in terms of revenue and profitability. The success of its emblematic *Amazona* line has now been enhanced by the success of the newest *Napa Aire* line, which has become a new best seller. The brand turned in a remarkable performance in Japan, where it continues to increase market share, and in China where it is progressively building its retail network. The artistic direction entrusted to Stuart Vevers and the deployment of a new boutique concept designed by Peter Marino form the foundation for ambitious objectives in the coming years.



Marc Jacobs continued its rapid growth, reaffirmed its success in the United States, and rapidly expanded its international development. New major stores were opened in 2007 in Europe, China and the Middle East. The ready-to-wear *Marc by Marc Jacobs* lines generated high demand, and shoes and leather goods, the result of a major creative effort, also recorded excellent growth. Finally, the line of accessories, a segment launched in 2004, has become a market reference and the basis for solid and ongoing growth. Thanks to these results, the brand will continue to expand its world presence in 2008.

At **Celine**, the leather products, a priority strategic vector, recorded a solid performance, thanks in particular to the new best seller—the *Bittersweet* line launched in 2006. The brand enjoyed the success of the new promotional campaign photographed by Bruce Weber. It accelerated its development in China, opening three new boutiques, and signed a partnership agreement to expand its presence in Southeast Asia.

Kenzo continued the very positive trend of revenue growth and improved profitability. The year 2007 confirmed this new trend, thanks to the work made under the Artistic direction of Antonio Marras. The plan for the global deployment of the new store concept inspired by the historic boutique in Place des Victoires in Paris accelerated with, for example, the reopening of the flagship store in Place de la Madeleine. New stores were opened in Bahrain, Croatia and Argentina among other locations. New partnerships were signed in the home furnishings and decor sector.

In 2007, **Givenchy** recorded a strong improvement in its profitability, thanks to an impressive growth in all its product lines. The stylistic relook, initiated in 2005, enabled an increased visibility of the brand following extensive press coverage. Givenchy continued its momentum in women's ready-to-wear thanks to Riccardo Tisci's collections, which progressively become involved with the brand's core expressions. The accessories are also growing strongly, particularly driven by the *Nightingale* line and the launch of the *Postino* line. The brand strengthened its position in China by expanding its store network there.



Thomas Pink, the British specialist in highend shirts, turned in a particularly dynamic performance in 2007, reflected in the opening of 16 owned or franchised new stores, a renovated Internet site, and the design of several new lines for men, combining comfort and elegance and adapted to all occasions.

Pucci took advantage of its 60th anniversary to expand its visibility substantially. The events that were held in Florence, Tokyo and Miami generated significant media coverage. Revenue for the brand rose sharply. New stores were opened in Japan, Russia and the Middle

East. A line of eyewear was launched in September and the perfume *Vivara*, developed within the LVMH Perfumes and Cosmetics business group, was launched at year-end.

Berluti intensified its year on year growth, while remaining an exceptional brand for its customers. In 2007, revenue rose substantially in the 14 countries in which the brand is present. Nine stores, both owned and franchised, were opened during the year. The highly successful launch of the *Fil d'Ariane* and *Démesures* footwear lines and the initiation of a new communications campaign illustrating the footwear and leather goods designs from Berluti were the highlights of 2007.



Outlook

Louis Vuitton again intends to strengthen its lead in 2008 and, for this purpose, will deploy an ambitious program to develop new products while it continues to extend its global distribution network. The brand will open new stores in China, Asia, Europe... It is also preparing for the inauguration of new Maisons Louis Vuitton in Hong Kong and London.

The year will be dynamic in terms of communication, with a new major fashion campaign and the continuation of the institutional campaign, which will call on new extraordinary personalities.

Fendi also has ambitious objectives: the brand will enhance its leather goods offer by capitalizing on its icon products like the Baguette line, which will celebrate its tenth anniversary in 2008, and Selleria. Ready-to-wear and footwear will continue steady growth. Fendi will also further expand and optimize its distribution network.

The other brands of the Fashion and Leather Goods business group will intensify their growth in line with their strategic plans. With more effective organizations, very substantial operational improvements, an increasing renewed creativity and rigorous work on all management parameters, they are in an excellent position to reach their full potential and boost their contribution to the total results of the business group



46, avenue Montaigne, Paris VIII^e www.loewe.com

LOEWE



Perfumes & Cosmetics

EXCEPTIONALLY DUNAMIC PERFORMACE

Gains in market share, new improved profitability: once again this year, Parfums Christian Dior furthered its leadership by combining creativity and high-end positioning. At its side, the other perfume and cosmetic brands demonstrated an exceptional momentum in their competitive universe.

Highlights

| | The Perfumes and Cosmetics business group recorded organic revenue growth of 12%. This unparalleled vitality was driven both by innovations and by the expansion of the flagship lines. All brands in the portfolio generated growth as did all product categories, perfumes, make-up and skincare. Profit from recurring operations rose 15%. | | The business group consolidated its European leadership. China, Russia, the Middle East, where our brands made solid advances, confirmed their high potential. | | Parfums Christian Dior successfully launched two new perfumes, Fahrenheit 32 for men during the first half of the year, and Midnight Poison for women in September, and developed the Capture skincare line. The brand celebrated its 60th anniversary spectacularly. | | Guerlain launched L'Instant Magic and the foundation Parure and opened a luxury boutique in Moscow. | | Fendi, with Palazzo, and Pucci, with Vivara, returned to the perfume world at the end of 2007.



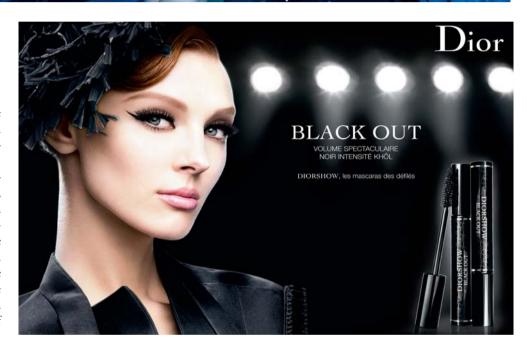
LVMH is a major global player in the selective perfumes and cosmetics sector with the major French brands Christian Dior, Guerlain, Givenchy and Kenzo. This group of world-renowned brands is completed with BeneFit Cosmetics and Fresh, two young, highly innovative and rapidly growing American companies, the prestigious Italian brand Acqua di Parma, Parfums Loewe and Make Up For Ever, a French brand specializing in professional make-up products, which has successfully begun to expand its customer base to the public. The year 2007 also marked the launch of two perfumes for the Fendi and Pucci brands.



Parfums Christian Dior: a new year of profitable growth

In 2007, Parfums Christian Dior Dior recorded solid revenue growth, surpassing the overall trend in its competitive market, which was accompanied by new and strong improvement in its profitability. The brand confirmed this dynamic performance in all geographic regions. Europe, its leading market, strengthened its potential with the growth in Russia, a country where Dior is already positioned as a leader. Asia benefited from the dynamic Chinese market. In the United States, the brand successfully continued its selective distribution strategy, and gained market share with a record growth rate. Its performance in the Middle East confirmed the potential of this large market.

Dior continued its strategy for greater selectivity, both in distribution and in the product offer. Driven by a particularly high rate of innovation and the remarkable vitality of its top classics, the business group's master brand recorded higher revenue in the three product categories. The perfume segment performed exceptionally well, with a strong contribution from the launch of Midnight Poison and Fahrenheit 32 and the steady advances made by J'Adore, Dior Homme and Miss Dior Chérie. The dynamic performance of the skincare products was particularly driven by the development of the Capture line, which confirmed its ambitious objectives in the anti-aging segment, and by the launch of an exceptional product L'Or de Vie. In the make-up segment, the new Rouge Dior, the foundation Diorskin and the Backstage line recorded formidable performances.



Supporting the various new products launched and the initiatives conducted over the year were special promotional efforts which contributed to dynamic sales and enhanced the prestige of the brand. The new star Eva Green embodies the perfume *Midnight Poison*, while Sharon Stone, Charlize Theron and Monica Bellucci increased the radiance of Dior and its products through new marketing campaigns and special events.

High-end perfumes

To mark its 60th anniversary,
Christian Dior created Collection
Particulière. Three exceptional perfumes,
each of which is a tribute to one
of the muses who inspired Mr Dior.
A bridge between yesterday and today,
between fashion and perfume, Collection
Particulière returns to the mythical,
amphora-shaped bottle.



Guerlain accelerates its growth

Guerlain performed exceptionally well in 2007. Confirming the dynamic performance stimulated and accelerated in the last few years, the brand outpaced the market with remarkable revenue growth and sharply improved its profitability.

Guerlain reaped the benefits of a strategy based on high-end innovation and the concentration of its investment efforts in its priority European and Asian markets. The brand continued its vigorous growth in all product categories. The women's perfume L'Instant Magic, launched worldwide in September, was very well received. The House also continued to illustrate its commitment to high-end perfumes: new editions of its mythic perfumes and exclusive creations appeared throughout the year, a testimony to the unique expertise of Guerlain, a creative perfume maker since 1828. The make-up segment, driven by the star lines Terracotta and KissKiss and by the success of the new Parure foundation, continued its remarkable and dynamic performance. The premium skincare line Orchidée Impériale was developed and continued its steady advance in all regions.

After the magnificent renovation of its site at 68 Champs-Élysées and the remodeling of its Left Bank site on rue de Sèvres in Paris, Guerlain deployed its new counter concept in Moscow by opening up a high-end luxury boutique in the prestigious Tsum store.

Trends for the business group's other brands

Parfums Givenchy, which celebrated its 50th anniversary in 2007, took a new step in its development by achieving better than market revenue growth rates, while beating its initial objectives for the year for profit from recurring operations.

The brand posted steady growth in its priority markets. It opened its first location in China over the summer.

Its dynamic performance was driven by an ambitious innovation policy, illustrated in particular by the roll-out of the new *Ange ou Démon* perfume for women, in countries where it was not present in 2006, all markets in which this new product recorded solid results. The strong impact of the new marketing campaign for the line clearly helped to drive



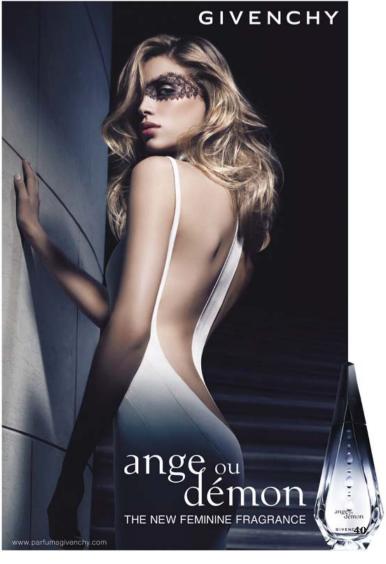




this growth. The make-up and skincare segments also contributed to the vitality of Parfums Givenchy, with strong, double-digit growth in all regions. The launch of the new lipstick *Rouge Interdit* was one of the highlights of 2007.

Parfums Kenzo recorded a good year, marked by steady growth. This dynamic trend was driven by the solid performance of the brand's three foundation perfumes, *FlowerbyKenzo*, *KenzoAmour* and *Eaux by Kenzo*, and by the launch of *TokyobyKenzo* for men, which won a younger customer segment. Parfums Kenzo continued to expand in Europe, the Middle East and the United States, with a special emphasis on Russia, a market with a very strong growth potential.

Two new identity-building promotional campaigns dedicated to *FlowerbyKenzo* and *KenzoAmour* enhanced the poetic image that distinguishes the brand and constitutes one of its strongest assets in the world of perfumes and cosmetics.



BeneFit Cosmetics continued its rapid growth in all its markets and maintained a very high level of profitability. Benefiting from its original positioning, appreciated for its playful and unusual style, the brand

brightening face primer

base de teint Inlumineur visage

strengthened its position among the make-up leaders in the United States and Great Britain, its most important territories. It confirmed its success in all Asian and European countries where it continued to expand its presence, and enjoyed a very promising entry in the Chinese market. Among its new products, the make-up line Love Your Look and the brightening face primer That Gal were extremely successful.

Make Up For Ever again recorded an excellent performance in all its markets. Backed by its recognized expertise in professional

make-up, the brand is attracting a demanding customer base. It generated very substantial revenue growth, driven not only by the expansion of its retail network, but also by steady organic growth. In the United States it is definitely establishing a position as the benchmark in the professional make-up segment and is increasingly successful with the public. Its dynamic performance in France and China was also remarkable. The line of *Aqua Eyes* waterproof eyeliners, launched in 2007, was extremely successful with both the public and professional make-up artists





Acqua di Parma, Parfums Loewe and Fresh

recorded a very good year in terms of revenue and profit. The launch of *Colonia Intensa* strengthened one of the flagship lines of Acqua di Parma and highlighted its exclusive positioning. For Parfums Loewe, the year 2007 was marked by the successful launch of the new fragrance for women *Quizas Quizas Quizas*. Fresh, whose natural products respond to a high-growth consumer trend, benefited from the work to renovate its packaging.





Outlook

The Perfumes and Cosmetics business group, based on the continuous growth achieved in recent years, offers strong potential for gaining market share and improving its operating margin in 2008.

Christian Dior has again set an objective for higher than market revenue growth. To achieve this objective, the brand intends to solidify and strengthen its strategic advances, by continuing to assert its status as a star brand and its positioning of perfume craftsman and creator. This effort will again be based on a sustained policy of innovation and refinement to

serve its flagship products lines in perfume, make-up and skin care. Dior will work to consolidate its position as a European leader and accelerate its advances in markets with strong growth potential. In 2008, Guerlain will celebrate 180 years of creation dedicated to beauty. The company will vigorously continue its expansion with a plan for innovations designed to reinforce its strategic lines: Shalimar, L'Instant, Terracotta, Parure, Kiss-Kiss, Orchidée Impériale. These initiatives will be enhanced by two new major project launches in the perfume and makeup segments, where Guerlain has a strong opportunity to consolidate its position.

Parfums Givenchy is projecting a new year of solid growth in 2008, with the launch of a new line of perfume for men, to be embodied by one of the most famous international personalities in his field, along with a new version of the Very Irresistible line for women and a strong innovation in the make-up category.

Parfums Kenzo will celebrate 20 years in the perfume industry in 2008. Its future initiatives include the creation of limited editions in its emblematic lines, the launch of a major perfume for men in the second half of the year, and the launch of a star product in the KenzoKi skincare line.

WATCHES &





JEWELRY



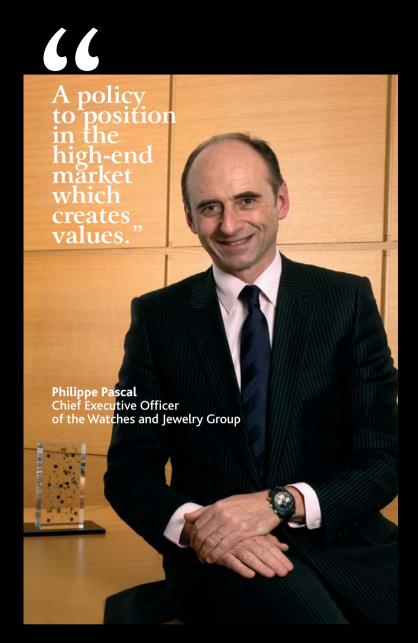
A DYNAMIC PHASE OF PROFITABLE GROWTH

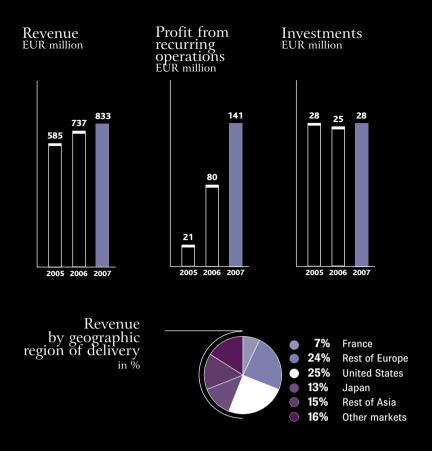
By focusing on the development of watch and jewelry brands with complementary positioning, the Watches and Jewelry business group, a recent player in this sector, continued to gain market share.

In 2007, its very substantial organic growth paralleled a new and strong improvement in profitability.

Highlights

||| The Watches and Jewelry business group recorded organic revenue growth of 19% and a 76% increase in profit from recurring operations, even more remarkable since it nearly quadrupled in 2006. |||TAG Heuer developed its icon product lines, introduced the Grand Carrera line of automatic watches and chronographs and announced a diversification in the mobile telephone sector. ||| Zenith won the Public Grand Prize in the Geneva Watchmaking Grand Prix for its Defy Xtreme Open Stealth chronograph. ||| Sharon Stone became the icon for Dior's Christal collection. ||| Chaumet successfully established its presence in Chinese Asia. ||| De Beers introduced its first watch line. ||| The Omas brand of writing instruments was sold in 2007.





Strategy and objectives

Our dynamic performance was again sustained by the remarkable achievements of TAG Heuer, combined year after year with the significant progress made by all our other brands in reaching their objectives.

The highly original creativity deployed in our watch and jewelry companies enhanced their icon lines and contributed to our high-end positioning. In doing so, our brands fully participate in a changing global market in which growth is principally driven by products with high added value.

The effective targeting of our investments, strong commercial momentum in the field, and rigorous management allowed us to reach an operating margin of 17% in 2007. Even though we are a very new business group, we are now approaching the performance of the major players in watches and jewelry, thanks to the commitment of our teams in the Companies and markets

•

The most recent of the LVMH business groups holds a portfolio of leading brands with highly complementary positioning. Tag Heuer, the star brand within LVMH and Swiss watchmaking, strengthens its position as the world leader in prestigious watches and sports chronographs. Zenith firmly establishes its identify in the restricted circle of true Swiss watchmaking. Christian Dior confirms its success as a watchmaker with the Christal collection. Chaumet, the prestigious jeweler in the Place Vendôme in Paris, continues its global success. Fred enhances its identity as a contemporary jewelry designer. De Beers accelerates its growth by asserting its positioning as a diamond jeweler



In 2007, for the fourth consecutive year, the dynamic performance of the LVMH watch and jewelry brands surpassed that of competing companies. The organic revenue growth of 19% recorded by the business group was higher than that of the Swiss watch market and higher than the published average increase of the principal players in the jewelry segment.

While each brand focused its investments on the most profitable and growing markets, overall growth remained balanced among the principal geographic regions and between mature and emerging markets. Thus, in 2007, ambitious objectives were achieved in China, India, the Middle East and Russia, while market share was gained in Europe, the United States and Japan.

In a context of unfavorable currency conditions, special attention was given to price increases and the global harmonization of prices, to targeting and to the effectiveness of advertising investments, and to productivity, both in the companies and in the distribution subsidiaries. This rigorous management, orchestrated by experienced and motivated teams, generated 76% growth in profit from recurring operations, even though it had already nearly quadrupled in 2006.

TAG Heuer accelerates its profitable growth

2007 was another record year for **TAG Heuer**, which continued its strategy of up market positioning and recorded strong, double-digit growth in all its markets.

The star brand, a dynamic leader in the prestige watch and sports chronograph segment, expanded its icon lines *Aquaracer*, *Link* and *Carrera* with models for both men and

women, and launched two new watch innovations: the *calibre S*, an electromechanical movement now present on certain models in the *Link* and *Aquaracer* lines, and *Grand Carrera*, a new line of exclusively automatic watches and chronographs.

The TAG Heuer communications campaign is supported by a team that is unique in the world, composed of ambassadors distinguished by their outstanding performance and extraordinary personalities. They include Tiger Woods, Maria Sharapova, Brad Pitt, Uma

Thurman, Kimi Raïkkönen, the new world Formula 1 racing champion, Lewis Hamilton, a young F1 rising star, and Shah Rukh Khan, the most famous Indian actor.

The brand modernized the architectural concept of its boutiques and worked to expand its network. In 2007, new franchised stores were also opened in Hong Kong, China, Vietnam, Malaysia, Singapore, Bahrain and South Africa. In other markets, TAG Heuer expanded its presence in the major department stores and with the leading multi-brand retailers.





Promising distinction

After four Grand Prizes awarded to TAG Heuer (2002, 2004, 2005 and 2006), it was Zenith's turn to be recognized in 2007. The brand won the Geneva Public **Grand Prize for its Chronomaster** Defy Xtreme Open Stealth. While the other prizes are awarded by a jury of experts, this Public Prize is awarded on the basis of the preferences of fine watch lovers and customers consulted in the world's major markets. A promising recognition for the Defy line which Zenith launched in 2006 and for this chronograph, in titanium and gold, equipped with zenithium bridges and the famous El Primero movement, considered to be the most accurate and rapid in the industry. The design of this revolutionary timepiece, which melds sports standards with luxury, can absorb both shocks and extreme accelerations

Chaumet selectively expands its presence

Chaumet recorded very steady revenue growth in all its markets and substantially improved its profit from recurring operations.

The brand successfully pursued the development initiated in China (Hong Kong, followed by Shanghai in December 2007) and Taiwan. It is in the process of regaining control of its distribution in South Korea.

In line with its strategy of targeted expansion, Chaumet also opened new boutiques in London, Singapore, Russia and the Middle East, but most of the growth in sales was generated by improved productivity in each store.

In order to strongly anchor the Chaumet style, creativity was focused on the strategic product lines. The new collections consolidated the brand icons: *Liens* and *Attrape-Moi* in jewelry, *Dandy* and *Class One* in watches

De Beers reaffirms its positioning

The **De Beers** brand confirmed its potential as a diamond jeweler. It recorded very solid growth driven by the success of its collections and its creations, a meld of original design and diamonds of extraordinary quality in luxury jewelry and in the engagement ring segment. The *Talisman* line, which magnifies the diamond in all states, has become an icon. De Beers opened boutiques in Japan, Seoul, Moscow, Hong Kong, Taipei, Houston, Wash-

Zenith confirms its growth

Manufacture **Zenith** consolidated its growth and established its positioning in luxury watches. The brand achieved the greatest progress in Europe, China, the United States, Russia and the Middle East and significantly improved its profit from recurring operations.

The year 2007 was dominated by the enhancement of the brand's emblematic lines, such as the *Class* and *Chronomaster* collections, and by the deployment of the new, sports-inspired *Defy* line, which was highly successful and recognized with the Geneva Watchmaking Grand Prize. Zenith, which opened a new horizon with this line, a sports watch imbued with a spirit of luxury, also expanded its highend watches with in particular new launches of complications and Tourbillons

Montres Dior: Christal, the icon of the brand

Montres Dior successfully continued its strategy of creating high-end luxury watches tied to the world of fashion.

With an elegance of design and the originality of the materials, the Christal line was exceptionally successful internationally. The union of crystal, sapphire and diamonds resulted in the creation of exclusive pieces sought after globally. The advertising investments continued and now benefit from the radiant image of Sharon Stone, ambassador of *Christal*.

The *Chiffre Rouge* line continued its growth based on an exclusively automatic offer for men.



ington, Dubai and Jeddah. The year 2007 was also marked by the launch of its first watch collection, a new promotional campaign and the creation of an Internet site for sales in the United States (www.debeers.com).

Fred recorded strong growth in France. This momentum was deriven by its updated offer with the *Princess K* and *Miss Fred* lines, by a new advertising campaign, and by the moder-

The brand opened its first franchised stores in Beijing and in Dubai and, at year-end, relaunched its legendary Force 10 line.

Outlook

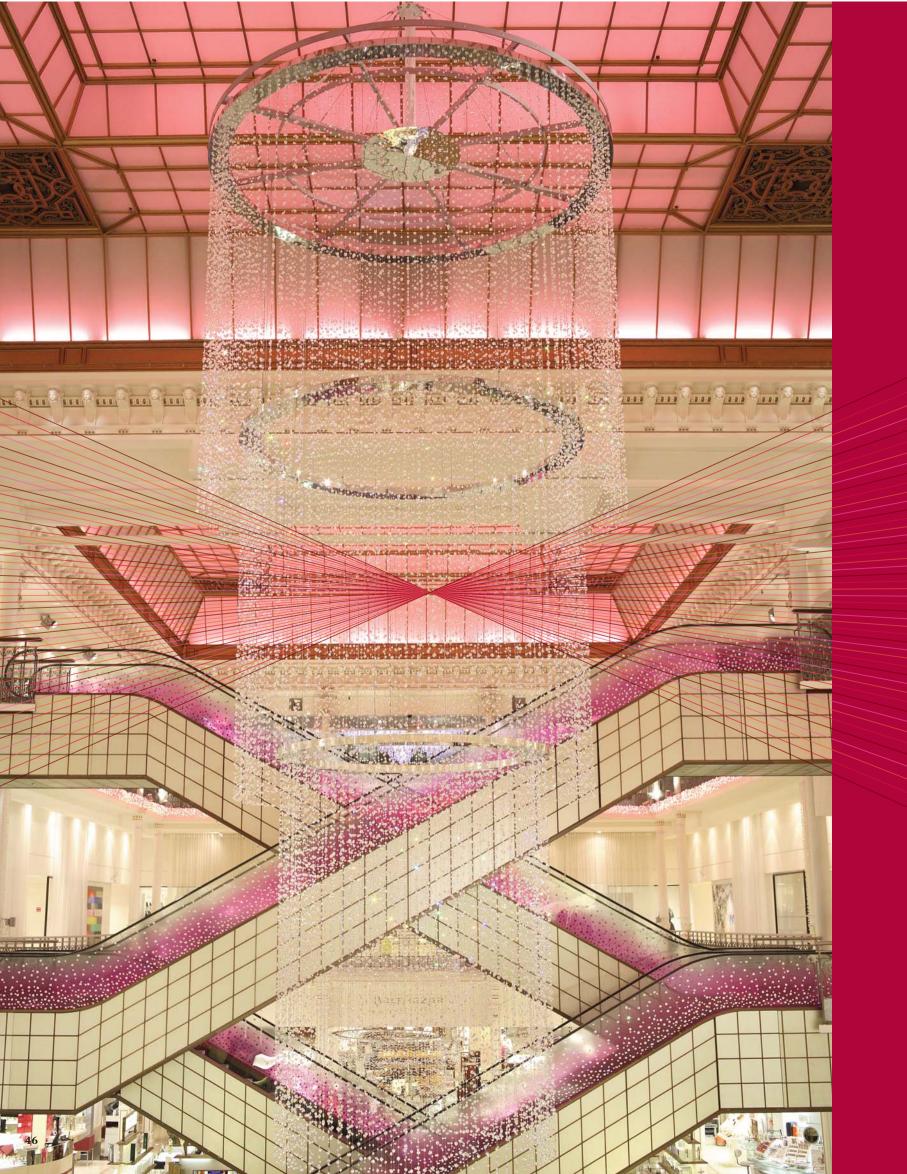
Pursue steady organic growth, continue to gain market share, and consolidate the profitability that has increased significantly in the last four years are the objectives of the Watches and Jewelry business group in 2008. The largest investments will be used to expand watch production capacities and to open stores in the center of metropolitan areas and strategic locations.

TAG Heuer will continue to integrate its watchmaking operations at La Chaux-de-Fonds and expand its network of boutiques. As it continues its positioning in the high end watchmaking segment, the brand will roll out its line of portable telephones in partnership with the company Modelabs. Zenith will continue the modernization of its Factory in Le Locle. Chaumet and De Beers will selectively expand their store networks. The launch of new creations will enhance the emblematic lines in all watch and jewelry brands. Christian Dior will introduce several new products in the Christal line.









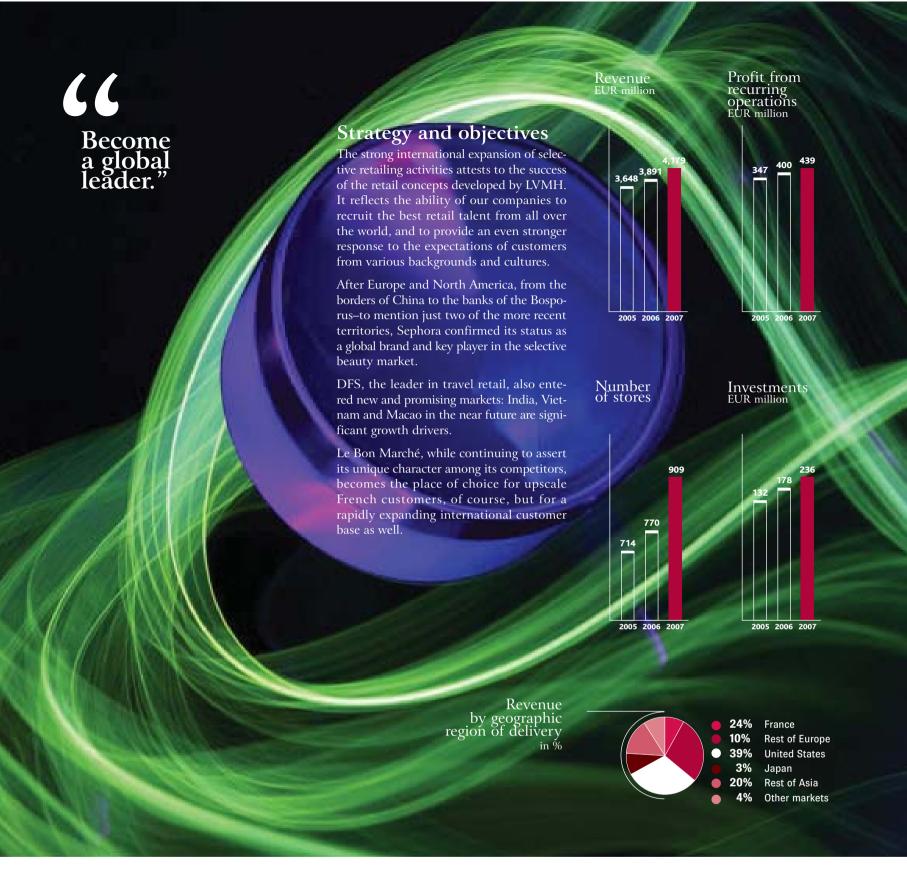
Selective Retailing

High-performance global concepts

Present on three continents, the teams that are expanding the Selective Retailing businesses of LVMH are focusing, each in its own area, on offering consumers a unique experience in selection and service. Year after year, they are establishing a global leadership position and growing their market share.

Highlights

|||The Selective Retailing business group posted organic revenue growth of 12% and improved its profit from recurring operations by 20%. |||DFS expanded its geographic coverage to new territories: Vietnam, a market opened in 2007, India and Macao, markets it will enter in 2008. |||Confirming the worldwide success of its concept, Sephora opened stores in the Middle East and continued its expansion with excellent results in all its strategic markets |||Le Bon Marché generated strong growth last year, driven by the dynamic performance of all its departments, and continued to renovate its retail spaces.



The Selective Retailing companies of LVMH operate in Europe, North America and Asia. They operate in two areas: distribution designed for international traveler customers (travel retail), the business of DFS and Miami Cruiseline, the leaders in their market segments; and the Selective Retailing concepts represented by Sephora, the most innovative company in the beauty market, and Le Bon Marché, the only Parisian department store on the Left Bank.



DFS: promising developments

In a context of reduced spending by Japanese travelers penalized by the weakness of their national currency, **DFS** revenue growth was driven by the expansion of Asian tourism, with rapid growth in travelers from China. The dynamic vitality of these new customers, perfectly anticipated and placed at the center of the strategy of the world leader in travel retail, represents a significant growth driver. In order to continue to enhance its attractiveness in this high-growth market segment, DFS initiated the expansion and redesign of its stores in Hong Kong and Singapore.

To implement its strategy of expansion into new territories, DFS also inaugurated its presence in Vietnam through a joint venture in 2007, and began operating concessions at the international airport in the Indian city of Mumbai in January 2008.

While continuing the construction of the luxurious Galleria, scheduled to open on the site of the Four Seasons Hotel in Macao in 2008, DFS is also working on a project for another location at this high-potential destination, an opportunity that should become a reality in 2009.

Miami Cruiseline strengthens its positions

Revenue and profitability of **Miami Cruise-line** were up. The company, which holds solid positions in the cruise market, opened new retail spaces on ships. The increasingly highend positioning of its boutiques and the efforts made to adapt its product offer to the customers of various cruise lines remain priorities and continued to yield results.

Sephora: significant advances

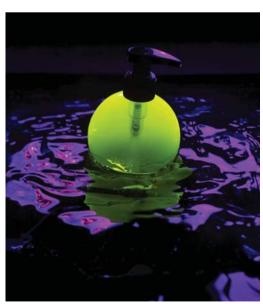
Confirming its dynamic and profitable growth, **Sephora** again generated higher revenue in 2007 and continued to improve its operating margin. Present on three continents, Sephora had an excellent year, both in Europe and in North America, and continued to advance in new high-potential regions (China, Central Europe and the Middle East). Sephora's global network consisted of 756 stores at the end of 2007. Revenue for the online sites Sephora.com (USA), Sephora.fr (France) and Sephora.cn (China) continued to grow.

A remarkable global success...

In Europe, Sephora recorded solid revenue growth on a same-store basis. It continued to expand in 2007, with 67 net new stores. These

stores were primarily opened in countries where the company has already developed strong positions and where there is still high potential for growth (France, Poland, Spain, Italy, Romania, etc.). Sephora also inaugurated its presence in the new markets of Slovakia, Croatia, Serbia and Turkey.

Its expansion in the Middle East was another highlight of 2007. The first stores were opened in the United Arab Emirates, Qatar, Bahrain,





Saudi Arabia and Oman, and their sales performance surpassed expectations. Europe and the Middle East together represent nine new countries that are all growth drivers.

On the American continent, Sephora opened 43 stores in 2007, raising its network to 185 stores (177 in the United States and 8 in Canada). Sephora continued to improve its performance and increase its market share in the United States, with double-digit growth on a same-store basis for the seventh consecutive year. Recently opened stores exceeded their

objectives, reflecting efficient location targeting and, in general, Sephora's ability to optimize its growth model in the United States. The performance of the Canadian stores was also extremely dynamic.

The commercial success achieved in China was also on target. Sephora is working to identify carefully the expectations of Chinese customers, to expand its offers in terms of brands, and to enhance the appeal of its stores, a total of 30 on December 31, 2007. These stores are primarily concentrated in Shanghai and Beijing, but Sephora is gradually expanding its presence to other cities in the provinces.

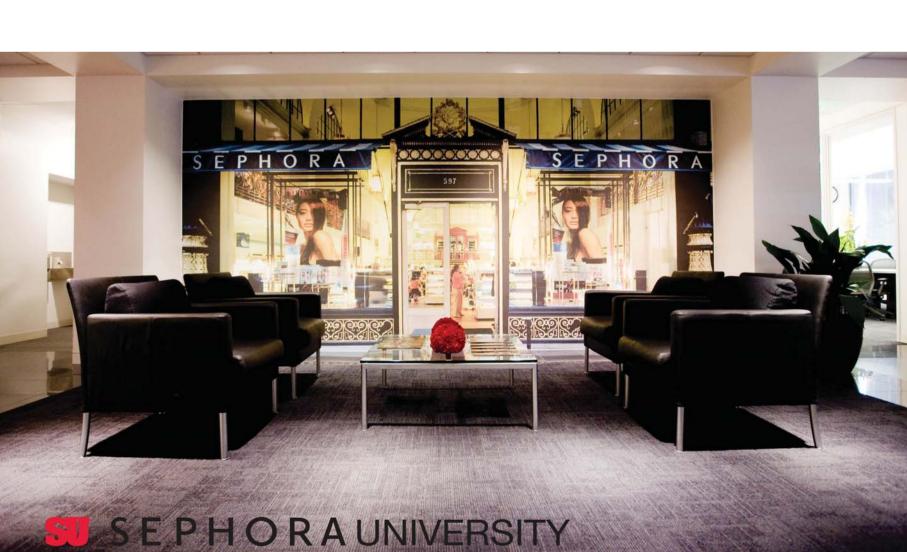
... based on a strong differentiation strategy

In all the geographic regions in which it is present, Sephora stressed its strategy of differentiation through innovation, exclusivity and service, thus boosting its status as an expert in beauty. This policy is reinforced by steady investments in training sales counselors. On all the continents where Sephora is present, an in-house school offers each counselor a training course structured on several levels, to give them the opportunity to acquire and perfect the expertise needed to become a "beauty coach".

The development of make-up and skincare products under the Sephora brand represents

an additional growth driver, unique because of its size within its competitive universe. The major work completed each year to renovate and modernize its stores also contributes to the brand's success, as does its effective customer loyalty program: the Sephora loyalty card, which is offered selectively, and the card-related services are being progressively expanded to all European countries and were introduced in the United States in 2007.





Le Bon Marché: unique character and high-performance

Le Bon Marché recorded significant revenue growth in 2007, combined with improved profitability. All departments of the store contributed to this growth.

Capitalizing on its unique character, and on the continued redesign of its sales spaces, the flagship department store on the Left Bank stands out a little more each year as the benchmark for luxury and prestige in Paris. Continuing to build on its assets, the store initiated a major transformation of the home furnishings space, to be completed over three years. A first stage of the store's second floor renovation was completed in 2007.

Special events designed to promote the image of Le Bon Marché continued at a steady pace. The Paris-Tokyo exhibit, organized in the fall, was extremely successful.

Outlook

In 2008, DFS will continue to focus its efforts on implementing its up market positioning and winning Asian customers. Vietnam's contribution over a full year and the new store openings in Macao and Mumbai allow DFS to set a new profitable growth objective.

Voyage au pays de l'unique



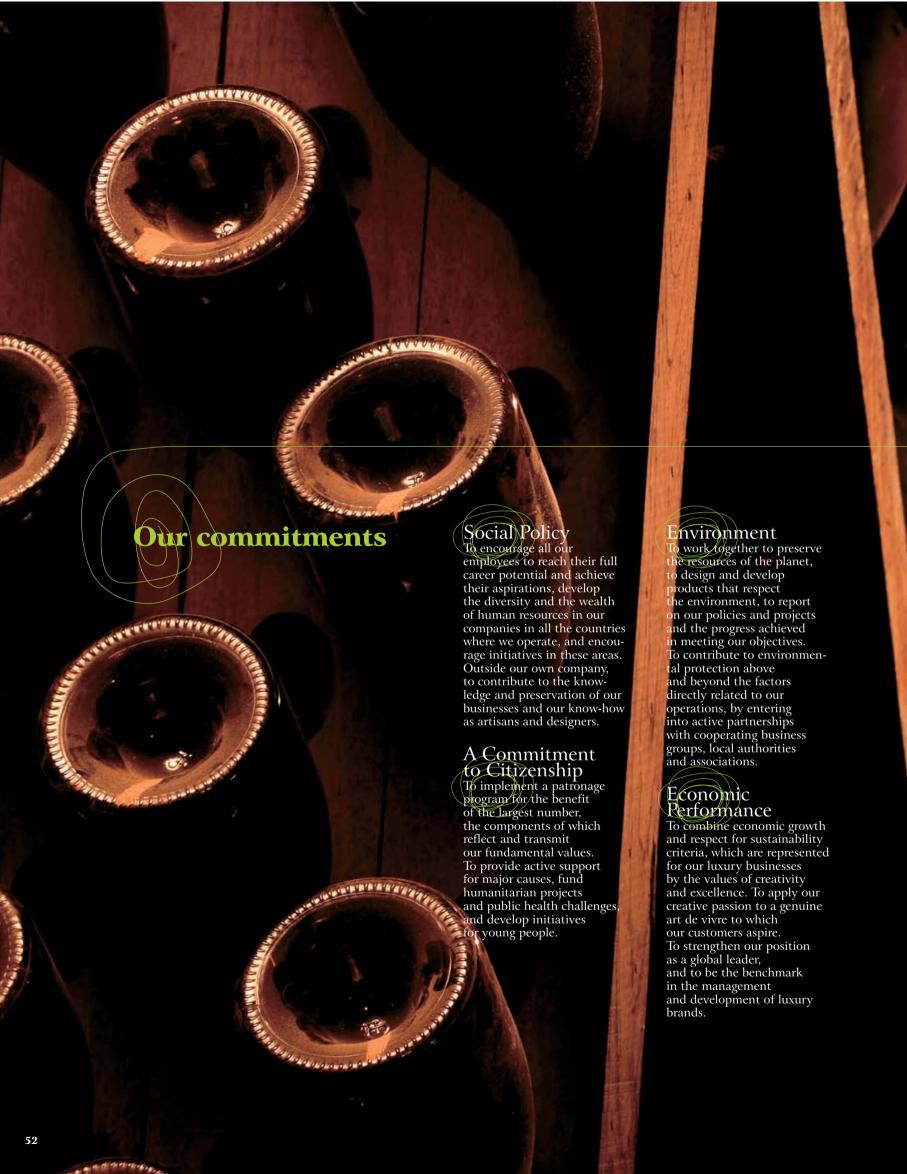


www.lebonmarche.fr

In 2008, Sephora will continue its international expansion at a steady pace, both in its key markets and in new territories, and will continue to expand its product offer in profitable segments. Sephora's goal is to intensify its profitable growth and will build steadily on its policy of innovation and exclusivity in order to do so.

Le Bon Marché, will continue the second renovation phase for the home sector until September 2008. The dynamic reopening of these new retail spaces will contribute to the projected growth. In addition, the very profitable jewelry and costume jewelry sectors will be expanded. La Grande Epicerie de Paris will expand its activities and its offer of rare products to define its unique character.









resources

Strengthen

BECAUSE THEY COME FROM AROUND THE WORLD, BECAUSE THEY HAVE BEEN IDENTIFIED AS THE BEST, THE MEN AND WOMEN OF LVMH ARE FORMING A CAPITAL OF INCOMPARABLE TALENT AND DEVELOPING UNIQUE SKILLS IN THE SERVICE OF MORE THAN FIFTY PRESTIGIOUS BRANDS.

THROUGH ITS HUMAN RESOURCES POLICY, LVMH WORKS TO SPOT ALL THOSE WHOSE TRAINING, EXPERIENCE OR CREATIVITY CAN MAKE A POSITIVE CONTRIBUTION TO THE GROUP'S ACTIVITIES IN THE 66 COUNTRIES IN WHICH IT IS PRESENT.

By ensuring permanent skills enhancement through motivating transfers and training courses, by cultivating employee involvement, LVMH has succeeded in building strong, creative and passionate teams.

THE COHESION OF THESE TEAMS IS BASED ON AND CONSOLIDATED AROUND SHARED VALUES OF PASSION AND EXCELLENCE, A RESPECT FOR CULTURES AND DIFFERENCES, WHICH THE LVMH EMPLOYEES AND MANAGERS LIVE EVERY DAY, AND WHICH THE HUMAN RESOURCES POLICY INTEGRATES IN EACH OF ITS PROGRAMS.

This marriage of excellence and diversity is one of the principal assets for the growth of the Group.

Develop excellent teams

Identify talent, encourage the acquisition and continued retention of "business" expertise, and recognize the individual accomplishments of the men and women we employ around the world are key elements of our Human Resource policy.

Identify talent

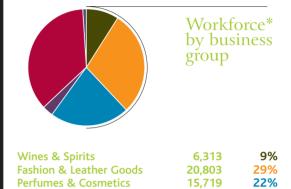
In order to maintain continuing strong growth, LVMH is implementing sophisticated programs to detect and develop high potential employees. The "Futura" recruitment program gives the group a breeding ground for young talent with the potential to direct an activity in five years. These future executives, graduates of the world's best schools and universities, must demonstrate creativity, a solid business spirit, and an ability to manage multi-cultural environments. From the moment they join the Group, the managers in-training participate in meetings with Group executives in

order to develop an understanding of the growth logic. They are very rapidly exposed to operational responsibilities and assigned strategic missions. These experiences place them in situations geared to developing their skills as future executives, while allowing the Group to evaluate and assist the development of their potential.

In line with this policy, the companies of the LVMH group have also participated in about one hundred events organized on the campuses of universities, engineering, business and design schools. These meetings with students enhance the knowledge of the LVMH group and its companies, allow the Group to share the richness of its businesses and the attractive career opportunities it offers. So, for the second consecutive year, the Universum 2007 survey, conducted among 10,300 students from 84 major French schools, ranked LVMH at the top of preferred companies for young business school graduates. Similar programs have been conduc-

Protect and develop jobs

LVMH has 71,885 employees worldwide, men and women with many talents, to design the products, manufacture and sell them in the various businesses of the Group: wines and spirits, fashion and leather goods, perfumes and cosmetics, watches and jewelry, selective retailing.



Other activities 713 1%
Total 71,885
*Total workforce (regular and temporary personnel) as at December 31, 2007

Watches & Jewelry

Selective Retailing

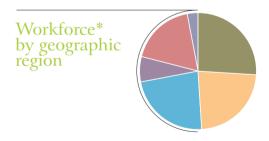
2,014

26,323

3%

36%

Through its policy of selling products with the "made in France" label, a sign of quality and excellence, LVMH maintains industrial jobs in France. Moreover, thanks to the steady growth of its brands, many jobs, particularly in sales, have been created in most of the countries in which the Group is present. 74% of the workforce is employed abroad, essentially in the retail networks of North and South America and Asia-Pacific.



France	19.044	26%
France		
Rest of Europe	16,245	23%
United States	16,136	23%
Japan	4,929	7%
Rest of Asia	13,084	18%
Other markets	2,447	3%
Total	71,885	

* Total workforce (regular and temporary personnel) as at December 31, 2007

ing talents – Committing values

ted abroad in the United States (Columbia, Harvard, Stanford, Wharton, Kellog), Brazil (FGV), Japan (Waseda, Keiko, Sophia, Hitotsubashi, Tokyo) and in the major universities in Asia (Tsinghua, CKGSB, BIMBA, Fudan).

First established in 1986, the Asia LVMH Scholarships have become an institution. This year, they gave four students from major French schools the opportunity to complete a study program in Asia. LVMH recently expanded the program to China with the participation of the China Europe International Business School of Shanghai (CEIBS). Three new Chinese winners were awarded study scholarships in 2007 to complete a six-week program in France with Louis Vuitton, Parfums Christian Dior and Moët Hennessy.

This year, the 14th annual LVMH Prize for young designers was a tribute to Yves Klein. This new edition was open to all students at art schools in France and around the world. The jury awarded six prizes and a special jury prize selected from the 213 candidates. Each winner received a study scholarship to study at a foreign art school.

Recruit diversified profiles

In an extremely competitive market, the companies of the Group are looking for women and men who stand out above all for their entrepreneurial spirit and their skills. The 16,000 employees who joined LVMH in 2007 share a common language based on the operational excellence that characterizes our corporate culture. A desire for responsibility, innovative and creative initiatives, and the ability to project into the future while respecting the codes of our prestigious brands are the abilities that promote personal growth and professional success.

LVMH and You

The "LVMH recruits" page on the LVMH website lets you consult job ads and apply on line. All the companies of the Group worldwide



publish their job offers on the site, along with the offers for internships, international business volunteers (VIE) and training positions. Since September 17, 2007, the Sephora HR blog has opened the Sephora universe and its values to web users.

A real company project,

the blog represents the contributions of operational employees:

the opening of a new store, the in-house training school, international mobility, the exciting Christmas period were the topics discussed by the contributors, who also talk about their career paths.

In two and half months, 12,500 visitors read the blog entries and also participated by posting their comments and questions.



The designers of tomorrow

LVMH, which brings together the greatest designers and offers them the resources to develop their talents, partnered for the ninth consecutive year with the Hyères International Festival of the Fashion Arts and Photography.



The Grand Prize winner of the Fashion Jury award in May 2007, Sandra Backlund offered a collection for women in heavy white, gray and black mesh, inspired by a Rorschach test.

The Group's companies encourage diversity in applicants and publish their job offers on the Recruitment space of the LVMH Internet site. For each position offered, a job description defines the criteria for the experience and skills needed in the position to be filled. Thus, candidates are selected above all on the match between the skills required and those of the candidate, whatever his or her national origin or type of experience. Many Group's companies have integrated a policy to prevent discrimination and promote equal opportunity in the recruiting procedures by implementing objective assessment tools (role-playing, professional skills assessment grid, diversification of recruitment sources) and communication and awareness measures.

Develop and motivate for the future

The key process in the policy to develop human resources is the annual review conducted by each organization to analyze its key positions, its current internal resources, and the future needs required

LVMH House: share the vision and best practices



Created in London in 1999, LVMH House offers a range of forums focused on global strategic questions, such as the art of developing a luxury brand, leadership, innovation and creativity. Dedicated primarily to the development of executive managers, this management and innovation center has welcomed over 2,200 participants from all over the world since it opened.

for its growth. Critical skills and specific talents are identified, individual development plans are established, and actions are decided to facilitate the construction of real professional career paths within the Group.

Along with training, geographic or functional mobility is one of the priority means to develop skills. LVMH encourages mobility among its employees, transfers from one geographic region to another, or from one business to another. The diversity of the Group companies, their strong identity and their business expertise in highly diversified areas favor these two forms of mobility, by offering a large number of training professional options adapted to the aspirations and skills of each person.

Today, over half the managerial positions are filled through internal transfers. Over 30% of these transfers are to another company in the Group; 15% are to another country.

During the annual performance interview, all the other development components are reviewed and identified, such as training, increased responsibility on the basis of operational objectives, participation in transversal projects or inter-company networks. The goal is to make LVMH a true "learning organization" within which each employee can grow individually and professionally.

The companies of the Group offer a broad range of training programs to allow employees to develop their professional skills, their "business" exper-

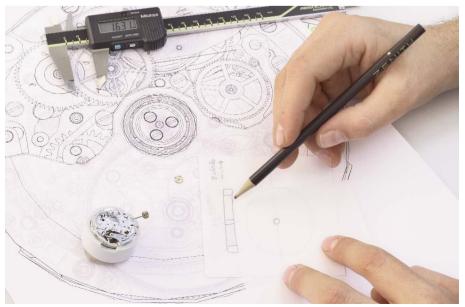
tise as artisans and designers, and to share a common vision. At the global level, the Group offers an extensive range of training programs in management, sales techniques, marketing, project management, foreign languages ...specifically adapted to the needs and businesses of each brand. Seminars are led by outside trainers, including world-recognized professors, as well as Group managers considered to be experts in their area of expertise. These training programs are organized by the business group training center or the regional training centers in Asia, Japan, the United States, France, the United Kingdom, Spain and Italy. Worldwide, 70% of the employees received at least one training course in 2007. These training programs are divided equally among organizational levels and between men and women. In addition, LVMH organizes induction and awareness seminars for new employees in the culture of the Group, its values, its basic management principles, and knowledge of its brands. Nearly 19,500 employees benefited from these seminars in 2007.

In addition to the assets resulting from professional development, the policy of the Group's companies is to offer compensation that compares favorably with the market. Compensation surveys are conducted every year to measure the position of managerial and employee compensation in the various regions in which the Group is present. Moreover, surveys specific to an activity sector or a business are conducted periodically for a country or a group of countries.

Thanks to their excellent performances, most of the Group's companies pay their employees in France profit-sharing and bonuses that are generally higher than the market average. In order to retain its top performers, LVMH continued its stock option plan in 2007.

Creative trades





At the heart of the business for the LVMH employees: creation.

Express a true commitment to society

Sharing with our employees the intangible principles of ethics, diversity and equality, developing authentic reasons for pride in belonging are the foundations of our commitment to society in all our businesses.

Diversity and equal opportunity

As a signatory of the Global Pact, the Diversity Charter and the Charter of Business Commitment to Equal Opportunity in Education, LVMH places singular importance on diversity, because it is a source of wealth and an asset. Each of its brands is developing in a stimulating multi-cultural working environment in order to anticipate and then meet the needs of its international customers completely. It is for this reason that the companies of the Group recruit and develop the best international

skills in order to best comprehend cultural sensitivities to make them a decisive competitive advantage. This search for mutual enrichment of cultures, origins and expertise is an integral component of the Diversity policy developed by the companies of the Group. The ultimate expression of this goal in 2007 was the collective work performed by seven "Corporate Social Accountability" groups composed of the Human Resource teams of the Group's companies. This dynamic effort to increase awareness, share best practices and develop new action measures found special expression in the first Corporate Social Accountability Convention organized by the Group in December 2007.

In addition, for the second consecutive year, global reporting was performed on the basis of the GRI 3 performance indicators for human rights and work practice.

Social Accountability Convention



The first Social Accountability Convention was held in Paris in December 2007. An opportunity to share best practices to prevent discrimination and promote equality, this event was attended by approximately one hundred representatives from the Human Resource departments of the Group companies.



Women in the Group

The nature of the businesses of LVMH, which has a very strong presence in fashion, perfumes and cosmetics and the sale of luxury products, explains its appeal for women, who represent more than two-thirds of the Group's workforce and exceed 80% at Selective Retailing and Perfumes & Cosmetics business groups. In 2007, 74% of the new employees recruited were women. The policy of parity between men and women is also reflected in a deliberate policy for professional development in all positions and at all levels of the organization. Overall in the Group, one out of two managers is a woman. Women represent 28% of the management committees and six Group companies are headed by a female Chief Executive Officer: Veuve Clicquot Ponsardin, Fred, Montres Dior, E-luxury, Parfums Kenzo and Acqua di Parma.

Concrete measures are in place in the Group's companies. A company-wide agreement on professional equality between men and women was signed at Moët Hennessy Diageo on April 25, 2007, a Men/Women Equality commission is in place at Moët & Chandon. Several companies have established mechanisms and indicators to track career changes: an interview after a long leave, access to training, promotion and compensation.

This year, representatives from the Group participated in the 3rd annual Women's Forum for the Economy & Society, held in October in Deauville, France on the theme of Confidence.

Several companies in the Group support prizes that recognize exceptional women around the world, including Moët & Chandon, which has sponsored the "Golden Women Trophy" since 1993 and the second annual "Wine Women Awards."

For 35 years now, the "Veuve Clicquot Business-woman Award" has recognized female entrepreneurs, the founders or officers of profitable businesses. Today, this prize is awarded in 16 countries. And last year, to complement this prize, the Veuve Clicquot House launched the "Veuve Clicquot Program for Economic Development," which is designed to offer recognition and visibility to exceptional women who live and work in developing countries and who play an important role in the economic development of their countries.

In 2007, Veuve Clicquot developed a concrete expression of its commitment to women for sustainable development through the "Veuve Clicquot Businesswoman Prize" and a brand new initiative, the "Veuve Clicquot Program for Economic Development".

An active policy to assist youth

A number of programs to promote professional employment for young workers were initiated to allow every employee to become a player in the Group's commitment to society.

As a signatory of the Apprenticeship Charter, the Group pursued its objective to increase the number of apprentices. In 2007, 370 new indenture agreements were signed in all the French companies of the Group. This nearly represents an increase of 50% over the previous year. The various programs included welcome day or induction courses, which are often offered to young apprentices by the companies (Hennessy, Parfums Givenchy, Louis Vuitton, Le Bon Marché, TAG Heuer, Moët Hennessy Diageo, etc.) to allow the students to discover their businesses and products. Tutors are also honored by the companies (Givenchy Couture, Le Bon Marché, among others) for their involvement in the transmission of expertise. Similar initiatives are undertaken abroad, particularly in Brazil, where young people from disadvantaged backgrounds are recruited under the "Menor Aprendiz" program.

Contacts and partnerships with training organizations, and local programs in the secondary schools were developed particularly with the schools classified as "Ambition Success" schools (Celine, La Grande Epicerie de Paris). Other companies were also the driving force for the creation of several school courses in the various regions where they operate.

Last year, in partnership with "Our Neighborhoods have Talent," Moët Hennessy Diageo, Guerlain, Parfums Givenchy, La Grande Epicerie de Paris, etc. launched a program to sponsor young graduates from disadvantaged neighborhoods. To date, the sponsors, who are experienced managers or executives of these companies, individually mentor candidates looking for work and help them to determine their professional path.

Finally, in order to encourage the integration and employment of young workers through studies, whatever their background or origin, LVMH finances ten scholarships for the "Promotion of Talent" association.

Tutoring programs assigned to senior artisans in order to transmit the "savoir-faire"



In 2007, the Head of Givenchy's Haute Couture Workshop earned the "Excellence Prize for Apprenticeship Masters" awarded by the Chamber of Commerce in partnership with the City of Paris.

Employment for disabled workers

The creation in 2007 of the "LVMH Handicap Mission" is emblematic of the Group's commitment to the employment of disabled workers. This association provides the companies' Human Resource teams with operational support in order to facilitate the recruitment and retention of disabled workers, and to develop subcontracting in the adapted and protected sectors. Nine companies participated in the "Week for the Employment of Disabled Workers" through the ADAPT recruitment trade show in Paris and in other regional programs.

Several initiatives assist employees encountering health problems at work to return to employment: ERIM (Internal Transfer Reclassification Space) at Moët & Chandon, and two industrial workshops equipped at Parfums Christian Dior. Prevention programs are deployed at several production sites, particularly in the Louis Vuitton workshops.

Parfums Givenchy has developed local partnerships with organizations working for the employment of disabled workers. Le Bon Marché trained an entire team in French Sign Language in order to integrate a young deaf person under the best conditions.

Hennessy welcomed several trainees from a Medical-Professional Institute to give them an opportunity to discover the businesses of the Brand.

Last year, the Group subcontracted over 2.8 million euros work assistance establishments (ESAT) or adapted businesses thanks to the growing involvement of the operational companies: for example, Louis Vuitton included this type of partnership in its purchasing policy.



The company-wide agreement, signed in March 2007 at Moët & Chandon and Ruinart, includes strong commitments to hire disabled workers, to assist disabled workers, to train and raise awareness, and finally to create partnerships with the protected sector and adapted companies.

On November 14th 2007, during the "Week for the Employment of Disabled People", nine LVMH companies took part in the recruitment trade show organized by the French association ADAPT.



Responsible partnership with suppliers

In large part, LVMH sells products "made in France" and most of its production operations are in France: this is the case for Louis Vuitton, Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior and others. Likewise, most of its subcontractors are in France and Italy, which facilitates the respect of our partners for the values of social accountability and sustainable development.

LVMH intends, however, to promote responsible partnerships with all its suppliers and to ensure effective application. Thus, audits are conducted with suppliers, particularly in the countries where sensitivity to the standards defined by the International Labor Organization is relatively recent.

In addition to the supplier charters and codes of good conduct established by a number of Group companies (Moët & Chandon, Louis Vuitton, Fendi, Glenmorrangie, Parfums Christian Dior, Sephora,

TAG Heuer among others), a common approach was initiated in 2007. Under the direction of Management, the principal purchasing managers in the Group were mobilized in order to give a more concrete expression to LVMH's commitment to the basic conventions of the ILO. In addition to sharing best practices, this mobilization effort was a new step in formalizing all the requirements that form a common base of reference for everyone in their relations with suppliers.

A wealth of trades for the development of creation and workcraft



Many trades co-exist in the various companies. Technicians, financial experts, legal experts, marketing and communications teams give the Group its power and modernity. The network of sales clerks, who are the ambassadors from the brands to their customers, ensure permanent attention to customer expectations and desires. But the heart of the business belongs to the designers and artisans, the œnologues, cellar masters, leather workers, watchmakers, jewelry setters and others who are the soul of LVMH. All these trades demand excellence, which requires customized training.



Employment Data

The data below includes all employment data, including LVMH's share of the joint-ventures.

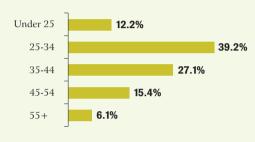
71,885 employees

11,233 managers

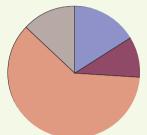
The total workforce under regular and temporary employment contracts at December 31, 2007 was 71,885 employees, including 9,928 part-time employees, i.e., 14% of the total. This represented 68,300 full-time equivalent employees.

The total workforce at December 31, 2007 included 63,552 regular employees and 8,333 temporary employees.

Median age of 34



Workforce as at December 31 by Professional Category (includes both regular and temporary personnel)

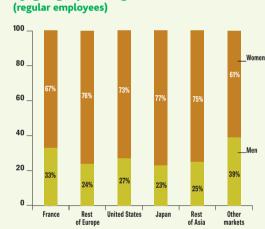


	2005	2006	2007	
Managers	9,548	10,335	11,233	15%
Technicians and supervisors	6,021	6,282	7,050	10%
Administrative and sales employees	36,513	39,106	43,667	61%
Production workers	9,006	8,530	9,935	14%
Total	61,088	64,253	71,885	100%

72% women

Managers	57%
Technicians and supervisors	69%
Administrative and sales employees	80%
Production workers	62%

Breakdown of women/men by geographic region



Breakdown of women/men by business group

€54.6 million million invested in training

2.7% of payroll costs

- Training investment totaled 54.6 million euros, representing an average of 760 euros per employee or 2.7% of payroll costs excluding incentives and profit-sharing worldwide.
- 70% of our employees (50,300) received at least one training session in 2007.
- Training per employee averaged 3.8 days.
- In 2007, LVMH offered a total of 275,717 days of training, the equivalent of 1,250 persons in full-time training over the year.

	Training investment (million euros)	% of payroll
France	23.9	3.7
Rest of Europe	11.7	2.7
United States	8.1	1.5
Japan	3.4	2.3
Rest of Asia	6.5	2.8
Other markets	1.1	2.1

IMPLEMENT, FOR THE BENEFIT OF THE GREATEST NUMBER OF PEOPLE, A DYNAMIC AND INNOVATIVE CORPORATE SPONSORSHIP PROGRAM WHOSE VARIOUS COMPONENTS EXPRESS AND TRANSMIT THE VALUES OF ALL OUR COMPANIES: THIS IS THE GENERAL THRUST OF THE APPROACH TAKEN BY LVMH SINCE 1990.

Since 1990, the success of LVMH has allowed it to build an innovative and original corporate sponsorship program. This is a legitimate approach because it expresses the values that bind LVMH companies together and forms the basis for their success, and respects their individual communications and sponsorship projects. It is also a useful approach, because LVMH's institutional communications are intended to demonstrate its active commitment to protecting historical and artistic heritage, promoting contemporary design, assisting young people and supporting great humanitarian causes, through initiatives designed to help the greatest number of people.

Culture, heritage and contemporary creation—to preserve, bring to life and contribute to our artistic heritage

The first component of the LVMH corporate sponsorship program is to preserve artistic heritage in France and throughout the world by supporting the restoration of historic monuments, expanding the collections of leading museums, contributing to major national exhibits and encouraging contemporary creation. The support provided to 30 national exhibitions gave millions of French and inter-

national visitors the chance to discover major works and artists from the history of art. The year 2007 was particularly productive in this area. After supporting the exhibition devoted to Richard Serra at the New York Museum of Modern Art and the presentation of Anselm Kiefer at the Grand Palais in Paris, LVMH supported the exceptional tribute to a third major artist of the 20th centure, Alberto Giacometti. In an extraordinary retrospective, the exhibition of "The Workshop of Alberto Giacometti—Collection from the Alberto and Annette Giacometti Foundation" at the Pompidou Center provided the opportunity for many visitors to discover or rediscover all of a work with multiple facets.

Our support for contemporary creation was most notably illustrated by our order and exhibit of the works of internationally recognized artists (Richard Serra, Matthew Barney, Ange Leccia, Nan Goldin, Gary Hill, Michal Rovner, Takashi Murakami) in the LVMH corporate headquarters and by our continued support for the French Pavillon at the Venice Biennale. In June 2005, French artist Annette Messager received the Lion d'Or prize at the 51st Biennial for Casino, a work created for the French Pavillon and completed with the sponsorship of LVMH.

Announced on October 2, 2006, the birth of the Louis Vuitton Foundation for Creation is the natural culmination of sixteen years of commitment by LVMH to promote culture, heritage and contemporary creation. This project, which marks a major step in the Group's corporate sponsorship program, adds a new dimension and creates a permanent framework.

Initiatives to support youth—training and transmission

Various initiatives to assist young people represent the second component of the LVMH corporate sponsorship program. Children in elementary and high schools as well as undergraduate students benefit from educational programs designed and initiated by the Group, in order to provide them with greater access to culture, particularly in the areas of music and the arts. LVMH's "Discovery and Learning" classes organized during exhibits supported by the Group have reached over 20,000 children to date.

Another goal is to encourage the talent of the future, which led to the creation of the LVMH Prize for young designers, awarded every year during exhibits sponsored by the Group. This program has awarded nearly 100 scholarships to students in art schools in France and around the world to complete their training.

Finally, the Stradivarius instruments loaned from the LVMH collection every year have given young virtuosos (Maxim Vengerov, Laurent Korcia, Kirill Troussov, Tatjana Vassilieva, Raphael Pidoux, among others) the opportunity to display the full measure of their talents.

A commitment to community through medical research and social programs:

Since 1990, LVMH has provided continuing support to humanitarian, and scientific and medical research projects in France and around the world.

Our Group supports a number of institutions that work for children, in particular the Foundation for Hospitals in Paris—Hospitals in France, the "Pont-Neuf" association, and the Save the Children Foundation in Japan. LVMH has also made a commitment to the Claude Pompidou Foundation which serves the elderly and disabled, the Universal Fraternity Foundation, the Robin Hood Foundation in New York, and others. Finally, LVMH has chosen to support several foundations or scientific teams engaged in public health research, including the Pasteur Institute (LVMH contributed to the creation of the Pasteur Institute in Shanghai), the American Foundation for AIDS Research, cancer research at the Paul Brousse and Henri Mondor hospitals and the Curie Institute, and the Parkinson's Disease Foundation in New York.



to support culture, youth and humanitarian action

A New Step has been taken in the battle for the environment, a longstanding LVMH concern. In 2007, Bernard Arnault ratified the Millennium Objectives of Gordon Brown, who has called on the world's businesses to mobilize in defense of the planet. The impetus given by the Group's Management and relayed by a very active environmental affairs direction is achieving results. ISO 14001 certification processes have been conducted in most of the companies. Following Veuve Clicquot, Hennessy and Krug, Moët & Chandon and Louis Vuitton were certified last year. New green buildings are under construction. Eco-design is expanding. Decision-making tools have been developed to measure the environmental impact of packaging or promotional campaigns.

Motivated employees

Convinced that the simplest gestures make a huge difference, the Group is raising the awareness of its employees at all levels so that they will adopt good environmental practices and, even more, think about possible improvements in their work.

Motivating employees begins with training. In 2006, an environmental e-learning module available on the Intranet proposed solutions for integrating an environmental dimension in all the businesses. In 2007, this tool was translated into English and is addressed to all Group employees. Different highlights marked the year. At the end of June, during sustainable development week,

Louis Vuitton sent an email every day to its 13,000 employees around the world to remind them of green practices in several areas: energy, water, entertainment, waste, and travel. In the United States, Sephora provided training to all its stores in environmental practices, particularly in managing waste and reducing energy consumption. In order to complete the information provided during orientation days for new employees, Veuve Clicquot has developed new awareness tools used at all the manufacturing sites, covering in particular the environmental policy and the measures taken. At Moët & Chandon, the Oxygen project, a project to build aware-

ness of sustainable development and deployed throughout the first half of the year, mobilized 800 employees. All employees met in groups of 15 to 20 people with in-house facilitators to discuss the best practices to be adopted. The result was a profusion of ideas and methods to be explored.

In 2007, the book of environmental trends sent to all the Brands focused on the materials used in store and sales space decor: furnishings, floor coverings, windows, etc.

Results require mobilization from everyone, beginning with the Chairmen of the brands and the members of the executive committees. In order to increase their awareness, the environmental affairs direction sent them the second edition of the Attitude Letter. This letter shows, through examples from various Group sites, that it is possible to design the most beautiful buildings and build the best-performing plants, while minimizing the environmental impacts of construction and operation.

Alternative transportation

Exciting initiative: Louis Vuitton offered all employees at its head office a subscription to the shared bicycle program (vélib) and the assurance of contributing to a reduction in CO2 emissions in Paris.



Tangible results

As required by the Environmental Charter signed by Bernard Arnault, an environmental management team has been set up in all the brands. The impetus comes from corporate management. The LVMH environmental affairs direction assists the brands and the 50 or so environmental officers in meeting the requirements of the Charter and improving performance from year to year.

Moët & Chandon, Belvedere and Louis Vuitton also certified ISO 14001

This is a first. The ISO 14001 certification of Hennessy, earned in 1998, was renewed for the third time in 2007. The certifications of Veuve Clicquot and Krug acquired a few years later in 2004 have also been renewed.

Other companies achieved certification this year, beginning with Moët & Chandon. The process initiated at the end of 2005 was successfully completed in July. The entire company earned certification. These great cognac and champagne Houses have driven the trend: the Polish plant that makes Belvedere vodka, then Cergy 1, the



first international warehouse of Louis Vuitton, were both certified in 2007.

Other ISO 14001 processes have been initiated: Domaine Chandon in Australia; Eole, the new Louis Vuitton logistics platform in Cergy; and the headquarters of the leather company in rue du Pont Neuf in Paris, are all in the process of certification.

Carbon footprint assessment and energy savings

The first Carbon footprint assessments were conducted at Hennessy, Parfums Christian Dior, Veuve Clicquot and Louis Vuitton. This process evaluated all the greenhouse gas emissions related to the brand activities and identified priority actions to be taken, particularly to reduce energy consumption. This process has now been systematically implemented in all Group brands. Assessments are under way at Parfums Christian

Dior (renewal), Guerlain, Parfums Kenzo and Glenmorangie. Moët & Chandon also completed its Carbon Footprint assessment in 2007, like Louis Vuitton, which repeated its initial Carbon Footprint assessment performed in 2004. This assessment revealed very encouraging results. For example, the major efforts made to reduce packaging generated a 40% reduction in emissions.

Following its energy diagnosis, Hennessy implemented a system to recover hot water from distillation to be used, first, to heat offices and, second for the production of osmosed pure water used in reducing brandies.

New green buildings to follow Eole

The Eole site, which began operations in April, was the first logistics warehouse to earn High Environmental Quality (HEQ) certification. This certification implies construction designed to protect the environment.

The LVMH Perfumes and Cosmetics research center, to be completed in 2009 in Saint-Jean-de-Braye, will apply the same approach, just like Louis Vuitton at its footware shops in Marsaz (southern France) and Fiesso (Italy). Moët & Chandon has also made the same commitment for its new pressing center in Mailly (France).

While it is easy to successfully complete an HEQ process in building a new building, it is more difficult to apply it in renovation projects. However, this is exactly what Veuve Clicquot is doing to restore the Hôtel du Marc in Reims and Louis Vuitton is doing to renovate the fourth floor of its headquarters in rue du Pont Neuf. Their objective is not to obtain certification, but to conduct the most perfect process possible.

Thoughtful approach to grape growing and protection of biodiversity strengthened

Preservation of fauna and flora is an ongoing concern. The wines and spirits Brands, the most concerned, have made new progress. Veuve Clicquot worked to manage phytosanitary effluents by adding storage and control equipment and by training its personnel in good practices. Moët & Chandon reduced its use of herbicides by 8%, particularly by practicing precision weeding using tractors equipped with infrared cameras that allow localized application of herbicides. The new world wines of Cape Mentelle and Domaine Chandon Australia continued their efforts by focusing on biological growing methods.

Research also continued in ethnobotany to find plants around the world with natural extracts that can be used in cosmetics. These projects assist local economic development and actively contribute to the preservation of certain species. Thus, the success of Dior's anti-aging cream Capture



Totale strengthens the actions taken to preserve the logonza, a plant from Madagascar used in making the cream. In order to assist local residents, an additional premium is also paid for each kilo of logonza harvested. In Vietnam, another country and another program, the LVMH research center, in cooperation with professors in the country, is participating in the development of the Cat-Tien natural reserve via the Vietnam-Pacific Development Institute (IDVP).



Vehicles running on ethanol

A conclusive test: Krug leased three vehicles running on E85 Super ethanol during the harvests.

Shared concerns

Implementing every resource to protect the environment is a desire that LVMH intends to share with its partners, suppliers, investors and customers. With these stakeholders, the Group is studying ways to improve its activities and is trying to integrate the environmental impact in the design of new products.

Involved suppliers

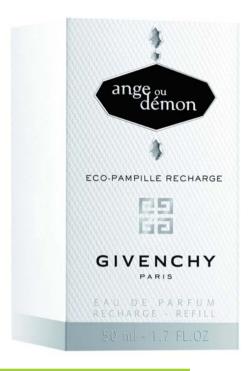
Guided by a concern for high quality and transparency, LVMH wants to select the best partners. An LVMH code of conduct has been developed, which specifies that suppliers undertake to comply with local and international environmental standards and implement the best practices. The environmental affairs direcion also updates its supplier tool to allow all buyers to integrate specific detailed environmental criteria during audits or when contract documents are prepared.

This global approach supplements the Brand initiatives that are developed from year to year. Veuve Cliquot is beginning its third plan to raise awareness of the environmental approach and share experiences with grape suppliers. This program has reached over 1,500 suppliers over three years.

A responsible marketing policy

Consumer health is a constant concern of the Group. In wines and spirits, LVMH recommends responsible consumption: drink less but better. As a founding member of Enterprise and Prevention, an association formed fifteen years ago, the Group is a source of recommendations to public authorities to encourage moderation. The Wines and Spirits companies implement a policy of responsible marketing in accordance with the Moët Hennessy marketing code.

The cosmetics products offer the best guarantees of safety. LVMH does not use ingredients without a complete guarantee of safety. The





Eco-Pampille Refill

Looking for new ideas, everyone begins to innovate. Parfums Givenchy has revived a taste for refillable perfumes. The Eco Pampille Recharge carton allows customers to refill the precious Pampille Ange or Démon spray bottles.

Perfumes and Cosmetics companies are not content with simply applying the international regulations in force; they anticipate and implement future regulations ahead of schedule. Following the example of Parfums Christian Dior, which announced its decision publicly in 1989, the various Perfumes and Cosmetics brands of the LVMH group no longer conduct animal testing to evaluate the safety of cosmetics products.

Eco-design to make good choices

Progress has been made in terms of eco-design. New tools have been developed to measure the environmental impact of the decisions made, whether in package design, product design or promotional campaigns. As a result, at Guerlain, efforts were made on the packaging for the Success skincare line and the promotional articles. Optimizing boxes or shipping packaging saved over 60 tons of cardboard last year.

A joint project by the French Environmental Agency (ADEME), Havas and PriceWaterhouse-Coopers was initiated. For the first time, a tool was created to measure the environmental impact of advertising campaigns. All parameters are analyzed: the impact of the production of the ads (photos, filming, etc.), the choice of medium (print press, television, radio, etc.), and the duration of the campaign.



Civil society outreach

After making a commitment to the international community after signing Gordon Brown's Millennium Objectives, and to its employees and suppliers through the Environmental Charter, LVMH is expanding its action to society. In order to advance the debate, it is increasing the actions conducted with associations, schools, local communities and public authorities.

A partner with associations and schools

In Poland, the Belvedere vodka company, in partnership with the Foundation for the protection of the environment in the city of Zyrardow, has invested in a number of operations, including cleanup of the local Pisia Riverand keeping the urban area clean by offering the equipment necessary for cleaning and treatment.

Louis Vuitton successfully developed an innovative operation designed to provide its support to the major associations fighting to protect the planet. The leather goods company asked stars Catherine Deneuve, Andre Agassi, Steffi Graf and Mikhail Gorbachev to participate in an institutional advertising campaign on travel. Their distinctive standing in the eyes of the public and a financial support was contributed to Al Gore's Climate Project and to the Green Cross, an environmental protection association founded by Mikhail Gorbachev.

The longstanding actions conducted with Orée, an association that works to implement concrete programs in the field, continued. Several practical guides were written last year: eco-design, biodiversity and industrial risks. The Group is a member and collaborates with the Council for Responsible Jewellery Practices (CRJP) in order to ensure that the best environmental and social practices are applied in the gold and diamond industries.

Young people, whatever their future careers, must become aware of the environmental challenges. To alert them, LVMH regularly presents programs in major schools, such as the National Conservatory of Arts and Trades or the business school ESSEC.

More complete information, including the guidelines of the Global Reporting Initiative and the requirements emanating from the French Law on New Economic Regulations, and the environmental impact indicators, are provided in the LVMH 2007 reference document and in the LVMH environmental report available on the Group's website. Any individual or association with questions for the Group may do so and is assured of an answer by writing to:

environnement@lvmh.fr

Communicate its commitments and share its experiences

In order to communicate its commitment, Domaine Chandon Australia distributes a brochure in the American market to explain the good practices that ensure constant grape and wine production while reducing the use of water, chemicals and oil. Convinced that nature should not be a luxury for future generations, Louis Vuitton has been conducting a number of measures

for several years. Last year, Louis Vuitton communicated its commitments on its Internet site.

In order to change ways of thinking and behaviors, it is necessary to convince, both in-house and outside the group. LVMH is sharing its experiences to ensure that the best practices are adopted by the greatest number. In Scotland, Glenmorangie is working in partnership with the Scotch Whisky Association to assess the carbon footprint of the whisky industry.

Al Gore encourages Louis Vuitton:



"Louis Vuitton's support for The Climate Project is a major statement about how one prestigious company is taking the climate crisis seriously, both in words and actions.

Louis Vuitton has been a leader in sustainable manufacturing practices, and now, in its marketing activities the company takes another step toward raising awareness about the climate crisis. This is a good example of

how a business can be innovative and successful and at the same time environnementally responsible.

The Climate Project has made great strides in educating people all over the world about climate change and the solutions that will be necessary to solve the crisis. We welcome Louis Vuitton as a valuable partner in advancing this message."



amour est sans doute le plus beau des voyages. Suite n*27, Fin juin, New York. effi Graf, Andre Agassi et Louis Vuitson appartent leus soutien à The Climate Project.



THE CONSOLIDATED FINANCIAL STATEMENTS PRESENTED IN THE FOLLOWING PAGES ARE ABBREVIATED

Consolidated balance sheet at December 31, 2007

ASSETS

EUR millions	2007	2006	2005
Brands and other intangible assets - net	7,999	8,227	8,530
Goodwill - net	4,818	4,537	4,479
Property, plant and equipment - net	5,419	5,173	4,983
Investments in associates	129	126	128
Non-current available for sale financial assets	823	504	451
Other non-current assets	586	658	660
Deferred tax	492	395	306
NON-CURRENT ASSETS	20,266	19,620	19,537
Inventories and work in progress	4,812	4,383	4,134
Trade accounts receivable	1,595	1,461	1,370
Income taxes	508	512	317
Other current assets	2,001	1,587	1,225
Cash and cash equivalents	1,559	1,222	1,470
CURRENT ASSETS	10,475	9,165	8,516
TOTAL ASSETS	30,741	28,785	28,053

LIABILITIES AND EQUITY

EUR millions	2007	2006	2005
Share capital	147	147	147
Share premium account	1,736	1,736	1,736
LVMH treasury shares	(877)	(1,019)	(972)
Revaluation reserves	976	917	658
Other reserves	8,191	7,062	6,158
Cumulative translation adjustment	(608)	(119)	292
Group share of net profit	2,025	1,879	1,440
Equity - Group share	11,590	10,603	9,459
Minority interests	938	991	1,025
TOTAL EQUITY	12,528	11,594	10,484
Long term borrowings	2,477	3,235	3,747
Provisions	976	983	949
Deferred tax	2,843	2,862	2,925
Other non-current liabilities	4,147	3,755	3,357
NON-CURRENT LIABILITIES	10,443	10,835	10,978
Short term borrowings	3,138	2,100	2,642
Trade accounts payable	2,095	1,899	1,732
Income taxes	689	692	373
Provisions	296	255	305
Other current liabilities	1,552	1,410	1,539
CURRENT LIABILITIES	7,770	6,356	6,591
TOTAL LIABILITIES AND EQUITY	30,741	28,785	28,053

Comments on the consolidated balance sheet

LVMH's consolidated balance sheet, which is shown on page 68, totaled 30.7 billion euros as of December 31, 2007, representing a year-on-year increase of 6.8%.

Non-current assets amounted to 20.1 billion euros, compared to 19.6 billion at year-end 2006, thus corresponding to 66% of total assets compared with 68% a year earlier.

Tangible and intangible fixed assets increased slightly to 18.2 billion euros from 17.9 billion euros at year-end 2006. Brands and other intangible assets amounted to 8.0 billion euros, down from 8.2 billion euros as of December 31, 2006. The positive impact of the acquisition of the Belvedere brand in the United States did not compensate for the effects of foreign currency depreciation on brands and other intangible assets recognized in US dollars, such as the Donna Karan brand and the DFS trade name.

Goodwill increased to 4.8 billion euros, from 4.5 billion euros at year-end 2006. This change is primarily the result of an increase in goodwill on purchase commitments for minority interests and on the acquisition of Wen Jun Spirits in China, held in check by exchange rate fluctuations on goodwill recognized in US dollars, particularly that of Donna Karan and Miami Cruiseline.

Property, plant and equipment amounted to 5.4 billion euros, up from 5.2 billion euros a year earlier. This growth is chiefly attributable to the levels of operating investments maintained by Louis Vuitton, Sephora, Parfums Christian Dior and DFS in their retail networks and those of Hennessy and Moët & Chandon in their production equipment, which exceeded depreciation charges during the year and the impact of exchange rate fluctuations.

Investments in associates, non-current available for sale financial assets, other non-current assets and deferred tax amounted to 2.0 billion euros at year-end 2007, up from 1.7 billion euros a year earlier. This increase primarily results from the acquisition of the media group Les Echos, which was included under non-current available for sale financial assets as of December 31, 2007 and will be consolidated in 2008.

Inventories and work in progress amounted to 4.8 billion euros, compared to 4.4 billion euros at year-end 2006, reflecting robust business growth and the continued replenishment of distilled alcohol inventories for cognac, and to a lesser extent, for champagne.

Trade accounts receivable reached 1.6 billion euros, up from 1.5 billion euros at year-end 2006, mirroring revenue growth.

Cash and cash equivalents, excluding current available for sale financial assets, increased to 1.6 billion euros from 1.2 billion as of December 31, 2006.

The Group share of equity before appropriation of profit increased to 11.6 billion euros from 10.6 billion euros at year-

end 2006, thanks to the significant net profit for the year and despite the negative change in the cumulative translation adjustment resulting from the depreciation of the US dollar in relation to the euro and a dividend payment in the amount of 0.7 billion euros, up 0.1 billion euros compared to 2006.

Minority interests decreased slightly from 1.0 billion euros as of December 31, 2006 to 0.9 billion euros, due to the impact of the depreciation in the US dollar on minority interests in DFS which, when added to the dividends paid, exceeded the share of minority interests in net profit for 2007.

Total equity thus amounted to 12.5 billion euros and represented 41% of the balance sheet total, compared to 40% a year earlier.

Non-current liabilities amounted to 10.4 billion euros as of December 31, 2007, including 2.5 billion euros in long term borrowings, whereas the former amounted to 10.8 billion at year-end 2006, 3.2 billion euros of which were attributable to long term borrowings. The decrease in long term borrowings was primarily due to the reclassification of borrowings reaching maturity in 2008 under short term borrowings. Other non-current liabilities consist mainly of share purchase commitments, the most notable of which is the purchase agreement with a 20% discount and a 6-month notice period granted to Diageo in respect of its 34% stake in Moët Hennessy. The proportion of non-current liabilities in the balance sheet total decreased to 34%, as against 38% a year earlier.

Equity and non-current liabilities thus amounted to 23.0 billion euros, and exceeded total non-current assets.

Current liabilities amounted to 7.8 billion euros as of December 31, 2007, compared to 6.4 billion a year earlier, due in particular to the transfer of a 2001 bond issue with an initial 7-year term to short term borrowings, and the increase in trade accounts payable resulting from business growth and distilled alcohol purchases. Their relative weight in the balance sheet total increased to 25%.

Net financial debt, including the market value of interest rate derivatives, and net of cash, cash equivalents and current available for sale financial assets, amounted to 3.1 billion euros as of December 31, 2007, compared to 3.4 billion euros a year earlier, representing a gearing of 25% compared with 29% at year-end 2006.

Long term borrowings represent more than 70% of total net debt.

As of December 31, 2007, confirmed credit facilities amounted to 4.1 billion euros, of which only 0.2 billion euros were drawn, which means that the undrawn amount available was 3.9 billion euros. The Group's undrawn confirmed credit lines thus substantially exceeded the outstanding portion of its commercial paper program, which amounted to 1.1 billion euros as of December 31, 2007.

Consolidated income statement

EUR millions except for earnings per share	2007	2006	2005
REVENUE	16,481	15,306	13,910
Cost of sales	(5,786)	(5,481)	(5,001)
GROSS MARGIN	10,695	9,825	8,909
Marketing and selling expenses	(5,752)	(5,364)	(4,892)
General and administrative expenses	(1,388)	(1,289)	(1,274)
PROFIT FROM RECURRING OPERATIONS	3,555	3,172	2,743
Other operating income and expenses	(126)	(120)	(221)
OPERATING PROFIT	3,429	3,052	2,522
Cost of net financial debt	(207)	(173)	(188)
Other financial income and expenses	(45)	120	45
NET FINANCIAL INCOME (EXPENSE)	(252)	(53)	(143)
Income taxes	(853)	(847)	(718)
Income (loss) from investments in associates	7	8	7
NET PROFIT	2,331	2,160	1,668
of which:			
minority interests	306	281	228
GROUP SHARE	2,025	1,879	1,440
BASIC GROUP SHARE OF NET EARNINGS PER SHARE (in euros)	4.27	3.98	3.06
Number of shares on which the calculation is based	474,327,943	471,901,820	470,206,389
DILUTED GROUP SHARE OF NET EARNINGS PER SHARE (in euros)	4.22	3.94	3.04
Number of shares on which the calculation is based	479,891,713	477,471,955	474,047,257

Business Review

Consolidated revenue for the year ended December 31, 2007 was 16,481 million euros, up 8% from the previous year. It was affected by the depreciation of the main invoicing currencies against the euro, in particular the US dollar (–8%) and the yen (–9%). On a constant currency basis, revenue for the year increased by 13%.

There were no changes in the Group's scope of consolidation in 2006 and 2007 that would affect the comparability of performance.

The breakdown of revenue by invoicing currency changed as follows: the contribution of the euro increased by 1 point to 31% while both US dollar and yen-denominated revenue dropped by 2 points, from 32% to 30% and 13% to 11%, respectively; the contribution of all other currencies advanced 3 points from 25% to 28%.

By geographic region of delivery, the year saw a drop in the relative contribution of the United States in Group revenue from 26% to 25%, of France from 15% to 14% and of Japan from 13% to 11%; Asia (excluding Japan) increased by 2 points from 17% to 19%, Europe (excluding France) and other markets each advanced by 1 point, from 22% to 23% and from 7% to 8%, respectively.

The decline in the contribution of the US dollar and the United States in Group revenue is mainly attributable to the adverse impact of the appreciation of the euro against the US dollar. At constant exchange rates, US dollar-denominated revenue increased by 10% and revenue generated in the United States increased by 12%. The reduced contribution of the yen and Japan in Group revenue is only partially explained by the poor performance of the yen against the euro. At constant exchange rates, revenue invoiced in yen increased by 3%.

It is also worth noting the exceptionally robust performance of new regions such as China, Russia and the Middle East, resulting in considerable increases in invoicing for the corresponding currencies.

By business group, the breakdown of Group revenue remained nearly stable: the contribution of Perfumes and Cosmetics advanced by 1 point from 16% to 17%, while the contribution of all other business groups remaining unchanged, with Wines and Spirits at 20%, Fashion and Leather Goods at 34%, Watches and Jewelry at 5% and Selective Retailing at 25%. The growth in the contribution of the Group's Perfumes and Cosmetics brands is due in particular to the strong revenue performance achieved with the Sephora retail network, which gave rise to additional consolidation eliminations.

Wines and Spirits posted revenue growth of 8% based on published figures. With the adverse impact of exchange rate fluctuations decreasing revenue by 5 points, organic growth was 13%. Revenue was buoyed by sales volume growth for the champagne and cognac segments, which posted increases of 4% and 10% respectively, and also by higher selling prices and continuing product mix improvements. Strong sales volume growth was achieved by the champagne segment in Japan as well as in promising markets such as Spain and Russia. This segment has also been highly successful in moving its positioning upmarket, especially in Europe. Revenue growth for the cognac segment was especially strong in Asia, particularly China and Vietnam, and in Russia. The US market maintained its robust levels of growth across all of the Group's wines and spirits.

Fashion and Leather Goods posted organic growth of 14%, and 8% based on published figures. Louis Vuitton turned in a remarkable performance for the year, again recording double-

digit organic revenue growth. This brand has made spectacular headway in Asia, especially China, and continues to benefit from strong momentum in Europe and the United States. Fendi continued to perform well with a new sizable increase in revenue. The other brands of this business group also achieved strong results, with some experiencing very rapid growth, such as Marc Jacobs.

Perfumes and Cosmetics posted organic revenue growth of 12%, and 8% based on published figures. This performance was spurred by both innovation and the enrichment of existing lines. All three categories of products—perfume, make-up and skincare—benefited from robust growth. All the brands in the portfolio contributed to this performance, from flagship brands such as Parfums Christian Dior or Guerlain to alternative and niche brands such as BeneFit Cosmetics. The Perfumes and Cosmetics business group reaffirmed its leadership position in Europe and its brands continued their steady advances in Russia, China and the Middle East, markets that confirmed their potential for further growth.

Watches and Jewelry posted organic revenue growth of 19%, and 13% based on published figures. This performance was driven by TAG Heuer, which reinforced its worldwide leadership position in prestigious sports watches and chronographs. The excellent momentum achieved by this brand is sustained by constant innovation and continued efforts to move the brand further upmarket, reflected by very strong advances in all its markets. The Group's other watch brands, Zenith and Dior Watches, turned in strong results in their respective segments. Among the brands in the Group's jewelry segment, Chaumet enjoyed sustained revenue growth across all of its markets; De Beers confirmed its potential as a diamond jeweler and is successfully expanding its retail network in the United States, Asia and the Middle East.

Selective Retailing also posted organic revenue growth of 12%, and 7% based on published figures. This growth was driven by Sephora, whose sales were very strong, not only on a same-store basis, but also due to the expansion of its retail network in Europe, North America, China and the Middle East. Despite weaker performance in tourist regions usually visited by Japanese travelers, DFS was able to record revenue growth overall by benefiting from the strong rise in business generated with customers from other parts of Asia, and especially Chinese tourists.

The Group posted a gross margin of 10,695 million euros, up 9% compared to the previous year. The margin on revenue was 65%, 1 point higher than in 2006. This increase reflects better control of the cost of products sold, higher selling prices, efforts to move brands upmarket resulting in product mix improvements, and the efficiency of currency hedges.

Marketing and selling expenses totaled 5,752 million euros, up 7% based on published figures, amounting to a 12% increase at constant exchange rates. Over and above robust communications expenditures by the Group's main brands, this increase is due to the continued development of distribution networks, as much for retail activities (stores) as for wholesale business. Nevertheless, the level of these marketing and selling expenses remained stable as a percentage of revenue, amounting to 35%.

General and administrative expenses totaled 1,388 million euros, up 8% based on published figures, and up 11% on a constant currency basis. They represented 8% of revenue, a level identical to that recorded in 2006.

The Group's profit from recurring operations was 3,555 million euros, 12% higher than in 2006. Operating margin as a percen-

tage of consolidated revenue amounted to nearly 22%, 1 point higher than its level a year earlier. As the level of general and administrative expenses remained stable, this 1 point increase reflects the improvement in the margin on revenue mentioned above. It also results from the profitability gains posted by all business groups, and in particular Watches and Jewelry whose margin rose 6 points.

Exchange rate fluctuations had a negative net impact on the Group's profit from recurring operations of 255 million euros compared with the previous year. This total comprises the following three items: the impact of changes in currency parities on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the euro zone. On a constant currency basis excluding changes in the net impact of currency hedges, the increase in the Group's profit from recurring operations would have been 20% compared to 2006.

Profit from recurring operations for Wines and Spirits was 1,058 million euros, up 10% compared to the previous year. This performance reflects sales volume growth, product mix improvements and higher selling prices consistent with the premium positioning of the Group's products in addition to supply constraints, notably affecting the champagne segment. These price increases, together with tight cost control, offset the adverse impact of exchange rate fluctuations, expenses relating to the reinforcement of the distribution network and advertising and promotional expenditure focused on strategic markets. Operating margin as a percentage of revenue for this business group increased by 0.7 point to 32.8%.

Fashion and Leather Goods posted profit from recurring operations of 1,829 million euros, up 12% compared to 2006. Despite the strongly unfavorable effect of exchange rate fluctuations, Louis Vuitton once again performed remarkably well. Fendi continued to show profitable growth. The other brands in a development or revitalization phase demonstrated their strong potential and significantly enhanced their profitability. Operating margin as a percentage of revenue for this business group increased by 1.2 point to 32.5%.

Profit from recurring operations for Perfumes and Cosmetics was 256 million euros, an increase of 15% compared to 2006. Despite a higher level of advertising and promotional expenditure, and costs related to the new foray into the world of perfume by Fendi and Pucci, tight control over product costs and other operating expenses once again improved profitability. Operating margin as a percentage of revenue for this business group thus increased by 0.6 point to 9.4%. With the exception of the new perfumes produced by Fendi and Pucci, all of the business group's brands contributed to this improvement.

After having quadrupled in 2006, profit from recurring operations for Watches and Jewelry increased by 76% in 2007 to 141 million euros. This performance was driven by TAG Heuer and by the improvement in the results of the other brands, notably Chaumet. As mentioned above, operating margin as a percentage of revenue for this business group soared 6 points to 16.9%.

Profit from recurring operations for Selective Retailing was 439 million euros, up 10% compared to 2006. Despite the weakness of the yen, which had a significant impact on the buying power of Japanese tourists for a significant portion of 2007, DFS was able to increase its revenue on a constant

currency basis and its operating margin as a percentage of revenue remained high. Sephora continued to improve its operating margin, despite expenses resulting from its rapid expansion in Europe, the US, China and the Middle East, thus confirming its highly profitable growth momentum. Le Bon Marché has firmly positioned itself as the most exclusive luxury and prestigious department store in Paris and continued to post strong profits. Operating margin as a percentage of revenue for the Selective Retailing business group as a whole rose 0.2 point to 10.5%.

The net result from recurring operations of Other Activities and eliminations was a loss of 168 million euros, compared to a loss of 125 million euros in 2006. In addition to headquarters expenses, Other Activities also includes the Media division.

Other operating income and expenses amounted to a net expense of 126 million euros compared to a net expense of 120 million euros in 2006. In 2007, they comprised a net expense of 81 million euros relating to the net loss on the sale of La Tribune group, the logistics company Kami (Fashion and Leather Goods) and Omas writing instruments; the remaining expense includes: 16 million euros for depreciation, amortization or accelerated depreciation of fixed assets, 25 million euros for commercial and industrial reorganization costs and 4 million euros for various non-recurring expenses and provisions.

The Group's operating profit was 3,429 million euros, representing a 12% increase over 2006.

The net financial expense was 252 million euros, compared to a net financial expense of 53 million euros for 2006.

The cost of net financial debt was 207 million euros as of December 31, 2007, up from 173 million euros the previous year. The interest expense on net debt included in this amount increased by 33 million euros to 211 million euros, reflecting two opposing trends: the decline in the amount of the net financial debt and the adverse impact of the rise in interest rates on the financial expense related to the variable-rate portion of the debt. The balance corresponds to the change in the market value of interest rate hedging instruments.

Other financial income and expenses amounted to a net expense of 45 million euros, compared to a net amount of other financial income of 120 million euros for 2006. The financial cost of foreign exchange operations had a negative impact of 97 million euros for 2007; it had a negative impact of 45 million euros in 2006. Capital gains realized on the sale of various available for sale financial assets and dividends received from unconsolidated investments amounted to 73 million euros in 2007 compared to 185 million euros in 2006.

The Group's effective tax rate was 27% as of December 31, 2007, down from 28% for 2006. This 1 point reduction is primarily attributable to the use or capitalization of tax loss carryforwards and the effect of income tax rate reductions in several European countries (Italy, UK, etc.) on the deferred tax amounts recognized in the balance sheet.

Income from investments in associates was 7 million euros as of December 31, 2007; it was 8 million euros in 2006.

Profit attributable to minority interests was 306 million euros, compared to 281 million euros for 2006. This mainly includes minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 2,025 million euros, up 8% compared to 2006 and up 41% compared to 2005. As was the case in 2006, it represented 12% of revenue.

Consolidated cash flow statement

EUR millions	2007	2006	2005
I. OPERATING ACTIVITIES Operating profit Net increase in depreciation, amortization and provisions,	3,429	3,052	2,522
excluding tax and financial items Other unrealized gains and losses, excluding financial items Dividends received Other adjustments	638 (39) 33 (22)	474 (31) 28 (19)	639 (102) 47 (17)
CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL Cost of net financial debt: interest paid Income taxes paid	4,039 (191) (916)	3,504 (174) (784)	3,089 (222) (616)
NET CASH FROM OPERATIONS BEFORE CHANGES IN WORKING CAPITAL	2,932	2,546	2,251
Change in inventories and work in progress Change in trade accounts receivable Change in trade accounts payable Change in other receivables and payables	(565) (197) 222 66	(351) (146) 208 31	(281) (67) 27 64
TOTAL CHANGE IN WORKING CAPITAL	(474)	(258)	(257)
NET CASH FROM OPERATING ACTIVITIES	2,458	2,288	1,994
II. INVESTING ACTIVITIES Purchase of tangible and intangible fixed assets Proceeds from sale of tangible and intangible fixed assets Guarantee deposits paid and other operating investments	(990) 58 (20)	(771) 10 12	(707) 21 7
OPERATING INVESTMENTS	(952)	(749)	(679)
Purchase of non-current available for sale financial assets Proceeds from sale of non-current available for sale financial assets Impact of purchase and sale of consolidated investments Other financial investments	(45) 33 (329)	(87) 172 (48)	(69) 469 (604) 65
FINANCIAL INVESTMENTS	(341)	37	(139)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(1,293)	(712)	(818)
III. TRANSACTIONS RELATING TO EQUITY Capital increases subscribed by minority interests Purchase and proceeds from sale of LVMH treasury shares and related derivatives	1 14	6 (48)	3 32
Interim and final dividends paid by LVMH Interim and final dividends paid to minority interests in consolidated subsidiaries	(686) (156)	(566) (120)	(446) (120)
NET CASH FROM (USED IN) TRANSACTIONS RELATING TO EQUITY	(827)	(728)	(531)
IV. FINANCING ACTIVITIES Proceeds from borrowings Repayment of borrowings Purchase and proceeds from sale of current available for sale financial assets	2,006 (1,700) (278)	785 (1,757) (181)	1,192 (1,559) (40)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	28	(1,153)	(407)
V. EFFECT OF EXCHANGE RATE CHANGES	(44)	(10)	41
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)	322	(315)	279
Cash and cash equivalents at beginning of period Cash and cash equivalents at end of period	765 1,087	1,080 765	801 1,080
Transactions generating no change in cash: - acquisition of assets by means of finance leases	6	8	9

Comments on the consolidated cash flow statements

The consolidated cash flow statement, as shown on the opposite page, details the main cash flows for the 2007 fiscal year.

Cash from operations before changes in working capital rose 15% to 4,039 million euros from 3,504 million euros a year earlier.

Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 2,932 million euros, an increase of 15% compared to the 2,546 million euros recorded in 2006.

Interest paid in 2007 amounted to 191 million euros, up from 174 million euros in 2006, an increase due mainly to higher euro interest rates, despite the drop in the average amounts outstanding on financial debt.

Income tax paid in 2007 amounted to 916 million euros, as against 784 million euros in 2006, due to the increase in profit before tax.

Working capital requirements increased by 474 million euros. Changes in inventories increased cash requirements by 565 million euros, mainly due to the replenishment of distilled alcohol inventories for cognac and wine inventories for champagne and continued business growth. The year-on-year increase in trade accounts receivable generated a cash requirement of 197 million euros, mainly at Hennessy and Parfums Christian Dior, while the decrease in trade accounts payable provided additional cash in the amount of 222 million euros, notably at Hennessy, Louis Vuitton, the French perfume houses and Sephora.

Overall, net cash from operating activities posted a surplus of 2,458 million euros.

Net cash used in investing activities—both operating and financial—amounted to 1,293 million euros.

Group operating capital expenditures for the year, net of disposals, resulted in net cash outflows of 952 million euros. The increase in their gross amount reflects the Group's dynamic growth policy and that of its flagship brands such as Louis Vuitton, Sephora and Parfums Christian Dior, as well as the acquisition of the Belvedere brand in the United States.

Purchases of non-current available for sale financial assets, net of disposals, represented a net outflow of 12 million euros. The net impact of the purchase and sale of consolidated investments resulted in an outflow of 329 million euros, relating mainly to the

acquisitions of the Les Echos group, the 6% stake in Fendi not yet owned by LVMH and a 55% stake in the Chinese group Wen Jun Spirits.

Transactions relating to equity generated a net outflow of 827 million euros over the period.

Disposals of LVMH shares and related derivatives by the Group, net of acquisitions, generated a cash inflow of 14 million euros. As was the case in 2006, LVMH call options were acquired in order to hedge stock option plans granted to employees.

In the year ended December 31, 2007, LVMH S.A. paid a total of 686 million euros in dividends, excluding the amount attributable to treasury shares, of which 520 million euros were distributed in May in respect of the final dividend on 2006 profit and 166 million euros in December in respect of the interim dividend for the 2007 fiscal year. Furthermore, minority interests in consolidated subsidiaries received 156 million euros in dividends, mainly corresponding to dividends paid to Diageo's shareholders with respect to its 34% stake in Moët Hennessy as well as minority interests in DFS.

Net cash provided by these operating, investment and equity-related activities, including the dividend payment, amounted to 338 million euros.

Borrowings and financial debt were amortized in 2007 for an amount of 1,700 million euros, and 278 million euros were invested in current available for sale financial assets.

Conversely, additional financial resources were realized by way of bond issues and new borrowings, which provided a cash inflow of 2,006 million euros. In November 2007, the Group carried out a 6-year public bond issue in a nominal amount of 300 million Swiss francs. Furthermore, the Group increased its recourse to its French commercial paper program and LVMH K.K. developed a commercial paper program in Japan as a replacement for the private placements issued under its Euro Medium Term Notes program.

As of December 31, 2007, cash and cash equivalents net of bank overdrafts amounted to 1,087 million euros, representing a significant increase compared to the 765 million euros held as of year-end 2006.

Consolidated statement of changes in equity

EUR millions							Total equity			
	Number of shares	Share capital		LVMH treasury shares and related derivatives	Revaluation reserves	Cumulative translation adjustment	Net profit and other reserves	Group share	Minority interest	Total
•	89,937,410	147	1,736	(1,019)	917	(119)	8,941	10,603	991	11,594
Translation adjustment						(489)		(489)	(86)	(575)
Income and expenses recognized directly in equity					59			59	19	78
Net profit							2,025	2,025	306	2,331
TOTAL RECOGNIZED INCOME AND EXPENSES		_	-	-	59	(489)	2,025	1,595	239	1,834
Stock option plan expenses							40	40	4	44
(Acquisition)/disposal of LVMH treasury shares				142			(104)	38		38
Capital increase in subsidiaries									I	1
Interim and final dividends paid							(686)	(686)	(156)	(842)
Changes in consolidation scope									(15)	(15)
Effects of purchase commitments for minority interests									(126)	(126)
AS OF DECEMBER 31, 2007 4	89,937,410	147	1,736	(877)	976	(608)	10,216	11,590	938	12,528

LV M H MOËT HENNESSY , LOUIS VUITTON

LVMH, 22 avenue Montaigne – 75008 Paris Telephone 33 1 44 13 22 22 – Fax 33 1 44 13 21 19 www.lvmh.com

Photographs

Cover photo: Monica Bellucci is photographed by Craig Mc Dean.

Stéphane Pelletier, Karl Lagerfeld, Studio Pons / Philippe Stroppa, Jacques Vekemans / Gamma, Julien Claessens, Michel Feinberg, Louis Vuitton / Création visuelle, Olivier Mordacq, Laziz Hamani, Leif Carlsonn, Stéphane Olivier, Red Eye Productions for Krug, Fabrice Bouquet, Thomas Duval, Gilles de Beauchêne, Jerome Bryon, Philippe Lacombe, Mert Alas et Marcus Pigott, Fabien Sarrazin, Mohammed Khalil, Jacques Waneph, Veuve Clicquot/De Visu Reims, Didier Ghislain 2006 d'après le projet de Frank Gehry, Louis Vuitton / Jean-Philippe Caulliez, Veuve Clicquot / Michel Jolyot, Alain Hatat, Annie Leibovitz, DR, photo archives LVMH and Group companies.

Design and production

Phénia /

52, avenue des Champs-Elysée - 75008 Paris Téléphone 01 45 62 62 62



Voyage-t-on pour découvrir le monde ou pour le changer ?

Mur de Berlin. De retour d'une conférence.