LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH FINANCIAL DOCUMENTS

FISCAL YEAR ENDED DECEMBER 31, 2013

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This document is a free translation into English of the original French “Documents financiers - 31 décembre 2013”, hereafter referred to as the “Financial Documents”. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [a]

Nicholas Clive Worms [a]

Charles de Croisset [a]

Diego Della Valle [a]

Albert Frère [a]

Gilles Hennessy

Marie-Josée Kravis [a]

Lord Powell of Bayswater

Yves-Thibault de Silguy [a]

Francesco Trapani

Hubert Védrine [a]

Advisory Board members

Paolo Bulgari

Patrick Houël

Felix G. Rohatyn

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Pierre Godé
Vice-Chairman

Nicolas Bazire
Development and acquisitions

Michael Burke
Louis Vuitton

Yves Carcelle
Fondation Louis Vuitton

Chantal Gaemperle
Human resources

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora

Christophe Navarre
Wines and Spirits

Daniel Piette
Investment funds

Pierre-Yves Roussel
Fashion

Philippe Schaus
DFS

Francesco Trapani
Watches and Jewelry

Jean-Baptiste Voisin
Strategy

Mark Weber
Donna Karan

General secretary

Marc-Antoine Jamet

Performance Audit Committee

Yves-Thibault de Silguy [a]

Nicholas Clive Worms [a]

Gilles Hennessy

Nominations and Compensation Committee

Albert Frère [a]

Charles de Croisset [a]

Yves-Thibault de Silguy [a]

Statutory Auditors

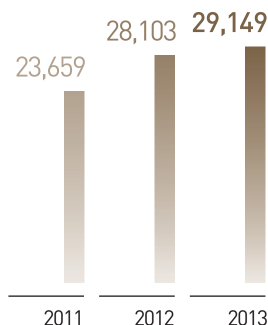
DELOITTE & ASSOCIÉS
represented by Thierry Benoit

ERNST & YOUNG et Autres
represented by Jeanne Boillet and Gilles Cohen

(a) Independent Director.

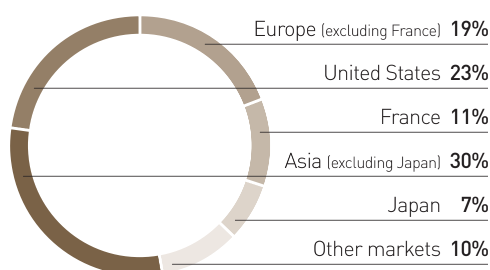
FINANCIAL HIGHLIGHTS

Revenue
(EUR millions)

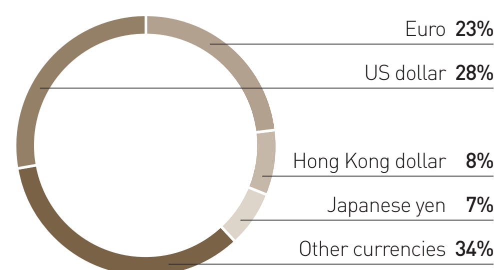


Revenue by business group *(EUR millions)*	2013	2012	2011
Wines and Spirits	4,187	4,137	3,524
Fashion and Leather Goods	9,882	9,926	8,712
Perfumes and Cosmetics	3,717	3,613	3,195
Watches and Jewelry	2,784	2,836	1,949
Selective Retailing	8,938	7,879	6,436
Other activities and eliminations	(359)	(288)	(157)
Total	**29,149**	**28,103**	**23,659**

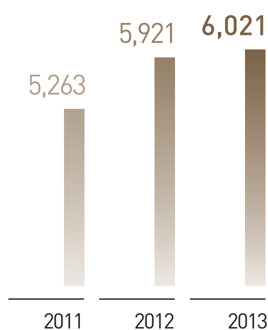
Revenue by geographic region of delivery



Revenue by invoicing currency

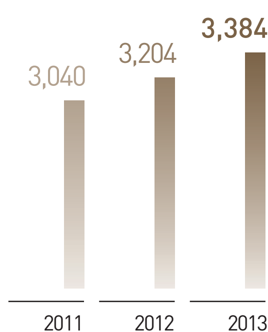


Profit from recurring operations
(EUR millions)

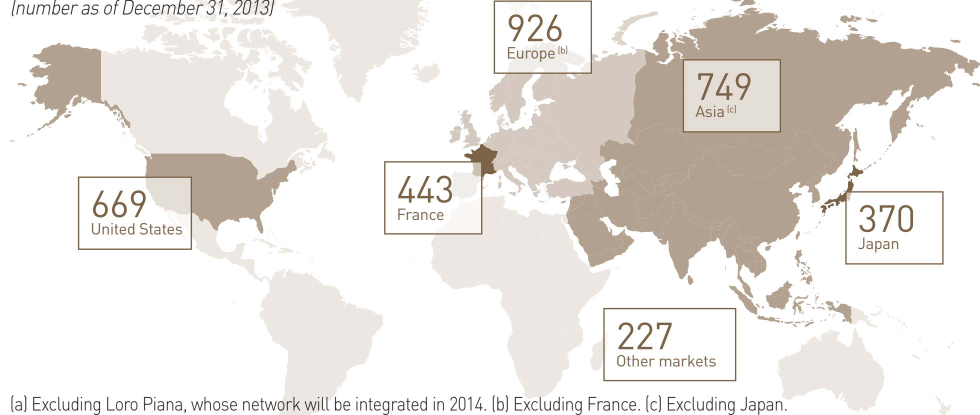


Profit from recurring operations by business group *(EUR millions)*	2013	2012	2011
Wines and Spirits	1,370	1,260	1,101
Fashion and Leather Goods	3,140	3,264	3,075
Perfumes and Cosmetics	414	408	348
Watches and Jewelry	375	334	265
Selective Retailing	901	854	716
Other activities and eliminations	(179)	(199)	(242)
Total	**6,021**	**5,921**	**5,263**

Stores
(number)

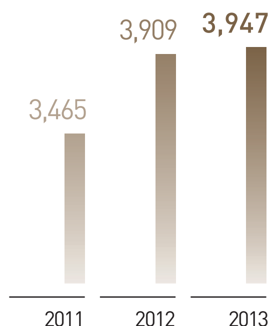


Stores by geographic region [a]
(number as of December 31, 2013)

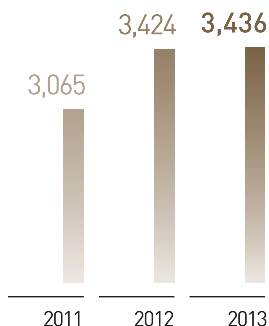


(a) Excluding Loro Piana, whose network will be integrated in 2014. (b) Excluding France. (c) Excluding Japan.

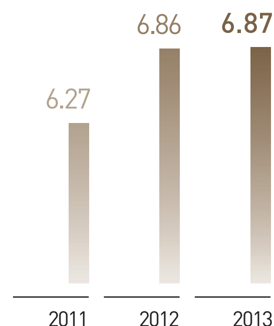
Net profit
(EUR millions)



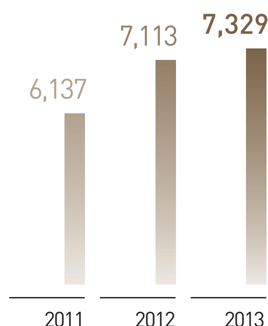
Net profit, Group share
(EUR millions)



Basic Group share of net earnings per share
(EUR)

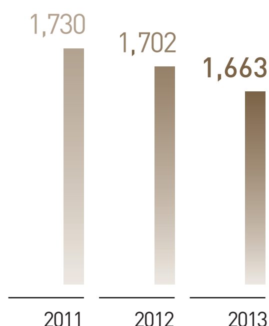


Cash from operations before changes in working capital [a]
(EUR millions)

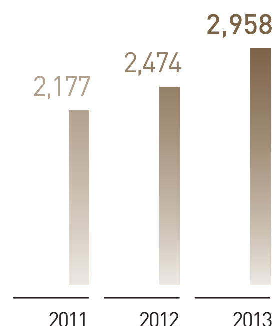


(a) Before interest and tax paid.

Operating investments
(EUR millions)

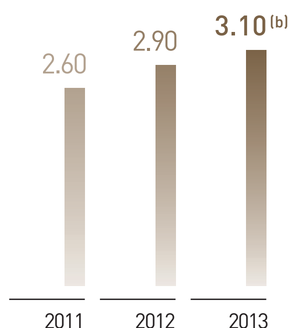


Free cash flow [a]
(EUR millions)



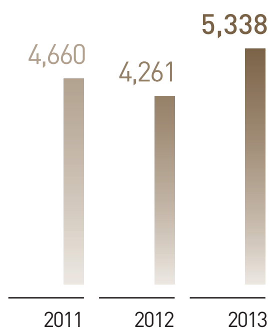
(a) Net cash from (used in) operating activities and operating investments.

Dividend per share [a]
(EUR)



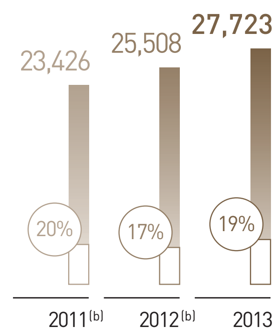
(a) Gross amount paid for fiscal year, excluding the impact of the tax regulations applicable to the beneficiary.
(b) Amount proposed at the Shareholders' Meeting of April 10, 2014.

Net financial debt [a]
(EUR millions)



(a) Excluding purchase commitments for minority interests included in Other non-current liabilities. See Note 18.1 of notes to the condensed consolidated financial statements for definition of net financial debt.

Total equity [a] **and Financial debt/ Total equity ratio**
(EUR millions and percentage)



(a) Including minority interests.
(b) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2 of the condensed consolidated financial statements.

CAPITAL AND VOTING RIGHTS

	Number of shares	Number of voting rights [a]	% of capital	% of voting rights
Arnault family group	235,886,503	453,988,936	46.45%	62.59%
Other	271,907,158	271,320,729	53.55%	37.41%
Total	**507,793,661**	**725,309,665**	**100.00%**	**100.00%**

(a) Total number of voting rights that may be exercised at Shareholders' Meetings.

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

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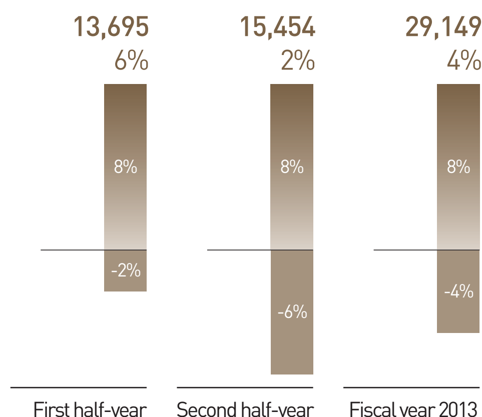
1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1. Analysis of revenue

Change in revenue per half-year period

(EUR millions and percentage)



Organic growth

Changes in the scope of consolidation [a]

Exchange rate fluctuations [a]

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

Consolidated revenue for the fiscal year 2013 was 29,149 million euros, up 4% over the preceding fiscal year. Revenue was impacted by the depreciation of the Group's main invoicing currencies against the euro, in particular the Japanese yen, which depreciated by 27%.

The following changes have been made in the Group's scope of consolidation since January 1, 2012: in Fashion and Leather Goods, the acquisition of 80% of Loro Piana on December 5, 2013 and 52% of British luxury footwear company Nicholas Kirkwood on October 1, 2013; in Other activities, the acquisition of 80% of the Milan based patisserie business Cova in June 2013 and Hotel Saint Barth Isle de France in September 2013. These changes in the scope of consolidation did not have any significant effect on revenue growth for the year.

On a constant consolidation scope and currency basis, revenue increased by 8%.

Revenue by invoicing currency

(as %)	2013	2012	2011
Euro	23	24	26
US dollar	28	28	27
Japanese yen	7	8	8
Hong Kong dollar	8	6	6
Other currencies	34	34	33
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed as follows: the contributions of the euro and Japanese yen both fell by 1 point to 23% and 7%, respectively; the proportion of revenue denominated in US dollars and Other currencies remained stable at 28% and 34%, respectively, while the relative weight of the Hong Kong dollar rose by 2 points to 8%.

Revenue by geographic region of delivery

(as %)	2013	2012	2011
France	11	11	12
Europe (excluding France)	19	20	21
United States	23	23	22
Japan	7	8	8
Asia (excluding Japan)	30	28	27
Other markets	10	10	10
Total	**100**	**100**	**100**

By geographic region of delivery, there was a 1 point decline in the relative contributions to Group revenue by Europe (excluding France) and Japan, at 19% and 7% respectively, while Asia (excluding Japan) increased its contribution by 2 points to 30%. France, the United States and Other markets remained stable at 11%, 23% and 10% respectively.

Revenue by business group

(EUR millions)	2013	2012	2011
Wines and Spirits	4,187	4,137	3,524
Fashion and Leather Goods	9,882	9,926	8,712
Perfumes and Cosmetics	3,717	3,613	3,195
Watches and Jewelry	2,784	2,836	1,949
Selective Retailing	8,938	7,879	6,436
Other activities and eliminations	(359)	(288)	(157)
Total	**29,149**	**28,103**	**23,659**

The breakdown of the Group's revenue by business group changed appreciably as a result of the addition of three major concession contracts won in late 2012 at the Hong Kong airport in Selective Retailing, whose contribution increased by 3 points to 31%. The contributions of Fashion and Leather Goods, Wines and Spirits, and Watches and Jewelry all fell by 1 point to 34%, 14% and 9% respectively. That of Perfumes and Cosmetics remained stable at 13%.

Wines and Spirits saw an increase in revenue of 1% based on published figures. Revenue for this business group increased by 6% on a constant consolidation scope and currency basis, with the net impact of exchange rate fluctuations lowering Wines and Spirits revenue by 5 points. This performance was made possible by higher sales volumes and a sustained policy of price increases in line with the ongoing value-creation strategy.

Demand remained strong in Asia and the United States. China is still the second largest market for the Wines and Spirits business group.

Fashion and Leather Goods revenue was up 5% on a constant consolidation scope and currency basis, while remaining stable in published figures. This business group's performance continued to benefit from gains made by Louis Vuitton. Céline, Kenzo, Givenchy and Berluti confirmed their potential, delivering double-digit growth.

Revenue for Perfumes and Cosmetics increased by 7% on a constant consolidation scope and currency basis, and by 3% based on published figures. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the economic crisis. The Perfumes and Cosmetics business group saw appreciable revenue growth in the United States and Asia, notably China.

Revenue for Watches and Jewelry increased by 4% on a constant consolidation scope and currency basis, and fell 2% based on published figures. Economic uncertainty and an intensely competitive market caused a slowdown in purchases by multi-brand watch retailers. For all of the business group's brands, Japan was the most dynamic region.

Based on published figures, revenue for Selective Retailing increased by 13%, and by 17% on a constant consolidation scope and currency basis. The main drivers of this performance were Sephora, which saw very appreciable growth in revenue across all world regions, and DFS, which made excellent progress, spurred by the integration as of end 2012 of three major concessions at the Hong Kong airport, and by the continuing development of Chinese tourism boosting business at its stores in Hong Kong and Macao.

1.2. Profit from recurring operations

(EUR millions)	2013	2012	2011
Revenue	29,149	28,103	23,659
Cost of sales	(10,055)	(9,917)	(8,092)
Gross margin	19,094	18,186	15,567
Marketing and selling expenses	(10,849)	(10,101)	(8,360)
General and administrative expenses	(2,224)	(2,164)	(1,944)
Profit from recurring operations	**6,021**	**5,921**	**5,263**
Operating margin *(%)*	**21**	**21**	**22**

The Group posted a gross margin of 19,094 million euros, up 5% compared to the previous fiscal year. As a percentage of revenue the gross margin was 66%, an increase of 1 point thanks notably to effective control over the cost of goods sold.

Marketing and selling expenses totaled 10,849 million euros, up 7% based on published figures, amounting to a 12% increase on a constant consolidation scope and currency basis. This increase was mainly due to the ongoing development of the Group's retail networks, but also to higher communications investments by the Group's main brands. The level of these marketing and selling expenses nonetheless rose by only 1 point as a percentage of revenue, amounting to 37%. Among these marketing and selling expenses, advertising and promotion represented 11% of revenue, an increase of 5% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	2013	2012	2011
France	443	412	390
Europe (excluding France)	926	910	883
United States	669	644	621
Japan	370	370	360
Asia (excluding Japan)	749	670	621
Other markets	227	198	165
Total	**3,384** [a]	**3,204**	**3,040**

(a) Excluding Loro Piana, whose network will be integrated in 2014.

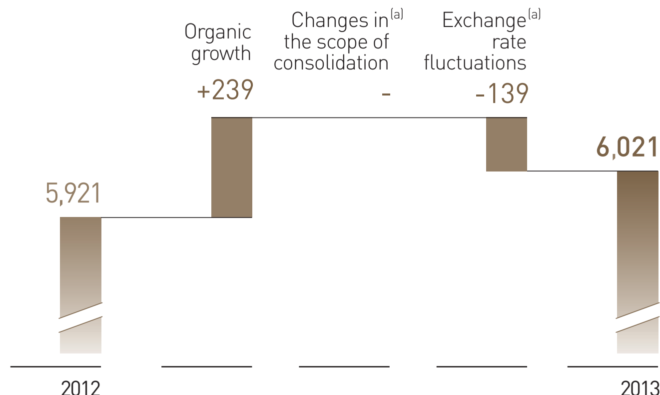
General and administrative expenses totaled 2,224 million euros, up 3% based on published figures, and up 6% on a constant consolidation scope and currency basis. They represented 8% of revenue, the same proportion as in 2012.

Profit from recurring operations by business group

(EUR millions)	2013	2012	2011
Wines and Spirits	1,370	1,260	1,101
Fashion and Leather Goods	3,140	3,264	3,075
Perfumes and Cosmetics	414	408	348
Watches and Jewelry	375	334	265
Selective Retailing	901	854	716
Other activities and eliminations	(179)	(199)	(242)
Total	**6,021**	**5,921**	**5,263**

The Group's profit from recurring operations was 6,021 million euros, representing an increase of 2%. The operating margin as a percentage of revenue was 21%, remaining stable compared with 2012.

Change in profit from recurring operations
(EUR millions)



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

Exchange rate fluctuations had a negative net impact of 139 million euros on the Group's profit from recurring operations compared to the previous fiscal year. This total comprises the following three items: the impact of changes in exchange rate parities on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the euro zone.

Excluding currency, foreign exchange hedging effects and changes in scope, the Group's profit from recurring operations increased by 4%.

Wines and Spirits

	2013	2012	2011
Revenue *(EUR millions)*	4,187	4,137	3,524
Profit from recurring operations *(EUR millions)*	1,370	1,260	1,101
Operating margin *(%)*	33	30	31

Profit from recurring operations for Wines and Spirits was 1,370 million euros, up 9% compared to 2012. This performance was the result of both sales volume growth and a sustained policy of price increases. The operating margin as a percentage of revenue rose 3 points for this business group to 33%.

Fashion and Leather Goods

	2013	2012	2011
Revenue *(EUR millions)*	9,882	9,926	8,712
Profit from recurring operations *(EUR millions)*	3,140	3,264	3,075
Operating margin *(%)*	32	33	35

Fashion and Leather Goods posted profit from recurring operations of 3,140 million euros, down 4%. Louis Vuitton maintained its very high level of profitability, while Céline and Marc Jacobs confirmed their profitable growth momentum. The business group's operating margin as a percentage of revenue fell by 1 point to 32%.

Perfumes and Cosmetics

	2013	2012	2011
Revenue *(EUR millions)*	3,717	3,613	3,195
Profit from recurring operations *(EUR millions)*	414	408	348
Operating margin *(%)*	11	11	11

Profit from recurring operations for Perfumes and Cosmetics was 414 million euros, up 2% compared to 2012. This growth was driven notably by Guerlain, Benefit and Fresh, all of which posted improved results thanks to the success of their flagship product lines and strong innovative momentum. The business group's operating margin as a percentage of revenue remained stable at 11%.

Watches and Jewelry

	2013	2012	2011
Revenue *(EUR millions)*	2,784	2,836	1,949
Profit from recurring operations *(EUR millions)*	375	334	265
Operating margin *(%)*	13	12	14

Profit from recurring operations for Watches and Jewelry was 375 million euros, up 12% with respect to 2012. The business group's operating margin as a percentage of revenue increased by 1 point to 13%.

Selective Retailing

	2013	2012	2011
Revenue *(EUR millions)*	8,938	7,879	6,436
Profit from recurring operations *(EUR millions)*	901	854	716
Operating margin *(%)*	10	11	11

Profit from recurring operations for Selective Retailing was 901 million euros, up 6% compared to 2012. The business group's operating margin as a percentage of revenue fell by 1 point to 10%.

Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 179 million euros, representing an improvement compared to 2012. In addition to headquarters expenses, this heading includes the results of the Media division and those of the yacht builder Royal Van Lent.

1.3. Other income statement items

(EUR millions)	2013	2012	2011
Profit from recurring operations	6,021	5,921	5,263
Other operating income and expenses	(127)	(182)	(109)
Operating profit	5,894	5,739	5,154
Net financial income (expense)	(199)	(14)	(242)
Income taxes	(1,755)	(1,820)	(1,453)
Income (loss) from investments in associates	7	4	6
Net profit before minority interests	**3,947**	**3,909**	**3,465**
Minority interests	(511)	(485)	(400)
Net profit, Group share	**3,436**	**3,424**	**3,065**

Other operating income and expenses amounted to a net expense of 127 million euros, compared to a net expense of 182 million euros in 2012. In 2013, Other operating income and expenses included 88 million euros in depreciation, amortization and impairment charges for brands and goodwill. The remainder mainly consisted of expenses connected with acquisitions completed in 2013 and with costs for the reorganization of sales structures or industrial processes. In 2012, they also included impairment of fixed assets for 74 million euros.

The Group's operating profit was 5,894 million euros, representing a 3% increase over 2012.

The net financial expense for the fiscal year was 199 million euros, compared with a net financial expense of 14 million euros in 2012. This item comprises:

- the aggregate cost of net financial debt, which amounted to 103 million euros, showing a decrease compared to 2012. The increase in the average net financial debt outstanding during the fiscal year was offset by a lower average borrowing cost; and
- other financial income and expenses, amounting to a net expense of 96 million euros, compared to net income of 126 million euros in 2012. This positive result in 2012 included an exceptional dividend received in connection with the Group's shareholding in Hermès.

The Group's effective tax rate was 31%, compared to 32% in 2012. This change was due notably to the recognition of deferred tax income in certain subsidiaries.

Income from investments in associates was 7 million euros in 2013, compared to 4 million euros in 2012.

Profit attributable to minority interests was 511 million euros, compared to 485 million euros in 2012.

The Group's share of net profit was 3,436 million euros, remaining stable compared to 2012. This represented 12% of revenue in 2013, the same proportion as in 2012.

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

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

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

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

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

2. WINES AND SPIRITS

	2013	2012	2011
Revenue *(EUR millions)*	**4,187**	**4,137**	**3,524**
Sales volume *(millions of bottles)*			
Champagne	57.4	56.8	55.5
Cognac	69.1	67.1	63.5
Other spirits	16.9	15.7	14.1
Still and sparkling wines	44.7	43.3	41.8
Revenue by geographic region of delivery *(%)*			
France	7	7	8
Europe (excluding France)	19	20	22
United States	23	22	23
Japan	5	6	6
Asia (excluding Japan)	31	30	26
Other markets	15	15	15
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,370**	**1,260**	**1,101**
Operating margin *(%)*	**33**	**30**	**31**
Operating investments *(EUR millions)*	**187**	**182**	**159**

In 2013, **Wines and Spirits** recorded organic revenue growth of 6%. Profit from recurring operations increased by 9%. In an environment characterized by strong momentum in Asia and the United States, with a mixed market in Europe, the business group continued to illustrate the priorities of its value-enhancing strategy: firm prices and a strong dynamic of innovation aimed at continuously boosting its brands' appeal. Sales volume grew by 1% across all LVMH champagne brands, with robust demand for prestige cuvées, and rose by 3% for Hennessy cognac. The brands' momentum was boosted by Moët Hennessy's powerful and responsive retail network, and by sustained investments in communication.

Moët & Chandon illustrated its new communication program by orchestrating appearances of its brand ambassador Roger Federer throughout the world. He was the guest of honor at the brand's 270th anniversary celebration in New York, which was attended by many distinguished guests. In honor of the *Grand Vintage Rosé 2004*, a vertical tasting allowed guests to discover Moët & Chandon's finest vintage rosés, culminating in the *Grand Vintage Rosé 1878*, the brand's oldest cuvée of rosé champagne. This unique event showcased Moët & Chandon's historical expertise intertwined with its contemporary vision.

Dom Pérignon reaffirmed its originality, notably through the launch of new vintages and events woven around major designers. Jeff Koons sculpted "Balloon Venus for Dom Pérignon" for the launch of *Dom Pérignon Rosé 2003*. His design was then reinterpreted as a limited-edition New Year's gift box containing this vintage and *Dom Pérignon 2004*.

Mercier gained new momentum, reviving its original values. Revitalized packaging and new communications reaffirmed the brand's identity and positioning.

Veuve Clicquot upheld its innovation strategy. Among other initiatives, its *Shakkei* gift box met with great success in Japan, while *Naturally* became the first environmentally responsible bottle casing. The brand showcased its expertise through a fine dining partnership with Joël Robuchon. It continued its expansion in China and Central and Eastern Europe, while strengthening its position in its traditional markets in the United States, Japan and Australia. Rosé continued to perform well and proved itself to be a powerful growth lever.

Ruinart consolidated its positions in France and achieved solid international growth, especially in emerging markets in Asia, Africa and Latin America. It continued to give pride of place to premium products, reflected in its new *Dom Ruinart Rosé 2002* vintage. Stepping up its commitment to contemporary art, Ruinart is now associated with major international art fairs. The artist Piet Hein Eek created a work of art in homage to the history of the champagne house and designed two limited-edition collections.

Krug focused on boosting its notoriety and winning over new customers by revisiting the notions associated with luxury. Several "Lieux Ephémères" (ephemeral venues) were organized throughout the world, and the "Krug Ambassades" network was centered around exceptional travel events reflecting the values of the House. In addition to its strong momentum in the United States and a solid performance in Europe, Krug achieved excellent results in Japan and the Asia-Pacific region.

Estates & Wines still and sparkling wines performed remarkably well. The **Chandon** brand achieved substantial growth in both domestic and export markets. Continuing their move upmarket, still wines also turned in an excellent set of performances.

Château d'Yquem reaffirmed its status as the only Sauternes ranked as Premier Cru Classé Supérieur. While markets in Europe and the United States regained momentum, Asia attracted a growing number of connoisseurs. The year was marked by the release of *Château d'Yquem 2011*, hailed by critics, and the launch of *Y 2012*. **Château Cheval Blanc** consolidated its rank as a 1er Grand Cru Classé A.

Hennessy once again posted appreciable growth, backed by the power of its brand and the geographic mix of its sales. This growth was driven in large part by the United States, which represented the biggest market by volume. In China, the brand's firm historic foothold and momentum in the nightlife segment offset the impact of government measures affecting receptions and business gifts. The brand maintained a strong position in Taiwan, Malaysia and Vietnam, while actively expanding in Cambodia, India and the Philippines. It showed strong momentum in Eastern Europe, benefiting from the Moët Hennessy retail subsidiary's establishment in Russia. Finally, it continued to build up solid growth prospects on the African and American continents, notably in Mexico and the Caribbean.

In addition to the success of its older quality grades, Hennessy breathed new life into the brand with younger grades such as *Very Special* and *Classivm*, to win over new generations of consumers. The brand stepped up its presence in the nightlife segment, around the new *Very Special* creative universe designed by Pininfarina and the *Hennessy Artistry* concert-events.

Glenmorangie and **Ardbeg** single malt whiskies once again surged ahead in their key markets. Hailed by critics, Glenmorangie's launches this year met with commercial success. The limited edition *Ealanta* was named "World Whisky of the Year" by the *Whisky Bible*, the industry reference guide. Sold online and launched to coincide with Ardbeg Day 2013, the limited edition *Ardbog* sold out on its key markets in a matter of hours.

Belvedere vodka continued to grow robustly. Supported in the United States by an extensive communication campaign, it gained market share in Europe, Asia, Brazil and Africa.

Wenjun recorded solid growth in China in a highly competitive market for premium baijiu.

Outlook

In 2014, Wines and Spirits will extend their brands' ever-increasing reach and appeal throughout the world, backed by a reputation for excellence and a vigorous policy of innovation. Substantial investments in communication, devoted to the most promising markets and segments, will support the brands' initiatives. These elements are the keys to a value-creation strategy based on moving the product mix upscale and increasing prices. The power of Moët Hennessy's global distribution network, coupled with the experience and ambition of its teams, represent substantial strengths for the business group, which will focus on consolidating its leading positions in the market for prestige wines and spirits, and will continue to build a pattern of balanced, profitable growth.

3. FASHION AND LEATHER GOODS

	2013	2012	2011
Revenue *(EUR millions)*	9,882	9,926	8,712
Revenue by geographic region of delivery *(%)*			
France	8	8	8
Europe (excluding France)	20	19	20
United States	20	20	18
Japan	12	14	14
Asia (excluding Japan)	31	31	32
Other markets	9	8	8
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	52	51	51
Wholesale	43	43	42
Licenses	5	6	7
Total	100	100	100
Profit from recurring operations *(EUR millions)*	3,140	3,264	3,075
Operating margin *(%)*	32	33	35
Operating investments *(EUR millions)*	629	579	437
Number of stores	1,339 [a]	1,280	1,246

(a) Excluding Loro Piana, whose network will be integrated in 2014.

Fashion and Leather Goods recorded organic revenue growth of 5%. Profit from recurring operations for this business group was down 4%.

Louis Vuitton maintained its creative momentum and quest for excellence in 2013, with regard to its products as well as its distribution. Louis Vuitton was equally active in the quality driven development of its network of stores.

After the launch of "mini icons" *Alma BB* and *Monceau BB*, and the creation of the *Métis* model in *Monogram* canvas, the *W* bag distinguished itself with an innovative association of materials, embodying a very contemporary vision of the emblematic *Monogram* motif. Be they reinterpretations of iconic models such as the *SC Bag* designed by Sofia Coppola, or new creations like *Vivienne* and *Capucines*, Louis Vuitton's leather lines illustrated its engagement and the savoir faire of its artisans in selecting and working the most noble leathers. The timeless and sophisticated *Capucines* model is fashioned from an exceptional, soft grained and luxuriant leather. It has been an enormous success since its launch in July. In September, the highly refined *SC Bag* reinvented itself in a smaller, soft leather version available in a multitude of colors.

These developments, alongside the *Lockit* jewelry collection launch, benefited from new communication campaigns.

Louis Vuitton continued striving to make each of its stores an exceptional venue where the essence of its different creative universes is distilled and customers the world over are offered a unique experience. This goal was reflected in the expansion and renovation of several boutiques worldwide, notably in London, Tokyo and Beijing. The year 2013 was marked by two new Maisons Louis Vuitton openings, one in Venice and one in Munich. Another boutique also opened in Hong Kong's Times Square, a thriving neighborhood where Louis Vuitton was not yet present.

Following Marc Jacobs' departure to focus on developing his eponymous brand, Nicolas Ghesquière took over as Artistic Director of women's collections.

Fendi continued its growth and the quality driven expansion of its retail network, showcasing its high end offerings. In leather goods, these offerings were focused on highlighting the iconic *Selleria*, *Peekaboo* and *Baguette* lines, while the *2Jours* line launched in 2012 was the greatest success in Fendi's history. Furs enjoyed increased visibility, notably thanks to exhibits in Tokyo and Beijing of Karl Lagerfeld's best pieces from 1965 to the present day, emblems of Fendi's creativity and expert craftsmanship.

The Rome-based brand made great strides in all its markets, notably in Europe with openings of flagship stores embodying the new boutique concept on the Avenue Montaigne in Paris and the Via Montenapoleone in Milan.

Céline performed remarkably well, setting new records for revenue. Leather goods continued their rapid ascent thanks to the success of the iconic *Luggage*, *Trapeze* and *Classic* lines, while the new *Edge* and *Tie* collections met with an excellent reception. Driven by its creator, Phoebe Philo, ready-to-wear continued to vigorously reaffirm the brand's identity, associated with iconic modernity, timeless elegance and quality. Céline stepped up the pace of its worldwide boutique renovation program and continued expanding its retail network, notably in the United States and China. At the same time, its presence in multi-brand stores was more selective.

Marc Jacobs recorded steady growth, driven by rapid gains in the *Marc by Marc Jacobs* accessory collections. The recent *Dr Q* and *Too hot to handle* leather designs became true mainstays of the brand. Its new cosmetics line, exclusively distributed in Sephora stores, met with great success. Its operations in China are being acquired on a direct basis. Marc Jacobs decided to focus fully on the brand's business to support its future development. During the fiscal year, the Group raised its ownership interest in Marc Jacobs to 80%.

Donna Karan performed well thanks to the successful relaunch of its *DKNY Jeans* line and the increasing success of its accessory collections. This dynamic was particularly beneficial for international business. To revitalize its visual identity, the New York based brand gave artists from around the world carte blanche to reinterpret its logo as part of their own creative universe, under the *DKNY Artworks* program. Donna Karan continued the quality driven expansion of its retail network with targeted openings and a renovation plan for its existing stores.

Loewe continued to make strides, recording particularly remarkable growth in Japan. The emblematic *Amazona* and *Flamenco* lines continued their development. After Paris, new renovated boutiques were inaugurated in Shanghai and Rome. Loewe reinforced production capacity at its site in Getafe and founded a leatherworking school to pass on its exceptional know-how in the field. Jonathan Anderson, one of Britain's most talented young designers, was appointed as Loewe's Artistic Director.

With the arrival of Humberto Leon and Carol Lim in 2011, **Kenzo** has built on the success of its new creative positioning, boosted by a playful, offbeat advertising campaign in tune with the creative duo's aspirational spirit. The sweatshirt collections' most emblematic *Tiger* and *Eye* prints were extremely popular among a younger, very international clientele. In leather goods, the *Kalifornia* handbag joined the offering. Exclusive brand boutiques and retailers alike saw rapid growth. The website, which completed its first full year of sales activity, showed strong momentum.

Givenchy saw strong revenue growth thanks to solid performance across all product categories, especially in its directly owned stores. The *Antigona* and *Pandora* leather goods lines turned in solid growth. Its Artistic Director, designer Riccardo Tisci, was awarded the 2013 International Award by the CFDA (Council of Fashion Designers of America), crowning nearly eight years dedicated to enhancing the legacy of the brand. The retail network's expansion continued with the opening of boutiques in premium locations in Paris, Hong Kong and China.

Thomas Pink pursued its international development and opened its first stores in Indonesia and the Philippines. Online sales recorded rapid growth. A partnership was formed with the British and Irish Lions rugby team during its 125th anniversary tour in Australia.

Pucci continued to revamp its brand image, renovating its flagship stores particularly in Paris and Rome. Wholesale sales continued their development.

Berluti deployed its new boutique concept internationally, showcasing its full range of professions. New territories were added, including Singapore, Taiwan and Macao. Ready-to-wear did remarkably well. Footwear, both iconic lines and newer launches, continued to post rapid growth. The opening of its new boutique at 14 rue de Sèvres in Paris marked Berluti's entrance into the world of tailored fashion with the *Bespoke* service for shoes and *Grande-Mesure* for ready-to-wear.

Outlook

In 2014, **Louis Vuitton** will begin a thrilling new creative evolution, guided by an ambitious managerial vision and backed by the talent of all its teams. In March, Nicolas Ghesquière will present his first ready-to-wear collection. Reaffirming both its historic values and its timeless modernity, Louis Vuitton will continue to revisit and reinforce its iconic products and collections which remain the main strategic thrusts of its future growth. All these creative projects go hand-in-hand with the continuing selective and qualitative development of a globally unique retail network.

Fendi will continue to showcase its offering oriented towards high-end and fur products. It will maintain a qualitative expansion of its store network, notably including openings in London, Munich and New York.

Spurred on by their creative drive, the **other brands** will continue to strengthen their positions in their strategic markets. They will reaffirm their strong, distinct identity to best express their development potential. Creative collections and excellence in retail will remain their core objectives.

2014 will mark the integration of **Loro Piana** into LVMH, following the LVMH group's acquisition of an 80% stake in the family company at the end of 2013. With over six generations of experience, Loro Piana creates luxury fabrics and products, particularly cashmere, of which it is the world's foremost processor. The brand is famous for its dedication to quality and the noblest raw materials, its unrivalled standards in design and its expert craftsmanship. The cornerstones of this new alliance are shared values, the same attention paid to quality and a shared vision of the future for this high-potential, iconic brand.

4. PERFUMES AND COSMETICS

	2013	2012	2011
Revenue *(EUR millions)*	**3,717**	**3,613**	**3,195**
Revenue by product category *(%)*			
Perfumes	45	48	49
Make-up	37	35	34
Skincare products	18	17	17
Total	**100**	**100**	**100**
Revenue by geographic region of delivery *(%)*			
France	13	13	10
Europe (excluding France)	32	33	37
United States	12	12	9
Japan	5	6	6
Asia (excluding Japan)	24	22	22
Other markets	14	14	16
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**414**	**408**	**348**
Operating margin *(%)*	**11**	**11**	**11**
Operating investments *(EUR millions)*	**229**	**196**	**150**
Number of stores	**123**	**94**	**85**

Perfumes and Cosmetics recorded organic revenue growth of 7% in 2013, outpacing market growth. Profit from recurring operations increased by 2%. In a highly competitive market, LVMH brands saw their reach broadened through continuing innovation, enhanced flagship product lines and sustained communication.

Parfums Christian Dior continued to show good momentum. With the successful launch of its *Voile de Parfum* version, the iconic *J'adore* perfume consolidated its number-one position on a large number of markets, notably in France. *Miss Dior*, Christian Dior's first perfume created in 1947, was celebrated by the exposition devoted to it at the Grand Palais in Paris. *Dior Homme* made rapid strides, buoyed by the success of *Dior Homme Cologne* and a new communication campaign featuring Robert Pattinson. The *Collection Privée Christian Dior* introduced a refined, modern travel case, a custom offering reflecting the House's spirit of luxury perfumes.

Make-up maintained strong momentum thanks to strong performances from the latest innovations such as *Diorskin Nude BB Crème*. The iconic *Rouge Dior* lipstick met with extraordinary international success. *Prestige*, the premium product line that epitomizes Dior skincare, posted very strong performance, especially in Asia.

Guerlain performed solidly, buoyed in particular by the sustained growth of *La Petite Robe Noire*, which gained a firm hold among the top three contenders on the French market and has seen rapid growth abroad. The legendary *Shalimar* perfume benefited from a sweeping new cinematic advertising campaign. In skincare, *Orchidée Impériale* again recorded strong growth, particularly in Asia. Following an ambitious remodeling project, Guerlain's flagship boutique was inaugurated in Paris at 68 Champs-Élysées, the quintessence of its vision of glamour as seen through its exclusive collections, its artistic staging orchestrated by Peter Marino and the services it provides. Today, the "68" is the largest perfume and cosmetics boutique dedicated to a single brand.

Parfums Givenchy completed the international launch of its new men's fragrance, *Gentlemen Only*, which was highly successful. The *Very Irresistible* fragrance, embodied by its new brand ambassador Amanda Seyfried, celebrated its 10th anniversary. The make-up segment, enjoying robust growth, built on the strong performance of its new lipstick, *Le Rouge*.

Kenzo Parfums received a boost from its new fragrance, *Flower in the Air*, reaffirming the position of its *Flower* line as a classic in the perfume world. The communication material placed in stores illustrated the brand's poetic approach, unique in the market.

Fendi Parfums recorded strong growth, backed in particular by its successful launches at the end of 2012. Its new perfume, *Fan di Fendi pour Homme*, and *L'Acquarossa* fragrance, featuring Chiara Mastroianni as brand ambassador, also contributed to the brand's excellent results.

Benefit confirmed its strong momentum with the considerable success of its latest make-up innovation, *Fake Up*, a moisturizing concealer, and the continued growth of its flagship products *They're Real!* and *Porefessional*. Known for its playful, offbeat style, the brand also pursued innovative distribution techniques in several American airports in the form of its *Glam Up & Away* kiosks: beauty product vending machines in the shape of vintage pink buses.

Make Up For Ever gained market share as it deployed a new visual identity and launched its new website. Its flagship product lines *HD* and *Aqua* did exceptionally well.

Fresh stepped up its international expansion, particularly in Asia, where the brand has been very well received. Its skincare products made with natural ingredients and the sober elegance of its points of sale have stirred a growing interest among a young clientele.

Parfums Loewe bolstered its international image with its new brand ambassador, Linda Evangelista, who embodied its latest launch, *Aura Loewe*.

Reaffirming its handcrafted approach to perfume, **Acqua di Parma** showcased its colognes and other classic product lines.

Outlook

The brands of LVMH, each of which boasts strong growth potential regardless of its specific positioning, have set a new target for market share gains. They will maintain an offensive position in terms of innovation and advertising investments.

Parfums Christian Dior will concentrate its efforts on its priority markets and will continue developing its flagship product lines. It will continue to reaffirm its status as a luxury perfume house. It will perform a qualitative expansion of its distribution by increasing selectivity at its points of sale.

Guerlain will accelerate its development, spurred on by sustained investments in communication. A new men's fragrance will join the product range, while *La Petite Robe Noire* will continue to be deployed in France and abroad. A new *KissKiss* lipstick will be launched. 68 Champs-Élysées will become a space for discovery and ongoing arts and culture programs.

Parfums Givenchy will continue the global deployment of its *Gentlemen Only* line. *Dahlia Noir* will be enhanced by a new version embodied by a new brand ambassador. The make-up segment will be expanded with the arrival of several new products.

Kenzo Parfums will launch a variation on *Kenzo Amour* while the *Kenzo Flower* and *Kenzo Homme* lines will be supported by new communication campaigns.

Benefit will expand its retail reach, reaffirming its innovative positioning. The brand will continue rolling out its "Brow Bar" concept, a powerful customer loyalty lever.

Make Up For Ever will once again focus on strong growth backed by a sustained innovation strategy. Its communication campaigns will be reinforced, especially in the digital realm.

Fresh will continue expanding in Asia, opening new counters and deploying its flagship product lines. It will refine its in-store presentation and its communication campaign to fully express its unique values.

5. WATCHES AND JEWELRY

	2013	2012	2011
Revenue *(EUR millions)*	**2,784**	**2,836**	**1,949**
Revenue by geographic region of delivery *(%)*			
France	7	6	7
Europe (excluding France)	27	27	26
United States	12	12	13
Japan	13	14	14
Asia (excluding Japan)	27	26	26
Other markets	14	15	14
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**375**	**334**	**265**
Operating margin *(%)*	**13**	**12**	**14**
Operating investments *(EUR millions)*	**192**	**136**	**117**
Number of stores [(a)]	**363**	**347**	**327**

(a) Excluding franchises.

Watches and Jewelry recorded organic revenue growth of 4%. Profit from recurring operations rose by 12%. Performance was excellent in the directly owned store network, which continued to expand around the world, helping to reinforce brand image and distribution quality.

TAG Heuer maintained its positions in an essentially stable market. Its upscale strategy proved successful, with a robust performance delivered by the price segment above 3,000 euros. Its bold, innovative products were extremely well received at Baselworld 2013, notably featuring two *Mikropendulum* watch and chronograph models, equipped with a revolutionary magnetic regulator. The brand proceeded with its manufacturing integration and a new movement manufacturing facility was inaugurated in Chevenez, confirming TAG Heuer's position among the leading Swiss luxury chronograph makers. TAG Heuer celebrated the 50th anniversary of its legendary *Carrera* collection, enriched in 2013 by several new products, including the *Jack Heuer Chronograph*, while the *Aquaracer* series was honored through the victory of Oracle Team USA, a partner of TAG Heuer, in the America's Cup. The brand also bolstered its visibility in the motor racing world, renewing its contract with the McLaren racing team and becoming a founding member and official timekeeper for the upcoming Formula E electric car championship. The distribution network continued its expansion, notably with a new boutique opened on the Champs-Élysées in Paris.

Hublot continued to record remarkable growth in volume and value terms. Offering an array of highly creative new products, its *Classic Fusion* line pursued its rapid development alongside the emblematic *Big Bang*. Hublot boosted its upscale image by presenting exceptional products such as the *Ayrton Senna* and *LaFerrari* watches, associating the brand with values of design and performance. Hublot demonstrated its manufacturing expertise with its *UNICO* manufacture chronographs and its numerous complications with high added value. Its laboratories have developed an unprecedented, high-quality red ceramic, once again illustrating the brand's capacity for innovation and its technological know-how. An ambitious marketing program has been put in place, featuring prestigious partnerships in soccer (particularly on the occasion of the upcoming World Cup in Brazil), motor racing and sailing.

Zenith continued its development within the highly exclusive group of prestige manufacturing brands. Europe, Japan and the Middle East were the most dynamic markets. Tightly focused around five emblematic lines, its collection was enriched by several targeted new products, notably the *El Primero Lightweight* and the *Pilot Aeronef*. A new communication campaign helped reinforce the brand's image, while the quality of its distribution network was bolstered by increased selectivity at its points of sale.

Bulgari had a great year, and the brand's stores in particular recorded strong growth. Jewelry showed excellent momentum, especially the fine jewelry segment, as evidenced by the success of the *Serpenti* collection, showcased at expositions organized in Shanghai, Dubai and New York. Other highlights included the launch of the new *Diva* collection. The *Bulgari Bulgari* and *B.zero1* lines and engagement rings also contributed to the brand's success. As its new brand ambassador, artist Carla Bruni reinforced Bulgari's international reach. In the watches segment, the *Bulgari Octo* maintained its position as the men's top-of-the-line premium timepiece. Timepiece sales in directly owned stores were also buoyed by the strong performances turned in by the *Serpenti* jewelry watches. The distribution quality of the accessories business and of perfumes was reinforced. The store network pursued its ambitious renovation and expansion program, in place since the brand was integrated into the LVMH group. The flagship stores of Ginza Tower in Tokyo and Chater House in Hong Kong epitomize this expansion strategy.

Chaumet saw solid growth within its network of directly owned stores, especially in Asia and the Middle East. It unveiled its new *Hortensia* fine jewelry collection, a delicate line inspired by floral themes, while a new watch model enhanced the *Liens* jewelry line. The store network continued to expand, with new boutiques in Shanghai, Seoul and Cannes.

Montres Dior continued to reinforce its upscale image with new launches in the *Dior VIII* collection and the sustained success of the *Grand Bal* and *D de Dior* limited editions. The brand coupled this strategy with ever increasing selectivity in its retail network.

De Beers asserted itself as the leading reference in the solitaire diamonds segment. Sales of luxury jewelry forged ahead while the brand continued its expansion in the Greater China region.

Fred continued its rapid growth, with a special focus on its development in France and Japan, and sustained work on its iconic *Force 10* and *Baie des Anges* lines. The new *Pain de Sucre* collection was highly successful.

Outlook

The business group will continue its upmarket strategy aimed at boosting the renown and image of its brands. Priority will be placed on strengthening their image within the most promising markets through sustained marketing investments. Brands will also focus on boosting the quality of their distribution network, while improving their profitability and productivity. A rigorous cost control policy will be maintained, while continuing to facilitate synergy within the business group. Investments will be targeted at moving stores upmarket and developing manufacturing capabilities, in line with the vertical integration strategy being pursued. Finally, all the brands will launch new collections, reflecting their unwavering focus on creativity, expertise and high quality.

6. SELECTIVE RETAILING

		2013	2012	2011
Revenue *(EUR millions)*		**8,938**	**7,879**	**6,436**
Revenue by geographic region of delivery *(%)*				
France		15	17	20
Europe (excluding France)		10	11	10
United States		33	36	36
Japan		1	1	2
Asia (excluding Japan)		32	27	26
Other markets		9	8	6
Total		**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*		**901**	**854**	**716**
Operating margin *(%)*		**10**	**11**	**11**
Operating investments (EUR millions)		**390**	**332**	**215**
Number of stores	Sephora	1,481	1,398	1,300
	Other trade names	60	68	68

In 2013, **Selective Retailing** recorded organic revenue growth of 17%. Profit from recurring operations increased by 6%.

DFS saw a new surge in revenue, reflecting in particular the first full year integrating three new concessions won in late 2012 at the Hong Kong airport. These concessions, which made a significant contribution to revenue growth, were invested in for extensive remodeling, as required for any business launch. Based on a comparable scope of consolidation, the main driver of revenue growth remained the brand's dynamic Asian clientele, boosting business particularly in Hong Kong and Macao. DFS continued with its strategy of upscaling across all destinations, as illustrated by the new visual identity of its stores, rebranded *T Galleria*, and the renovation of numerous points of sale. The arrival of new luxury brands also strengthened the vitality and appeal of its product range.

Miami Cruiseline reinforced its positions in the cruise market, buoyed by the growing success of cruise routes in the Mediterranean and Asia. Miami Cruiseline continued to move its boutiques further upmarket and adapt its sales approach and product range to suit the specific characteristics of each region and each cruise line's customers.

Backed by its global leadership position in Selective Retailing, **Sephora** turned in another strong performance and gained market share across all regions.

In Europe, Sephora showed resilience in a tough economic environment and strengthened its positions, notably in France, Italy and Russia.

In North America, Sephora continued to show excellent momentum, both in its stores and online. Since 2012, the redesigned website has proved successful in positioning the brand as a leader in the e-commerce sector. Sephora made particularly rapid strides in China, opening a flagship store in Shanghai in early 2013. With emblematic stores such as at the Dubai Mall, the Middle East has been a remarkable success and recorded exceptional revenue growth. The new territories of Southeast Asia and Latin America also confirmed their strong growth potential. Thailand was added at the end of the year, with the first store opening in Bangkok. Innovating, personalizing the relationship with each customer and enhancing both in-store and online services are at the heart of Sephora's strategy. Sephora continued to develop global initiatives such as mobile payment, the Color IQ/Profile service enabling every customer to choose the foundation that is best adapted to their skin complexion, or the My Sephora personalization tool for sales assistants.

On the product side, Sephora has aimed to make its offering more and more innovative and unique. The success of the Sephora brand has continued to grow, while its exclusive offering has been bolstered by the launch of two new brands in the United States and the Middle East: Marc Jacobs and Formula X.

Le Bon Marché Rive Gauche saw its performance buoyed by the accessories and men's fashion segments. The successful

Brazil exposition was one of the highlights of 2013. Major commercial projects were carried out on the department store's ground floor, including the opening of new luxury boutiques, the inauguration of a space devoted to timepieces and the creation of a new Accessories department. The Grande Épicerie de Paris food store underwent a complete transformation, with its expertise showcased and a new restaurant created on the first floor, accessible via a new set of escalators and designed in the image of the restaurant located at the heart of Le Bon Marché's main building.

Outlook

In 2014, **DFS** will benefit from the recent development of its concessions at airports in Hong Kong, Los Angeles and New York, as well as its continuing expansion and renovation of both airport and downtown points of sale. The renewed liquor and tobacco concession at Changi Airport in Singapore will be refurbished. DFS will bolster its appeal by deploying its new visual identity across all its *T Galleria* stores, and by continuing to ramp up its marketing and services programs. The launch of new web and mobile sites, as well as specific loyalty programs for each customer segment, are among the initiatives being pursued. DFS will continue to selectively diversify its customer base and its geographical coverage.

Sephora will continue steadily expanding its retail network around the world, opening in a new country, Indonesia. An ambitious renovation program will be carried out on its flagship stores, reflecting Sephora's aim to consistently provide its customers with the ultimate shopping experience in beauty products. In-store and online innovation will remain a core priority, both in terms of products and services.

Le Bon Marché Rive Gauche will continue to cultivate its unique character while pursuing its commercial projects and the renovation of its retail spaces. A new space devoted to jewelry will be created, while an Art of Living store will be inaugurated above the Grande Épicerie de Paris food store. A new customer relations program will be implemented, representing a future lever for growth.

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR billions)	2013	2012 [a]	Change
Tangible and intangible assets	31.0	28.1	2.9
Other non-current assets	8.6	7.6	1.0
Non-current assets	**39.6**	**35.7**	**3.9**
Inventories	8.6	8.1	0.5
Other current assets	7.5	6.2	1.3
Current assets	**16.1**	**14.3**	**1.8**
Assets	**55.7**	**50.0**	**5.7**

(EUR billions)	2013	2012 [a]	Change
Total equity	27.7	25.5	2.2
Long term borrowings	4.2	3.8	0.4
Other non-current liabilities	12.1	11.2	0.9
Equity and non-current liabilities	**44.0**	**40.5**	**3.5**
Short term borrowings	4.7	3.0	1.7
Other current liabilities	7.0	6.5	0.5
Current liabilities	**11.7**	**9.5**	**2.2**
Liabilities and equity	**55.7**	**50.0**	**5.7**

(a) The balance sheet as of December 31, 2012 has been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2 of the condensed consolidated financial statements.

LVMH's consolidated balance sheet totaled 55.7 billion euros at year-end 2013, representing an 11% increase from year-end 2012. Non-current assets rose by 3.9 billion euros and represented 71% of total assets, as at year-end 2012.

Tangible and intangible fixed assets grew by 2.9 billion euros, of which 1.9 billion euros were linked to the acquisition of Loro Piana, mainly corresponding to provisional goodwill. Investments for the year, net of disposals as well as amortization and depreciation charges, represented an additional increase of 0.6 billion euros. The comments on the cash flow statement provide further information about investments. The revaluation of purchase commitments for minority interests, reflecting in particular the strong performance of the business activities to which those commitments correspond, led to a 0.3 billion euro increase in the amount of goodwill. Finally, the market value of vineyard land rose by 0.4 billion euros. Conversely, exchange rate fluctuations generated a 0.4 billion euro decrease in the value of tangible and intangible fixed assets.

Other non-current assets increased by 1.0 billion euros, mainly due to an increase in the value of the investment in Hermès International, following the change in share price (263.50 euros as of December 31, 2013, compared to 226.30 euros at year-end 2012). At year-end 2013, the 23.1% stake in Hermès amounted to 6.4 billion euros.

Inventories increased by 0.5 billion euros, reflecting the growth of the Group's business activities. The comments on the cash flow statement provide further information on this change.

Other current assets grew by 1.3 billion euros, of which 1 billion euros were related to the increased cash balance, and 0.2 billion euros resulted from the increase in trade accounts receivable.

Other non-current liabilities, totaling 12.1 billion euros, increased by 0.9 billion euros, due mainly to the increased liability in respect of purchase commitments for minority interests. This increase includes 0.5 billion euros relating to the recognition of the commitment granted to the minority shareholders of Loro Piana for the acquisition of the 20% stake they hold in the company.

Other current liabilities increased by 0.5 billion euros, totaling 7.0 billion euros, of which 0.2 billion euros were related to the increase in trade accounts payable and 0.1 billion euros due to increased social and tax liabilities.

Net financial debt and equity

(EUR billions)	2013	2012 [a]	Change
Long term borrowings	4.2	3.8	0.4
Short term borrowings and derivatives	4.5	2.8	1.7
Gross borrowings after derivatives	**8.7**	**6.6**	**2.1**
Cash and cash equivalents and current available for sale financial assets	(3.4)	(2.3)	(1.1)
Net financial debt	**5.3**	**4.3**	**1.0**
Equity	**27.7**	**25.5**	**2.2**
Net financial debt/ Total equity ratio	**19%**	**17%**	**2%**

(a) The balance sheet as of December 31, 2012 has been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2 of the condensed consolidated financial statements.

The ratio of net financial debt to equity, which was 17% as of December 31, 2012, rose 2 points to 19%; the growth in equity was less rapid than that of net financial debt, notably as a result of the acquisitions for the year, particularly that of Loro Piana.

Total equity amounted to 27.7 billion euros at year-end 2013, representing an increase of 2.2 billion euros compared to year-end 2012. This change reflects in the first place the strong earnings achieved by companies across the Group, distributed only partially, representing a net increase of 2.0 billion euros. In addition to this, a net gain of 0.8 billion was recorded in equity, which is the combined effect of a gain of 0.9 billion euros related to the increase in the value of the investment in Hermès International, a gain of 0.2 billion reflecting the increase in the value of vineyard land, and a loss of 0.4 billion euros due to the effect of exchange rate fluctuations on the reserves of entities reporting in foreign currency. Lastly, changes in the scope of consolidation had a negative impact of 0.5 billion euros, mainly due to the booking of the purchase commitment for the 20% not purchased in Loro Piana. As of December 31, 2013, total equity accounted for 49% of the balance sheet total, compared to 51% recorded at year-end 2012.

Gross borrowings after derivatives totaled 8.7 billion euros at year-end 2013, representing a 2.1 billion euro increase compared to year-end 2012. During the year, LVMH issued a three-year and a six-year bond, each with a nominal value of 0.5 billion euros, under its EMTN program, as well as a public bond with a nominal value of 0.6 billion euros maturing in seven years, with the remaining 0.2 billion euros corresponding to the issue and subscription of other debt. Conversely, repayments of borrowings amounted to 1.0 billion euros, including a portion of the debt comprising foreign currency-denominated private placements and the bond with a nominal value of 300 million Swiss francs issued in 2007, as well as miscellaneous bank borrowings of 0.4 billion euros. Finally, commercial paper outstanding increased by 1.1 billion euros. Exchange rate fluctuations led to a 0.3 billion euro reduction in gross borrowings, partially compensated by the consolidation of Loro Piana's borrowings, totaling 0.2 billion euros. Cash and cash equivalents and current available for sale financial assets totaled 3.4 billion euros at the end of the fiscal year, up 1.1 billion euros from the 2.3 billion euros at year-end 2012.

As of year-end 2013, the Group's undrawn confirmed credit lines amounted to 4.4 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 2.3 billion euros as of December 31, 2013.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2013	2012	Change
Cash from operations before changes in working capital	**7,329**	**7,113**	**216**
Cost of net financial debt: interest paid	(112)	(154)	42
Income taxes paid	(1,979)	(1,970)	(9)
Net cash from operating activities before changes in working capital	**5,238**	**4,989**	**249**
Total change in working capital	(617)	(813)	196
Operating investments	(1,663)	(1,702)	39
Free cash flow	**2,958**	**2,474**	**484**
Financial investments	**(2,317)**	**(140)**	**(2,177)**
Transactions related to equity	**(1,911)**	**(1,860)**	**(51)**
Change in cash before financing activities	**(1,270)**	**474**	**(1,744)**

Cash from operations before changes in working capital totaled 7,329 million euros, compared to 7,113 million euros a year earlier, representing an increase of 3%. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 5,238 million euros, up 5% compared to fiscal year 2012.

Interest paid, which totaled 112 million euros, was down compared to its 2012 amount. Lower interest rates on borrowings, better returns on available cash and a measured increase in the average amount of debt outstanding compared with 2012 explained this favorable impact.

Income taxes paid came to 1,979 million euros, remaining stable compared to the amount of 1,970 million paid in the prior year, with little change in taxable profit.

Working capital requirements increased by 617 million euros, primarily as a result of a rise in inventories, which generated a cash requirement of 765 million euros. This increase in inventories, driven by growth in volume of the Group's business activities and number of stores, was mainly related to Wines and Spirits (the champagne houses in particular), Fashion and Leather Goods, and to a lesser extent Selective Retailing. The remaining change in working capital requirements was a reduction of 148 million euros, since the 288 million euros in cash requirements related to the increase in trade accounts receivable was less than the financing provided by the increase in trade accounts payable and the change in other receivables and payables.

Operating investments net of disposals resulted in a net cash outflow of 1,663 million euros in 2013, compared to 1,702 million euros a year earlier. They consisted mainly of investments by Louis Vuitton, Sephora, DFS, Bulgari and Berluti in their retail networks, investments by the Group's champagne houses in their production facilities, and investments by Parfums Christian Dior in its counters.

Financial investments and purchases of consolidated investments accounted for a 2,317 million euro outflow in 2013, of which 2,158 million euros for purchases of consolidated investments. These include the purchase of an 80% stake in Loro Piana, representing a 1,982 million euro investment, net of cash required, with the remainder related to purchases of Hotel Saint Barth Isle de France, Cova and a 52% stake in the British footwear designer Nicholas Kirkwood.

Transactions relating to equity generated an outflow of 1,911 million euros. A portion of this amount, 1,501 million euros, corresponds to dividends paid out during the fiscal year by LVMH SA (excluding the amount attributable to treasury shares), including 900 million euros for the final dividend payment in respect of fiscal year 2012 and 600 million euros for the interim dividend payment in respect of fiscal year 2013. In addition, dividends paid out to minority shareholders of consolidated subsidiaries amounted to 220 million euros, and the impact of acquisitions of minority interests totaled 150 million euros, corresponding mainly to the acquisition of additional stakes in Château d'Yquem and Marc Jacobs. Conversely, share subscription options exercised during the fiscal year generated an inflow of 66 million euros.

The net cash outflow after all operating, investment, and equity-related activities thus amounted to 1,270 million euros. With the net cash inflow from financing activities amounting to 2,147 million euros, the cash balance at the end of the fiscal year was up 923 million euros compared to year-end 2012.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2013	2012	2011
Revenue	23	**29,149**	**28,103**	**23,659**
Cost of sales		(10,055)	(9,917)	(8,092)
Gross margin		**19,094**	**18,186**	**15,567**
Marketing and selling expenses		(10,849)	(10,101)	(8,360)
General and administrative expenses		(2,224)	(2,164)	(1,944)
Profit from recurring operations	23-24	**6,021**	**5,921**	**5,263**
Other operating income and expenses	25	(127)	(182)	(109)
Operating profit		**5,894**	**5,739**	**5,154**
Cost of net financial debt		(103)	(140)	(151)
Other financial income and expenses		(96)	126	(91)
Net financial income (expense)	26	**(199)**	**(14)**	**(242)**
Income taxes	27	(1,755)	(1,820)	(1,453)
Income (loss) from investments in associates	7	7	4	6
Net profit before minority interests		**3,947**	**3,909**	**3,465**
Minority interests	17	(511)	(485)	(400)
Net profit, Group share		**3,436**	**3,424**	**3,065**
Basic Group share of net earnings per share *(EUR)*	28	**6.87**	**6.86**	**6.27**
Number of shares on which the calculation is based		500,283,414	499,133,643	488,769,286
Diluted Group share of net earnings per share *(EUR)*	28	**6.83**	**6.82**	**6.23**
Number of shares on which the calculation is based		503,217,497	502,229,952	492,207,492

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	2013	2012 [a]	2011 [a]
Net profit before minority interests	**3,947**	**3,909**	**3,465**
Translation adjustments	(346)	(99)	190
Tax impact	(48)	(18)	47
	(394)	**(117)**	**237**
Change in value of available for sale financial assets	963	(27)	1,634
Amounts transferred to income statement	(16)	(14)	(38)
Tax impact	(35)	(6)	(116)
	912	**(47)**	**1,480**
Change in value of hedges of future foreign currency cash flows	304	182	95
Amounts transferred to income statement	(265)	13	(168)
Tax impact	(17)	(50)	21
	22	**145**	**(52)**
Gains and losses recognized in equity, transferable to income statement	**540**	**(19)**	**1,665**
Change in value of vineyard land	369	85	25
Tax impact	(127)	(28)	(11)
	242	**57**	**14**
Employee benefit commitments : change in value resulting from actuarial gains and losses	80	(101)	(45)
Tax impact	(22)	29	13
	58	**(72)**	**(32)**
Gains and losses recognized in equity, not transferable to income statement	**300**	**(15)**	**(18)**
Comprehensive income	**4,787**	**3,875**	**5,112**
Minority interests	(532)	(470)	(429)
Comprehensive income, Group share	**4,255**	**3,405**	**4,683**

(a) The consolidated statements of comprehensive gains and losses as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Notes	2013	2012 [a]	2011 [a]
Brands and other intangible assets	3	11,458	11,510	11,482
Goodwill	4	9,959	7,806	6,957
Property, plant and equipment	6	9,602	8,769	8,017
Investments in associates	7	152	163	170
Non-current available for sale financial assets	8	7,080	6,004	5,982
Other non-current assets	9	432	519	478
Deferred tax		909	954	760
Non-current assets		**39,592**	**35,725**	**33,846**
Inventories and work in progress	10	8,586	8,080	7,510
Trade accounts receivable	11	2,189	1,985	1,878
Income taxes		235	201	121
Other current assets	12	1,851	1,811	1,455
Cash and cash equivalents	14	3,221	2,196	2,303
Current assets		**16,082**	**14,273**	**13,267**
Total assets		**55,674**	**49,998**	**47,113**

LIABILITIES AND EQUITY *(EUR millions)*	Notes	2013	2012 [a]	2011 [a]
Share capital	15.1	152	152	152
Share premium account	15.1	3,849	3,848	3,801
Treasury shares and LVMH-share settled derivatives	15.2	(451)	(414)	(485)
Cumulative translation adjustment	15.4	(8)	342	431
Revaluation reserves		3,900	2,731	2,637
Other reserves		15,817	14,341	12,770
Net profit, Group share		3,436	3,424	3,065
Equity, Group share		26,695	24,424	22,371
Minority interests	17	1,028	1,084	1,055
Total equity		**27,723**	**25,508**	**23,426**
Long-term borrowings	18	4,159	3,836	4,132
Non-current provisions	19	1,755	1,756	1,530
Deferred tax		3,934	3,960	3,925
Other non-current liabilities	20	6,403	5,456	4,506
Non-current liabilities		**16,251**	**15,008**	**14,093**
Short-term borrowings	18	4,688	2,976	3,134
Trade accounts payable		3,308	3,134	2,952
Income taxes		382	442	443
Current provisions	19	322	335	349
Other current liabilities	21	3,000	2,595	2,716
Current liabilities		**11,700**	**9,482**	**9,594**
Total liabilities and equity		**55,674**	**49,998**	**47,113**

(a) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Cumulative translation adjustment	Revaluation reserves				Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Employee benefit commitments		Group share	Minority interests	Total
Notes		15.1		15.2	15.4							17	
As of January 1, 2011	**490,642,232**	**147**	**1,782**	**(607)**	**230**	**510**	**31**	**703**	**-**	**14,402**	**17,198**	**1,006**	**18,204**
Impact of changes in accounting standards (See Note 1.2)										(52)	(52)	(2)	(54)
As of January 1, 2011, after restatement	**490,642,232**	**147**	**1,782**	**(607)**	**230**	**510**	**31**	**703**	**-**	**14,350**	**17,146**	**1,004**	**18,150**
Gains and losses recognized in equity					201	1,480	(46)	11	(28)		1,618	29	1,647
Net profit										3,065	3,065	400	3,465
Comprehensive income		**-**	**-**	**-**	**201**	**1,480**	**(46)**	**11**	**(28)**	**3,065**	**4,683**	**429**	**5,112**
Stock option plan and similar expenses										49	49	3	52
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				15						(8)	7	-	7
Exercise of LVMH share subscription options	1,395,835		94								94	-	94
Retirement of LVMH shares	(2,259,454)		(107)	107							-	-	-
Acquisition of a controlling interest in Bulgari	18,037,011	5	2,032							201	2,238	772	3,010
Capital increase in subsidiaries											-	4	4
Interim and final dividends paid										(1,069)	(1,069)	(187)	(1,256)
Changes in control of consolidated entities										(5)	(5)	20	15
Acquisition and disposal of minority interests' shares										(681)	(681)	(785)	(1,466)
Purchase commitments for minority interests' shares										(91)	(91)	(205)	(296)
As of December 31, 2011, after restatement	**507,815,624**	**152**	**3,801**	**(485)**	**431**	**1,990**	**(15)**	**714**	**(28)**	**15,811**	**22,371**	**1,055**	**23,426**
Gains and losses recognized in equity					(89)	(47)	133	44	(60)		(19)	(15)	(34)
Net profit										3,424	3,424	485	3,909
Comprehensive income		**-**	**-**	**-**	**(89)**	**(47)**	**133**	**44**	**(60)**	**3,424**	**3,405**	**470**	**3,875**
Stock option plan and similar expenses										50	50	3	53
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				24						(12)	12	-	12
Exercise of LVMH share subscription options	1,344,975		94								94	-	94
Retirement of LVMH shares	(997,250)		(47)	47							-	-	-
Capital increase in subsidiaries											-	8	8
Interim and final dividends paid										(1,448)	(1,448)	(317)	(1,765)
Changes in control of consolidated entities										(11)	(11)	(11)	(22)
Acquisition and disposal of minority interests' shares										(39)	(39)	(26)	(65)
Purchase commitments for minority interests' shares										(10)	(10)	(98)	(108)
As of December 31, 2012, after restatement	**508,163,349**	**152**	**3,848**	**(414)**	**342**	**1,943**	**118**	**758**	**(88)**	**17,765**	**24,424**	**1,084**	**25,508**
Gains and losses recognized in equity					(350)	912	18	188	51		819	21	840
Net profit										3,436	3,436	511	3,947
Comprehensive income		**-**	**-**	**-**	**(350)**	**912**	**18**	**188**	**51**	**3,436**	**4,255**	**532**	**4,787**
Stock option plan and similar expenses										31	31	3	34
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				(103)						(7)	(110)	-	(110)
Exercise of LVMH share subscription options	1,025,418		67								67	-	67
Retirement of LVMH shares	(1,395,106)		(66)	66							-	-	-
Capital increase in subsidiaries											-	8	8
Interim and final dividends paid										(1,500)	(1,500)	(228)	(1,728)
Changes in control of consolidated entities										1	1	50	51
Acquisition and disposal of minority interests' shares										(73)	(73)	(76)	(149)
Purchase commitments for minority interests' shares										(400)	(400)	(345)	(745)
As of December 31, 2013	**507,793,661**	**152**	**3,849**	**(451)**	**(8)**	**2,855**	**136**	**946**	**(37)**	**19,253**	**26,695**	**1,028**	**27,723**

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2013	2012	2011
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		5,894	5,739	5,154
Net increase in depreciation, amortization and provisions		1,454	1,299	999
Other computed expenses		(29)	(62)	(45)
Dividends received		86	188	61
Other adjustments		(76)	(51)	(32)
Cash from operations before changes in working capital		**7,329**	**7,113**	**6,137**
Cost of net financial debt : interest paid		(112)	(154)	(152)
Income taxes paid		(1,979)	(1,970)	(1,544)
Net cash from operating activities before changes in working capital		**5,238**	**4,989**	**4,441**
Total change in working capital	14.1	(617)	(813)	(534)
Net cash from operating activities		**4,621**	**4,176**	**3,907**
Operating investments	14.2	(1,663)	(1,702)	(1,730)
Net cash from operating activities and operating investments (free cash flow)		**2,958**	**2,474**	**2,177**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets	8	(197)	(131)	(518)
Proceeds from sale of non-current available for sale financial assets	8	38	36	17
Impact of purchase and sale of consolidated investments	2	(2,158)	(45)	(785) [a]
Net cash from (used in) financial investments		**(2,317)**	**(140)**	**(1,286)**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH SA	15.1	66	94	94 [a]
Capital increases of subsidiaries subscribed by minority interests	17	7	8	3
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	15.2	(113)	5	2
Interim and final dividends paid by LVMH SA	15.3	(1,501)	(1,447)	(1,069)
Interim and final dividends paid to minority interests in consolidated subsidiaries	17	(220)	(314)	(189)
Purchase and proceeds from sale of minority interests	2	(150)	(206)	(1,413)
Net cash from (used in) transactions relating to equity		**(1,911)**	**(1,860)**	**(2,572)**
Change in cash before financing activities		**(1,270)**	**474**	**(1,681)**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings		3,145	1,068	2,659
Repayment of borrowings		(1,099)	(1,526)	(1,005)
Purchase and proceeds from sale of current available for sale financial assets	13	101	(67)	6
Net cash from (used in) financing activities		**2,147**	**(525)**	**1,660**
V. EFFECT OF EXCHANGE RATE CHANGES		**46**	**(42)**	**60**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**923**	**(93)**	**39**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14	**1,988**	**2,081**	**2,042**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	**2,911**	**1,988**	**2,081**
Transactions included in the table above, generating no change in cash : - acquisition of assets by means of finance leases		7	5	3

(a) Not including the impact of the amount attributable to the acquisition of Bulgari remunerated by the capital increase of LVMH SA as of June 30, 2011, which did not generate any cash flows.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. ACCOUNTING POLICIES

1.1. General framework and environment

The consolidated financial statements for the year ended December 31, 2013 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2013. These standards and interpretations have been applied consistently to the fiscal years presented. The 2013 consolidated financial statements were approved for publication by the Board of Directors on January 30, 2014.

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

1.2. Changes in the accounting framework applicable to LVMH in 2013

Standards, amendments and interpretations for which application was mandatory in 2013

The principal standards, amendments and interpretations applicable to LVMH with effect from January 1, 2013 are as follows:

- amendments to IAS 19 on employee benefit commitments (pensions, reimbursement of medical costs and similar commitments) which require the immediate recognition of the effect of actuarial differences taken directly to equity and the calculation of the return on plan assets on the basis of the discount rate used to value the underlying obligation rather than on the basis of market expectations for returns.

  Up to December 31, 2012, the LVMH group applied the "corridor" approach, with the result that the portion of employee commitments arising from actuarial gains and losses was not recognized if the latter was less than 10% of the amount of the commitment. In light of the fact that this method was no longer applied from January 1, 2013 onward, LVMH recognized against equity an additional provision in the amount of 85 million euros, corresponding to the amount of actuarial gains and losses that were not yet recognized as of January 1, 2011, the date of first-time adoption, as well as the associated deferred tax asset, representing a net amount of 54 million euros. The actuarial gains and losses recognized in 2011 and 2012, including the effects of restating the return on financial assets at the discount rate and after deducting the amounts amortized to profit or loss in 2011 and 2012, were recognized retrospectively in gains and losses in equity. The net profit for fiscal years 2011 and 2012 has therefore not been restated, with the impact of the change of standard on each of these fiscal years being less than 5 million euros. The retrospective impact on equity of the change in standard is analyzed below:

(EUR millions)	Non-current provisions	Other non-current assets	Deferred taxes	Total equity	*of which: Group share*	*Minority interests*
As of January 1, 2011	(85)	-	31	**(54)**	*(52)*	*(2)*
Gains and losses recognized in equity	(45)	-	13	**(32)**	*(28)*	*(4)*
As of December 31, 2011	(130)	-	44	**(86)**	*(80)*	*(6)*
Gains and losses recognized in equity	(96)	(5)	29	**(72)**	*(60)*	*(12)*
As of December 31, 2012	(226)	(5)	73	**(158)**	*(140)*	*(18)*
of which: Other reserves				*(54)*	*(52)*	*(2)*
Revaluation reserves				*(104)*	*(88)*	*(16)*

- amendment to IAS 1 on gains and losses recognized in equity and their separate presentation, depending on whether or not they may subsequently be transferred to the income statement;
- IFRS 13, which defines the measurement principles of fair value and related disclosures on methodology to be presented in the notes to the financial statements, where fair value applies. The application of this text did not have a significant impact on the Group's consolidated financial statements. See Note 1.8.

Standards, amendments and interpretations for which application is mandatory with effect from January 1, 2014

The standards, amendments and interpretations applicable to LVMH, whose mandatory application date is January 1, 2014, mostly relate to IFRS 10, IFRS 11 and IFRS 12 on consolidation. These IFRS redefine the concept of the control of entities, eliminating the possibility to use proportionate consolidation to consolidate jointly controlled entities which will be accounted for only using the equity method, and introducing additional disclosure requirements in the notes to the consolidated financial statements.

The application of these standards will not have a material impact on the Group's consolidated financial statements, as proportionately consolidated entities represent only a small portion of the Group's financial statements. As these entities are fully integrated within the Group's operating activities, LVMH will disclose their net profit, as well as that of entities currently accounted for using the equity method (see Note 7), in a separate line from profit from recurring operations.

The consolidation method of distribution subsidiaries jointly owned with the Diageo group will not be impacted (see Note 1.5 regarding the consolidation method of these subsidiaries).

Other changes in the accounting framework

The Group receives information on the progress of ongoing discussions held at IFRIC and IASB related to the recognition of purchase commitments for minority interests' shares and changes in their amount. See Note 1.11 for a description of the recognition method applied to these commitments as of December 31, 2013.

The Group also monitors developments with regard to the exposure draft on accounting for lease commitments.

1.3. First-time adoption of IFRS

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

- business combinations: the exemption from retrospective application was not applied. The recognition of the merger of Moët Hennessy and Louis Vuitton in 1987 and all subsequent acquisitions were restated in accordance with IFRS 3; IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of this date;
- foreign currency translation of the financial statements of subsidiaries outside the euro zone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

1.4. Use of estimates

For the purpose of preparing the consolidated financial statements, measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets, purchase commitments for minority interests and of the determination of the amount of provisions for contingencies and losses or for impairment of inventories and, if applicable, deferred tax assets. Such hypotheses, estimates or other forms of judgment which are undertaken on the basis of the information available, or situations prevalent at the date of preparation of the accounts, may prove different from the subsequent actual events.

1.5. Methods of consolidation

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

Jointly controlled companies are consolidated on a proportionate basis. See Note 1.2 regarding the impacts of the implementation of IFRS 10 and IFRS 11 from January 1, 2014.

For distribution subsidiaries operating in accordance with the contractual distribution arrangements with the Diageo group, only the portion of assets and liabilities and results of operations relating to the LVMH group's activities is included in the consolidated financial statements (see Note 1.24).

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

1.6. Foreign currency translation of the financial statements of entities outside the euro zone

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

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

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

1.7. Foreign currency transactions and hedging of exchange rate risks

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

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

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

Foreign exchange gains and losses arising from the translation or elimination of inter-company transactions or receivables and payables denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long-term inter-company financing transactions which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment".

Derivatives which are designated as hedges of commercial transactions denominated in a currency other than the functional currency of the entity are recognized in the balance sheet at their market value (see Note 1.8) at the balance sheet date and any change in the market value of such derivatives is recognized:

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

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

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

See also Note 1.20 regarding the definition of the concepts of effective and ineffective portions.

1.8. Fair value measurement

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

The assets and liabilities measured at fair value at each balance sheet date are as follows:

	Approaches to determining fair value (Level of the fair value hierarchy established by IFRS 13 Fair Value Measurement)	Amounts recorded at balance sheet date
Vineyard land	Based on recent transactions in similar assets (Level 2). See Note 1.12.	Note 6.1, Note 1
Grape harvests	Based on purchase prices for equivalent grapes (Level 2). See Note 1.15.	Note 10
Derivatives	Based on market data and according to commonly used valuation models (Level 2). See Note 1.20.	Note 22.3
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models (Level 2). See Note 1.19.	Note 18
Liabilities in respect of purchase commitments for minority interests' shares priced according to fair value	Generally, based on the market multiples of comparable companies (Level 2).	Note 20
Available for sale financial assets	Quoted assets: at closing price (Level 1). Unquoted assets: estimate of net realizable value (Level 2 or 3). See Note 1.14.	Note 22.3
Cash and cash equivalents	Closing price (Level 1). See Note 1.17.	Note 22.3

No other asset or liability has been remeasured at market value at the balance sheet date.

1.9. Brands, trade names and other intangible assets

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

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

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

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

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

Amortizable lives of brands and trade names with definite useful lives range from 15 to 40 years, depending on their estimated period of utilization.

Any impairment expense of brands and trade names and, in some cases, amortization expense, are recognized within "Other operating income and expenses".

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.13.

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

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

- leasehold rights, key money: based on market conditions, generally over the lease period;
- development expenditure: three years at most;
- software: one to five years.

1.10. Changes in the percentage interest in consolidated entities

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

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

As from January 1, 2010, for transactions occurring after that date, in accordance with IAS 27 (Revised), the difference between the carrying amount of minority interests purchased after control is obtained and the price paid for their acquisition is deducted from equity.

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

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.13. Any impairment expense recognized is included within "Other operating income and expenses".

1.11. Purchase commitments for minority interests

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

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

- the value of the commitment at the balance sheet date appears in "Other non-current liabilities";
- the corresponding minority interests are reclassified and included in "Other non-current liabilities";
- for commitments granted prior to January 1, 2010, the difference between the amount of the commitments and reclassified minority interests is maintained as an asset on the balance sheet under goodwill, as well as subsequent changes in this difference. For commitments granted as from January 1, 2010, the difference between the amount of the commitments and minority interests is recorded in equity, under "Other reserves".

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

1.12. Property, plant and equipment

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

Vineyard land is recognized at the market value at the balance sheet date. This valuation is based on official published data for recent transactions in the same region (Level 2 of the fair value hierarchy established by IFRS 13). Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If market value falls below acquisition cost the resulting impairment is charged to the income statement.

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

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

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

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

Property, plant and equipment is depreciated on a straight-line basis over its estimated useful life; the estimated useful lives are as follows:

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

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

1.13. Impairment testing of fixed assets

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

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

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

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

1.14. Available for sale financial assets

Financial assets are classified as current or non-current based on their nature.

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

Current available for sale financial assets include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.17).

Available for sale financial assets are measured at their listed value at the balance sheet date in the case of quoted investments (Level 1 of the fair value hierarchy established by IFRS 13), and at their net realizable value at that date in the case of unquoted investments (Level 2 or 3 of the fair value hierarchy established by IFRS 13).

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

1.15. Inventories and work in progress

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

Wine produced by the Group, especially champagne, is measured on the basis of the applicable harvest market value, which is determined by reference to the average purchase price of equivalent grapes (Level 2 of the fair value hierarchy established by IFRS 13), as if the grapes harvested had been purchased from third parties. Until the date of the harvest, the value of grapes is calculated pro rata temporis on the basis of the estimated yield and market value.

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

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

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

1.16. Trade accounts receivable, loans and other receivables

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

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

1.17. Cash and cash equivalents

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

Monetary investments are measured at their market value (Level 1 of the fair value hierarchy established by IFRS 13) and at the exchange rate prevailing at the balance sheet date, with any changes in value recognized as part of net financial income/expense.

1.18. Provisions

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

When execution of its obligation is expected to be deferred by more than one year, the provision amount is discounted, the effects of which are recognized in net financial income/expense using the effective interest rate method.

1.19. Borrowings

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

In the case of hedging against fluctuations in the capital amount of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedges are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/expense. Market value of hedged borrowings is determined using similar methods as those described hereafter in Note 1.20.

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

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

Financial debt bearing embedded derivatives is measured at fair value; changes in fair value are recognized within net financial income/expense.

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

See also Note 1.20 regarding the definition of the concepts of effective and ineffective portions.

1.20. Derivatives

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

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

Derivatives are recognized in the balance sheet at their fair value at the balance sheet date. Changes in their value are accounted for as described in Note 1.7 in the case of foreign exchange hedges, and as described in Note 1.19 in the case of interest rate hedges.

Market value is based on market data and on commonly used valuation models (Level 2 of the fair value hierarchy established by IFRS 13), and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

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

1.21. Treasury shares and LVMH-share settled derivatives

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

The cost of disposals of shares is determined by allocation category (see Note 15.2) using the FIFO method with the exception of shares held under stock option plans for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal, net of income taxes, are taken directly to equity.

1.22. Pensions, contribution to medical costs and other employee commitments

When retirement indemnity plans, pension plans, contribution to medical costs and other commitments entail the payment by the Group of contributions to third party organizations which assume the exclusive responsibility for subsequently paying the retirement indemnities, pensions or contribution to medical costs, these contributions are expensed in the period in which they fall due with no liability recorded on the balance sheet.

When retirement indemnity plans, pension plans, contribution to medical costs and other commitments are to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment for the Group. Since January 1, 2013, and retrospectively as of January 1, 2011, changes in this provision are recognized as follows:

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

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

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

1.23. Current and deferred tax

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

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

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

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries are provided for if distribution is deemed probable.

1.24. Revenue recognition

Definition of revenue

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

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

Wholesale sales concern Wines and Spirits, as well as certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third party customers, generally upon shipment.

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

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

Provisions for product returns

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

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

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' products to customers. On the basis of the distribution agreements, which provide specific rules for allocating these entities' income statement items and assets and liabilities between LVMH and Diageo, LVMH only recognizes the portion of the income statement and balance sheet attributable to its own brands.

1.25. Advertising and promotion expenses

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

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

1.26. Stock option and similar plans

Share purchase and subscription option plans give rise to recognition of an expense based on the amortization of the expected benefit granted to beneficiaries calculated according to the Black & Scholes method on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted.

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

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

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

1.27. Definitions of Profit from recurring operations and Other operating income and expenses

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

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

1.28. Earnings per share

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

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of existing subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, supplemented by the expense to be recognized for stock option and similar plans (see Note 1.26), would be employed to re-purchase LVMH shares at a price corresponding to their average trading price over the fiscal year.

2. CHANGES IN THE PERCENTAGE INTEREST IN CONSOLIDATED ENTITIES

2.1. Wines and Spirits

During the first quarter of 2013, the Group acquired an additional 30% stake in Château d'Yquem, increasing its ownership interest to 95%. The difference between the acquisition price and minority interests was deducted from equity.

2.2. Fashion and Leather Goods

Loro Piana

In July 2013 LVMH signed a memorandum of understanding for the acquisition of an 80% stake in Italian company Loro Piana, which makes and sells luxury fabrics, clothing, and accessories. On December 5, 2013, pursuant to that memorandum of understanding, LVMH acquired 80% of Loro Piana for 1,987 million euros. Loro Piana was fully consolidated with effect from December 5, 2013. The 20% of the share capital that has not been acquired is covered by reciprocal undertakings to buy and sell, exercisable no later than three years from December 5, 2013. The difference in value between the purchase commitment (recorded in Other non current liabilities, see Note 20) and the minority interest, i.e. 428 million euros, was deducted from consolidated reserves.

The following table lays out the provisional allocation of the price paid by LVMH on December 5, 2013, the date of acquisition of the controlling interest. Due to the short period of time between the transaction date and the date when LVMH accounts were approved by publication, Loro Piana is consolidated based on the financial statements prepared by Loro Piana as of the date of acquisition of the controlling interest, using its historical accounting policies and methods, without any adjustments or remeasurements required under IFRS 3 Business Combinations. The amounts retained are presented below:

(EUR millions)	**Provisional purchase price allocation**
Intangible assets and tangible assets, net	159
Other non-current assets	11
Non-current provisions	(18)
Current assets	382
Current liabilities	(203)
Net financial debt	(127)
Deferred tax	49
Net assets acquired, excluding revaluation adjustments in compliance with IFRS 3	**253**
Minority interests (20%) [a]	(51)
Net assets, Group share (80%), excluding revaluation adjustments in compliance with IFRS 3	**202**
Provisional goodwill	1,785
Carrying amount of shares held as of December 5, 2013	**1,987**

(a) Minority interests are reported on the basis of net assets acquired.

Loro Piana acquisition expenses were recognized in Other operating income and expenses; they represent a total amount of 9 million euros (See Note 25).

The Loro Piana acquisition generated an outlay of 1,982 million euros, net of cash acquired in the amount of 5 million euros.

For 2013, based on estimated data, Loro Piana had consolidated revenue of 686 million euros, profit from recurring operations of 103 million euros and net profit of 60 million euros.

Nicholas Kirkwood

In September 2013, LVMH acquired a 52% stake in British luxury footwear company Nicholas Kirkwood. This entity was consolidated with effect from October 1, 2013. The rest of the company's share capital is covered by reciprocal undertakings to buy and sell, mainly exercisable from 2020.

Marc Jacobs

During the fiscal year the Group raised its ownership interest in Marc Jacobs to 80%. The difference between the acquisition price and minority interests was deducted from equity.

2.3. Other activities

In June 2013, LVMH acquired a 80% stake in Cova, a patisserie business based in Milan (Italy) which is also present in Asia through its franchisee network. This entity was consolidated with effect from July 2013.

In August 2013, the Group acquired 100% of Hotel Saint Barth Isle de France, which owns and operates a luxury hotel located on the island of St. Barths (French West Indies). This entity was consolidated with effect from September 2013.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			2013	2012	2011
	Gross	Amortization and impairment	Net	Net	Net
Brands	9,266	(518)	8,748	8,819	8,850
Trade names	3,257	(1,324)	1,933	2,009	2,044
License rights	88	(68)	20	22	25
Leasehold rights	552	(249)	303	248	182
Software, web sites	901	(666)	235	200	172
Other	496	(277)	219	212	209
Total	**14,560**	**(3,102)**	**11,458**	**11,510**	**11,482**
Of which: assets held under finance leases	*14*	*(14)*	-	-	-

Movements during the fiscal year ended December 31, 2013 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	Brands	Trade names	Software, web sites	Leasehold rights	Other intangible assets	Total
As of December 31, 2012	**9,318**	**3,389**	**759**	**468**	**567**	**14,501**
Acquisitions	-	-	95	53	105	253
Disposals and retirements	-	-	(23)	(19)	(46)	(88)
Changes in the scope of consolidation	7	-	47	46	10	110
Translation adjustment	(59)	(132)	(14)	(4)	(13)	(222)
Reclassifications	-	-	37	8	(39)	6
As of December 31, 2013	**9,266**	**3,257**	**901**	**552**	**584**	**14,560**

Accumulated amortization and impairment *(EUR millions)*	Brands	Trade names	Software, web sites	Leasehold rights	Other intangible assets	Total
As of December 31, 2012	**(499)**	**(1,380)**	**(559)**	**(220)**	**(333)**	**(2,991)**
Amortization expense	(25)	(1)	(96)	(30)	(63)	(215)
Impairment expense	-	-	-	(1)	(1)	(2)
Disposals and retirements	-	-	23	16	44	83
Changes in the scope of consolidation	(2)	-	(41)	(14)	(5)	(62)
Translation adjustment	8	57	9	1	11	86
Reclassifications	-	-	(2)	(1)	2	(1)
As of December 31, 2013	**(518)**	**(1,324)**	**(666)**	**(249)**	**(345)**	**(3,102)**
Net carrying amount as of December 31, 2013	**8,748**	**1,933**	**235**	**303**	**239**	**11,458**

4. GOODWILL

(EUR millions)			2013	2012	2011
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	8,308	(1,208)	7,100	5,270	5,142
Goodwill arising on purchase commitments for minority interests	2,862	(3)	2,859	2,536	1,815
Total	**11,170**	**(1,211)**	**9,959**	**7,806**	**6,957**

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

(EUR millions)			2013	2012	2011
	Gross	Impairment	Net	Net	Net
As of January 1	**8,990**	**(1,184)**	**7,806**	**6,957**	**5,027**
Changes in the scope of consolidation [a]	1,945	1	1,946	43	1,743
Changes in purchase commitments for minority interests	294	-	294	836	203
Changes in impairment	-	(57)	(57)	(24)	(40)
Translation adjustment	(59)	29	(30)	(6)	24
As of December 31	**11,170**	**(1,211)**	**9,959**	**7,806**	**6,957**

(a) See Note 2.

Changes in the scope of consolidation in fiscal year 2013 were mainly attributable to provisional goodwill arising on the acquisition of Loro Piana for 1,785 million euros, and to the provisional goodwill related to the consolidation of Hotel Isle de France, Cova and Nicholas Kirkwood for the remaining amount.

Changes in the scope of consolidation in fiscal year 2011 were mainly attributable to the acquisition of Bulgari, for 1,522 million euros, Ile de Beauté for 128 million euros, ArteCad for 38 million euros and Heng Long for 24 million euros.

Please refer also to Note 20 for goodwill arising on purchase commitments for minority interests.

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition have been subject to annual impairment testing. No significant impairment expense has been recognized in respect of these items during the course of fiscal year 2013.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			2013	2012	2011
	Gross	Depreciation and impairment	Net	Net	Net
Land	1,042	(55)	987	1,182	941
Vineyard land and producing vineyards	2,419	(84)	2,335	1,971	1,867
Buildings	2,458	(1,182)	1,276	1,314	1,399
Investment property	647	(42)	605	509	536
Leasehold improvements, machinery and equipment	7,207	(4,571)	2,636	2,124	1,895
Assets in progress	800	-	800	716	511
Other tangible fixed assets	1,489	(526)	963	953	868
Total	**16,062**	**(6,460)**	**9,602**	**8,769**	**8,017**
Of which: assets held under finance leases	*275*	*(170)*	*105*	*110*	*113*
historical cost of vineyard land and producing vineyards	*661*	*(84)*	*577*	*575*	*552*

Movements in property, plant and equipment during the fiscal year break down as follows:

Gross value *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Investment property**	**Leasehold improvements, machinery and equipment**			**Assets in progress**	**Other tangible fixed assets**	**Total**
				Stores	**Production, logistics**	**Other**			
As of December 31, 2012	**2,051**	**3,865**	**580**	**3,454**	**1,629**	**850**	**716**	**1,538**	**14,683**
Acquisitions	5	97	18	583	89	115	598	82	1,587
Change in the market value of vineyard land	369	-	-	-	-	-	-	-	369
Disposals and retirements	-	(133)	(2)	(192)	(64)	(58)	(3)	(88)	(540)
Changes in the scope of consolidation	-	71	-	112	180	48	-	3	414
Translation adjustment	(13)	(131)	(15)	(187)	(20)	(33)	(19)	(36)	(454)
Other movements, including transfers	7	(269)	66	498	55	148	(492)	(10)	3
As of December 31, 2013	**2,419**	**3,500**	**647**	**4,268**	**1,869**	**1,070**	**800**	**1,489**	**16,062**

Depreciation and impairment *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Investment property**	**Leasehold improvements, machinery and equipment**			**Assets in progress**	**Other tangible fixed assets**	**Total**
				Stores	**Production, logistics**	**Other**			
As of December 31, 2012	**(80)**	**(1,369)**	**(71)**	**(2,139)**	**(1,072)**	**(598)**	**-**	**(585)**	**(5,914)**
Depreciation expense	(6)	(122)	(7)	(473)	(118)	(110)	-	(80)	(916)
Impairment expense	-	(1)	-	(2)	-	-	(8)	-	(11)
Disposals and retirements	-	75	2	190	63	56	1	66	453
Changes in the scope of consolidation	-	(33)	-	(64)	(159)	(26)	-	(2)	(284)
Translation adjustment	2	52	2	115	12	23	-	21	227
Other movements, including transfers	-	161	32	(205)	3	(67)	7	54	(15)
As of December 31, 2013	**(84)**	**(1,237)**	**(42)**	**(2,578)**	**(1,271)**	**(722)**	**-**	**(526)**	**(6,460)**
Net carrying amount as of December 31, 2013	**2,335**	**2,263**	**605**	**1,690**	**598**	**348**	**800**	**963**	**9,602**

The effects of changes in scope of consolidation are related to the consolidation of Loro Piana.

Purchases of property, plant and equipment include investments by Louis Vuitton, Sephora, DFS, Bulgari and Berluti in their retail networks, as well as those of the champagne houses in their production equipment, and those of Parfums Christian Dior in its counters.

7. INVESTMENTS IN ASSOCIATES

(EUR millions)			2013	2012	2011
	Gross	Impairment	Net	Net	Net
Share of net assets of associates as of January 1	**163**	**-**	**163**	**170**	**223**
Share of net profit (loss) for the period	7	-	7	4	6
Dividends paid	(15)	-	(15)	(9)	(12)
Changes in the scope of consolidation	6	-	6	1	(57)
Translation adjustment	(13)	-	(13)	(4)	3
Other movements, including transfers	4	-	4	1	7
Share of net assets of associates as of December 31	**152**	**-**	**152**	**163**	**170**

As of December 31, 2013, investments in associates consisted primarily of:

- a 40% equity stake in Mongoual SA, a real estate company which owns an office building in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SA;
- a 45% equity stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports.
- a 46% equity stake in JW Anderson, a London based ready-to-wear brand, acquired in September 2013.

The impact of changes in the scope of consolidation in 2011 were attributable to accounting for the above-mentioned investment in STTI and the change in accounting treatment of Ile de Beauté, which was previously accounted for under the equity method and has been fully consolidated since June 2011.

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)			2013	2012	2011
	Gross	Impairment	Net	Net	Net
Total	**7,230**	**(150)**	**7,080**	**6,004**	**5,982**

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

(EUR millions)		2013	2012	2011
	Total	Of which Hermès		
As of January 1	**6,004**	**5,409**	**5,982**	**3,891**
Acquisitions	197	133	125	496
Disposals at net realized value	(38)	-	(36)	(17)
Changes in market value	941	895	(38)	1,613
Changes in impairment	(5)	-	(4)	(6)
Changes in the scope of consolidation	1	-	-	6
Translation adjustment	(11)	-	(5)	6
Reclassifications	(9)	-	(20)	(7)
As of December 31	**7,080**	**6,437**	**6,004**	**5,982**

As of December 31, 2013, non-current available for sale assets mainly include an investment in Hermès International SCA ("Hermès") with a gross and net amount of 6,437 million euros (5,409 million euros as of December 31, 2012, 5,438 million euros as of December 31, 2011). The stake in the share capital of Hermès increased from 22.6% to 23.1% in fiscal year 2013, resulting from the acquisition of shares on the market. Given the legal form of Hermès, a "Société en Commandite par Actions", the investment stake held by LVMH is not accounted for under the equity method.

As of December 31, 2013, the stake in Hermès, corresponding to 24.4 million shares, represented, on the basis of the Hermès share price at that date on Paris stock exchange, an amount of 6.4 billion euros, for a total amount of 3.6 billion euros on initial recognition (2.6 billion euros in cash after deducting the gain recognized in 2010, upon the settlement of equity linked swaps covering 12.8 million shares).

As of December 31, 2013, the Hermès share price, applied for the purpose of valuing this investment, was 263.50 euros (226.30 as of December 31, 2012, 230.35 as of December 31, 2011).

9. OTHER NON-CURRENT ASSETS

(EUR millions)	2013	2012 [a]	2011 [a]
Warranty deposits	226	210	185
Derivatives	68	176	143
Loans and receivables	123	115	125
Other	15	18	25
Total	**432**	**519**	**478**

(a) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

10. INVENTORIES AND WORK IN PROGRESS

(EUR millions)			2013	2012	2011
	Gross	Impairment	Net	Net	Net
Wines and *eaux-de-vie* in the process of aging	3,749	(18)	3,731	3,478	3,377
Other raw materials and work in progress	1,485	(319)	1,166	1,062	951
	5,234	(337)	4,897	4,540	4,328
Goods purchased for resale	1,287	(117)	1,170	1,171	988
Finished products	3,129	(610)	2,519	2,369	2,194
	4,416	(727)	3,689	3,540	3,182
Total	**9,650**	**(1,064)**	**8,586**	**8,080**	**7,510**

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

(EUR millions)			2013	2012	2011
	Gross	Impairment	Net	Net	Net
As of January 1	**9,057**	**(977)**	**8,080**	**7,510**	**5,991**
Change in gross inventories [a]	761	-	761	827	770
Fair value adjustment for the harvest of the period	2	-	2	(26)	14
Changes in impairment	-	(245)	(245)	(192)	(68)
Changes in the scope of consolidation	305	(20)	285	32	694
Translation adjustment	(328)	29	(299)	(78)	135
Other, including reclassifications	(147)	149	2	7	(26)
As of December 31	**9,650**	**(1,064)**	**8,586**	**8,080**	**7,510**

(a) Including the impact of product returns. See Note 1.24.

Changes in the scope of consolidation in 2013 are mainly related to the consolidation of Loro Piana.

Changes in the scope of consolidation in 2011 primarily reflected the consolidation of Bulgari and Ile de Beauté.

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

(EUR millions)	2013	2012	2011
Fair value adjustment for the harvest of the period	37	12	50
Adjustment for inventory consumed	(35)	(38)	(36)
Net effect on cost of sales of the period	**2**	**(26)**	**14**

See Notes 1.8 and 1.15 on the method of marking harvests to market.

11. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2013	2012	2011
Trade accounts receivable, nominal amount	2,431	2,227	2,107
Provision for impairment	(67)	(63)	(64)
Provision for product returns	(175)	(179)	(165)
Net amount	**2,189**	**1,985**	**1,878**

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

(EUR millions)			2013	2012	2011
	Gross	Impairment	Net	Net	Net
As of January 1	**2,227**	**(242)**	**1,985**	**1,878**	**1,565**
Changes in gross receivables	288	-	288	147	80
Changes in provision for impairment	-	(5)	(5)	1	4
Changes in provision for product returns	-	(1)	(1)	(5)	(14)
Changes in the scope of consolidation	61	(1)	60	(2)	183
Translation adjustment	(146)	7	(139)	(44)	55
Reclassifications	1	-	1	10	5
As of December 31	**2,431**	**(242)**	**2,189**	**1,985**	**1,878**

The receivable auxiliary balance is comprised primarily of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. As of December 31, 2013, coverage of customer credit risk had been requested from insurers for the majority of trade receivables, approximately 90% of the amount of which was granted (93% as of December 31, 2012).

12. OTHER CURRENT ASSETS

(EUR millions)	2013	2012	2011
Current available for sale financial assets	171	177	145
Derivatives	494	425	147
Tax accounts receivable, excluding income taxes	358	393	468
Advances and payments on account to vendors	173	195	163
Prepaid expenses	285	284	249
Other receivables	370	337	283
Total	**1,851**	**1,811**	**1,455**

Please also refer to Note 13 Current available for sale financial assets and Note 22 Financial instruments and market risk management.

13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	2013	2012	2011
Unlisted securities, shares in non-money market SICAVs and funds	12	13	14
Listed securities	159	164	131
Total	**171**	**177**	**145**
Of which: historical cost of current available for sale financial assets	*136*	*161*	*140*

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

(EUR millions)	2013	2012	2011
As of January 1	**177**	**145**	**219**
Acquisitions	-	-	256
Disposals at net realized value	(27)	(4)	(285)
Changes in market value	22	11	21
Changes in impairment	-	-	(1)
Changes in the scope of consolidation [a]	-	-	(72)
Translation adjustment	(1)	-	-
Reclassifications	-	25	7
As of December 31	**171**	**177**	**145**

(a) Impact related to the acquisition of Bulgari.

See also Note 1.14 for the method used to determine impairment losses on current available for sale financial assets.

14. CASH AND CASH EQUIVALENTS

(EUR millions)	2013	2012	2011
Fixed term deposits (less than 3 months)	810	480	421
SICAV and FCP money market funds	532	112	216
Ordinary bank accounts	1,879	1,604	1,666
Cash and cash equivalents per balance sheet	**3,221**	**2,196**	**2,303**

The reconciliation between cash and cash equivalents as shown in the balance sheet and net cash and cash equivalents appearing in the cash flow statement is as follows:

(EUR millions)	2013	2012	2011
Cash and cash equivalents	3,221	2,196	2,303
Bank overdrafts	(310)	(208)	(222)
Net cash and cash equivalents per cash flow statement	**2,911**	**1,988**	**2,081**

14.1. Change in working capital

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

(EUR millions)	Notes	2013	2012	2011
Change in inventories and work in progress	10	(765)	(829)	(768)
Change in trade accounts receivable	11	(288)	(147)	(65)
Change in trade accounts payable		205	173	331
Change in other receivables and payables		231	(10)	(32)
Change in working capital [(a)]		**(617)**	**(813)**	**(534)**

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

14.2. Operating investments

Operating investments comprise the following elements for the periods presented:

(EUR millions)	Notes	2013	2012	2011
Purchase of intangible fixed assets	3	(253)	(238)	(244)
Purchase of tangible fixed assets	6	(1,587)	(1,613)	(1,624)
Changes in accounts payable related to fixed asset purchases		108	141	119
Net cash used in purchases of fixed assets [(a)]		**(1,732)**	**(1,710)**	**(1,749)**
Net cash from fixed assets disposals [(a)]		**98**	**44**	**31**
Guarantee deposits paid and other cash flows related to operating investments		(29)	(36)	(12)
Operating investments		**(1,663)**	**(1,702)**	**(1,730)**

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

15. EQUITY

15.1. Share capital and share premium account

As of December 31, 2013, issued and fully paid-up shares totaled 507,793,661 (508,163,349 shares as of December 31, 2012 and 507,815,624 shares as of December 31, 2011), with a par value of 0.30 euros per share, including 224,907,923 shares with double voting rights (224,699,349 as of December 31, 2012 and 224,575,071 as of December 31, 2011). Double voting rights are granted to registered shares held for more than three years.

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

(EUR millions)	2013				2012	2011
	Number	Amount			Amount	Amount
		Share capital	Share premium account	Total		
As of January 1	**508,163,349**	**152**	**3,848**	**4,000**	**3,953**	**1,929**
Increase in share capital related to the contribution of Bulgari shares	-	-	-	-	-	2,037
Exercise of share subscription options	1,025,418	-	67	67	94	94
Retirement of shares	(1,395,106)	-	(66)	(66)	(47)	(107)
As of December 31	**507,793,661**	**152**	**3,849**	**4,001**	**4,000**	**3,953**

15.2. Treasury shares and derivatives settled in LVMH shares

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

(EUR millions)		2013	2012	2011
	Number	Amount	Amount	Amount
Share subscription option plans	4,301,285	203	270	319
Share purchase option plans	-	-	7	22
Bonus share plans	1,484,118	101	75	64
Other plans	816,950	39	49	64
Shares held for stock option and similar plans [(a)]	**6,602,353**	**343**	**401**	**469**
Liquidity contract	100,000	13	13	13
Shares pending retirement	689,566	95	-	-
LVMH treasury shares	**7,391,919**	**451**	**414**	**482**
LVMH share-based calls	-	-	-	3
LVMH treasury shares and derivatives settled in LVMH shares	**7,391,919**	**451**	**414**	**485**

(a) See Note 16 regarding stock option and similar plans.

"Other plans" correspond to future plans.

The market value of LVMH shares held under the liquidity contract as of December 31, 2013 amounts to 13 million euros.

The portfolio movements in fiscal year 2013 of LVMH treasury shares were as follows:

(EUR millions)	Number	Amount	Effect on cash
As of December 31, 2012	**8,167,519**	**414**	
Share purchases	2,848,311	386	(386)
Exercise of share purchase options	(19,620)	(2)	1
Bonus shares definitively allocated	(193,440)	(10)	-
Retirement of shares	(1,395,106)	(66)	-
Proceeds from disposal at net realized value	(2,015,745)	(272)	272
Gain/(loss) on disposal	-	1	-
As of December 31, 2013	**7,391,919**	**451**	**(113)**

15.3. Dividends paid by the parent company LVMH SA

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

As of December 31, 2013, the amount available for distribution was 10,272 million euros; after taking into account the proposed dividend distribution in respect of the 2013 fiscal year, the amount available for distribution is 9,308 million euros.

(EUR millions, except for data per share in EUR)	2013	2012	2011
Interim dividend for the current fiscal year (2013: 1.20 euros; 2012: 1.10 euros; 2011: 0.80 euros)	609	559	406
Impact of treasury shares	(9)	(9)	(8)
	600	**550**	**398**
Final dividend for the previous fiscal year (2012 and 2011: 1.80 euros)	914	914	685
Impact of treasury shares	(14)	(16)	(14)
	900	**898**	**671**
Total gross amount disbursed during the fiscal year [(a)]	**1,500**	**1,448**	**1,069**

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

The final dividend for 2013, as proposed to the Shareholders' Meeting of April 10, 2014 is 1.90 euros per share, representing a total amount of 965 million euros, excluding the amount to be deducted in relation to treasury shares held at date of payment.

15.4. Cumulative translation adjustment

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

(EUR millions)	2013	Change	2012	2011
US dollar	(203)	(104)	(99)	(57)
Swiss franc	406	(40)	446	424
Japanese yen	52	(68)	120	212
Hong Kong dollar	(15)	(75)	60	88
Pound sterling	(52)	(12)	(40)	(56)
Other currencies	(67)	(132)	65	64
Foreign currency net investment hedges	(129)	81	(210)	(244)
Total, Group share	**(8)**	**(350)**	**342**	**431**

16. STOCK OPTION AND SIMILAR PLANS

Share purchase option and subscription plans

The Shareholders' Meeting of April 5, 2012 renewed the authorization given to the Board of Directors, for a period of thirty-eight months expiring in June 2015, to grant share subscription or purchase options to Group company employees or directors, on one or more occasions, in an amount not to exceed 3% of the Company's share capital.

Each plan is valid for 10 years. The options may be exercised after a three-year period, for plans issued before 2004, or a four-year period, for plans issued from 2004.

For all plans, one option gives the right to one share.

Bonus share plans

The Shareholders' Meeting of April 18, 2013 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in June 2015, to grant bonus shares to Group company employees or directors, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

The allocation of bonus shares to beneficiaries who are French residents for tax purposes becomes definitive after a two-year vesting period (three years for allocations related to plans having commenced from 2011 onwards), which is followed by a two-year holding period during which the beneficiaries may not sell their shares.

The allocation of bonus shares to beneficiaries who are not French residents for tax purposes becomes definitive after a vesting period of four years and may be freely transferred at that time.

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

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

Performance conditions

Since 2009, certain share subscription option plans and bonus share plans have been subject to performance conditions in proportions determined based on the hierarchical level and status of the beneficiary, that determine whether the beneficiaries are entitled to receive the definitive allocation of these plans. Shares subject to performance conditions are definitively allocated only if LVMH's consolidated financial statements both for the fiscal year in which the plan is set up (fiscal year "Y") and for fiscal year Y+1 show a positive change compared to fiscal year Y-1 in relation to one or more of the following indicators: profit from recurring operations, net cash from operating activities and operating investments, current operating margin rate.

16.1. Share purchase option plans

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

	2013		2012		2011	
	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share purchase options outstanding as of January 1	**105,320**	**37.39**	**385,070**	**39.90**	**915,482**	**47.15**
Options expired	(85,700)	37.46	(143,650)	42.26	(311,550)	56.04
Options exercised	(19,620)	37.04	(136,100)	39.35	(218,862)	47.30
Share purchase options outstanding as of December 31	**-**	**-**	**105,320**	**37.39**	**385,070**	**39.90**

16.2. Share subscription option plans

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

	2013		2012		2011	
	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share subscription options outstanding as of January 1	**5,229,396**	**68.86**	**6,603,917**	**69.07**	**8,084,215**	**68.79**
Options expired	(26,489)	63.56	(29,546)	65.36	(84,463)	71.23
Options exercised	(1,025,418)	64.52	(1,344,975)	69.96	(1,395,835)	67.31
Share subscription options outstanding as of December 31	**4,177,489**	**69.97**	**5,229,396**	**68.86**	**6,603,917**	**69.07**

16.3. Bonus share plans

The number of non-vested shares allocated changed as follows during the period:

(number of shares)	2013	2012	2011
Non-vested shares as of January 1	**1,273,136**	**1,160,441**	**770,611**
Non-vested allocations during the period [a]	436,434	462,439	557,052
Allocations vested during the period	(193,440)	(313,809)	(143,979)
Allocations expired during the period	(32,012)	(35,935)	(23,243)
Non-vested shares as of December 31	**1,484,118**	**1,273,136**	**1,160,441**

(a) Including 403,634 performance shares.

Owned shares were remitted in settlement of the bonus shares vested during the periods presented.

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

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

	2013	2012	2011
Type of plan *(in equivalent number of shares)*:			
Share purchase option plan	6,800	8,050	20,050
Bonus share plan	-	-	50,364
Provision as of December 31 *(EUR millions)*	**-**	**-**	**6**

16.5. Expense for the period

(EUR millions)	2013	2012	2011
Share subscription and purchase option plans, bonus share plans	34	53	52
Cash-settled share-based compensation plans index-linked to the change in the LVMH share price	-	1	1
Expense for the period	**34**	**54**	**53**

See Note 1.26 regarding the method used to determine the accounting expense.

The LVMH share price the day before the grant date of the plan amounted to 138.9 euros for the plan instituted on January 31, 2013, 130.40 euros for the plan instituted on July 25, 2013 and 139.7 euros for the plan instituted on October 24, 2013.

The average unit value of non-vested bonus shares granted in 2013 was 119.3 euros for beneficiaries who are French residents for tax purposes and 115.9 euros for beneficiaries with tax residence outside France.

Performance conditions, which were met for plans granted prior to 2013, were considered to have been met for the plans granted in 2013, for the purpose of determining the expense for 2013.

17. MINORITY INTERESTS

(EUR millions)	2013	2012 [a]	2011 [a]
As of January 1	**1,084**	**1,055**	**1,004**
Minority interests' share of net profit	511	485	400
Dividends paid to minority interests	(228)	(317)	(187)
Effects of changes in control of consolidated entities:			
- consolidation of Loro Piana	51	-	-
- consolidation of Bulgari	-	-	772
- consolidation of Heng Long	-	-	18
- other movements	(1)	(11)	2
Effects of acquisition and disposal of minority interests' shares:			
- acquisition of minority interests in Château d' Yquem	(51)	-	-
- acquisition of minority interests in Bulgari	-	-	(771)
- other movements	(25)	(26)	(14)
Total effects of changes in the percentage interest in consolidated entities	(26)	(37)	7
Capital increases subscribed by minority interests	8	8	4
Minority interests' share in gains and losses recognized in equity	21	(15)	29
Minority interests' share in stock option plan expenses	3	3	3
Effects of changes in minority interests subject to purchase commitments	(345)	(98)	(205)
As of December 31	**1,028**	**1,084**	**1,055**

(a) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

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

(EUR millions)	Cumulative translation adjustment	Hedges of future foreign currency cash flows	Vineyard land	Revaluation adjustments of employee benefits[a]	Total share of minority interests
As of December 31, 2010	**(43)**	**5**	**146**	**-**	**108**
Changes for the fiscal year	36	(6)	3	(4)	29
As of December 31, 2011	**(7)**	**(1)**	**149**	**(4)**	**137**
Changes for the fiscal year	(28)	12	13	(12)	(15)
As of December 31, 2012	**(35)**	**11**	**162**	**(16)**	**122**
Changes for the fiscal year	(44)	4	54	7	21
As of December 31, 2013	**(79)**	**15**	**216**	**(9)**	**143**

(a) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

18. BORROWINGS

18.1. Net financial debt

(EUR millions)	2013	2012	2011
Bonds and Euro Medium Term Notes (EMTN)	3,866	3,337	3,390
Bank borrowings and finance lease	293	499	742
Long term borrowings	**4,159**	**3,836**	**4,132**
Bonds and Euro Medium Term Notes (EMTN)	1,013	696	759
Commercial paper	2,348	1,212	1,603
Bank overdrafts	310	208	222
Other short term borrowings	1,017	860	550
Short term borrowings	**4,688**	**2,976**	**3,134**
Gross amount of borrowings	**8,847**	**6,812**	**7,266**
Interest rate risk derivatives	(117)	(178)	(159)
Other derivatives	-	-	1
Gross borrowings after derivatives	**8,730**	**6,634**	**7,108**
Current available for sale financial assets	(171)	(177)	(145)
Cash and cash equivalents	(3,221)	(2,196)	(2,303)
Net financial debt	**5,338**	**4,261**	**4,660**

Net financial debt does not take into consideration purchase commitments for minority interests included in "Other non-current liabilities" (see Note 20).

LVMH issued two bonds in 2013 under its EMTN program, each with a nominal value of 500 million euros, in addition to a bond with a nominal value of 600 million euros. These bonds are redeemable on maturity at par in November 2019, September 2016 and November 2020, respectively. The bond redeemable in 2019 was issued at 99.473% of par value with a coupon rate of 1.25%; it was swapped on issuance, thus converting 50% of the issue's nominal value into a floating rate financing arrangement. The bond redeemable in 2016 is a floating rate note. The third bond, redeemable in 2020, was issued at 99.399% of par value. It has a coupon rate of 1.75% and has not been subject to any swaps for hedging purposes.

Furthermore, the 300 million Swiss franc bond issued in 2007 was reimbursed during the fiscal year, as well as a portion of debt relating to foreign currency denominated private placements (20 billion Japanese yen and 350 million US dollars).

18.2. Analysis of gross borrowings by payment date and by type of interest rate

(EUR millions)		Gross borrowings			Effects of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	2014	4,128	560	4,688	(1,000)	961	(39)	3,128	1,521	4,649
	2015	1,000	63	1,063	(703)	655	(48)	297	718	1,015
	2016	35	579	614	-	(6)	(6)	35	573	608
	2017	787	-	787	(766)	743	(23)	21	743	764
	2018	523	-	523	-	(5)	(5)	523	(5)	518
	2019	494	-	494	(250)	254	4	244	254	498
	Thereafter	677	1	678	-	-	-	677	1	678
Total		**7,644**	**1,203**	**8,847**	**(2,719)**	**2,602**	**(117)**	**4,925**	**3,805**	**8,730**

See Note 22.4 regarding market value of interest rate risk derivatives.

The breakdown by quarter of the amount falling due in 2014 is as follows:

(EUR millions)	Falling due in 2014
First quarter	3,204
Second quarter	1,260
Third quarter	158
Fourth quarter	66
Total	**4,688**

18.3. Analysis of gross borrowings by currency after derivatives

(EUR millions)	2013	2012	2011
Euro	6,912	4,753	5,349
US dollar	107	174	253
Swiss franc	981	992	991
Japanese yen	221	266	274
Other currencies	509	449	241
Total	**8,730**	**6,634**	**7,108**

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

19. PROVISIONS

(EUR millions)	2013	2012 [a]	2011 [a]
Provisions for pensions, medical costs and similar commitments	455	519	413
Provisions for contingencies and losses	1,279	1,219	1,096
Provisions for reorganization	21	18	21
Non-current provisions	**1,755**	**1,756**	**1,530**
Provisions for pensions, medical costs and similar commitments	3	13	11
Provisions for contingencies and losses	289	282	294
Provisions for reorganization	30	40	44
Current provisions	**322**	**335**	**349**
Total	**2,077**	**2,091**	**1,879**

(a) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

In fiscal year 2013, the changes in provisions were as follows:

(EUR millions)	Dec. 31, 2012 [a]	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustment)	Dec. 31, 2013
Provisions for pensions, medical costs and similar commitments	532	91	(83)	(4)	15	(93)	458
Provisions for contingencies and losses	1,501	307	(88)	(126)	(6)	(20)	1,568
Provisions for reorganization	58	21	(24)	(6)	2	-	51
Total	**2,091**	**419**	**(195)**	**(136)**	**11**	**(113)**	**2,077**
Of which: profit from recurring operations		*221*	*(163)*	*(42)*			
net financial income (expense)		-	-	-			
other		*198*	*(33)*	*(94)*			

(a) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time, and applies to areas ranging from product composition to the tax computation.

In particular, the Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. These rectification claims, together with any uncertain tax positions that have been identified but not yet officially reassessed, are subject to appropriate provisions, the amount of which is regularly reviewed in accordance with the criteria of IAS 37 Provisions.

20. OTHER NON-CURRENT LIABILITIES

(EUR millions)	2013	2012	2011
Purchase commitments for minority interests	6,035	5,022	4,195
Derivatives (see Note 22)	51	41	4
Employee profit sharing [a]	85	93	88
Other liabilities	232	300	219
Total	**6,403**	**5,456**	**4,506**

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

As of December 31, 2013, 2012 and 2011 purchase commitments for minority interests mainly include the put option granted to Diageo plc for its 34% share in Moët Hennessy, with six-months' advance notice and for 80% of the fair value of Moët Hennessy at the exercise date of the commitment. With regard to this commitment's valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

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

Purchase commitments for minority interests also include commitments relating to minority shareholders in Loro Piana (20%, see Note 2), Ile de Beauté (35%), Heng Long (35%) and distribution subsidiaries in various countries, mainly in the Middle East. Minority interests in Benefit exercised their put option in 2012.

21. OTHER CURRENT LIABILITIES

(EUR millions)	2013	2012	2011
Derivatives (see Note 22)	76	20	265
Employees and social institutions	1,010	924	855
Employee profit sharing [a]	84	95	86
Taxes other than income taxes	405	361	385
Advances and payments on account from customers	165	139	180
Deferred payment for tangible and financial non-current assets	406	367	282
Deferred income	151	116	111
Other liabilities	703	573	552
Total	**3,000**	**2,595**	**2,716**

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

22. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

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

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

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

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

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

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

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

22.2. Summary of derivatives

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

(EUR millions)			Notes	2013	2012	2011
Interest rate risk	Assets:	non-current		67	131	113
		current		68	56	57
	Liabilities:	non-current		(9)	(1)	(1)
		current		(9)	(8)	(10)
			22.3	**117**	**178**	**159**
Foreign exchange risk	Assets:	non-current		1	17	2
		current		389	369	83
	Liabilities:	non-current		(42)	(40)	(3)
		current		(60)	(9)	(255)
			22.4	**288**	**337**	**(173)**
Other risks	Assets:	non-current		-	28	28
		current		37	-	7
	Liabilities:	non-current		-	-	-
		current		(7)	(3)	-
				30	**25**	**35**
Total	Assets:	non-current	9	68	176	143
		current	12	494	425	147
	Liabilities:	non-current	20	(51)	(41)	(4)
		current	21	(76)	(20)	(265)
				435	**540**	**21**

22.3. Derivatives used to manage interest rate risk

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

As such, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of December 31, 2013 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value [a][b]		
	Below 1 year	**From 1 to 5 years**	**Thereafter**	**Total**	**Fair value hedges**	**Not allocated**	**Total**
Interest rate swaps in euros:							
- floating rate payer	1,000	1,516	250	2,766	111	-	111
- floating rate/floating rate	152	-	-	152	-	-	-
Foreign currency swaps	-	1,644	-	1,644	4	2	6
Other interest rate risk derivatives	-	500	-	500	-	-	-
Total					**115**	**2**	**117**

(a) Gain/(Loss).
(b) See Note 1.8 regarding the methodology used for market value measurement.

22.4. Derivatives used to manage foreign exchange risk

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

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

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

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2013 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation				Market value [a][b]				
	2013	2014	Beyond	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	62	207	-	269	1	10	-	(1)	10
Put JPY	2	10	-	12	-	1	-	-	1
Put GBP	-	8	-	8	-	-	-	-	-
	64	**225**	**-**	**289**	**1**	**11**	**-**	**(1)**	**11**
Collars									
Written USD	273	3,010	-	3,283	17	162	-	5	184
Written JPY	5	402	-	407	-	47	-	-	47
Written Other	7	106	-	113	-	1	-	-	1
	278	**3,412**	**-**	**3,803**	**17**	**209**	**-**	**5**	**232**
Forward exchange contracts [c]									
USD	156	(64)	-	92	1	(1)	-	-	-
JPY	62	116	-	178	-	38	-	-	38
GBP	16	16	-	32	-	-	-	-	-
Other	81	(218)	-	(137)	1	1	-	1	3
	315	**(150)**	**-**	**165**	**2**	**38**	**-**	**1**	**41**
Foreign exchange swaps [c]									
USD	2,884	32	-	2,916	2	-	10	(37)	(25)
CHF	254	(18)	-	236	-	-	(1)	(2)	(3)
GBP	171	2	-	173	-	-	-	1	1
JPY	352	-	-	352	4	-	1	10	15
Other	417	(43)	-	374	-	-	17	(1)	16
	4,078	**(27)**	**-**	**4,051**	**6**	**-**	**27**	**(29)**	**4**
Total					**26**	**258**	**27**	**(24)**	**288**

(a) Gain/(Loss).
(b) See Note 1.8 regarding the methodology used for market value measurement.
(c) Sale/(Purchase).

22.5. Financial instruments used to manage other risks

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

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

The Group may also use equity-based derivatives to create synthetically an economic exposure to certain assets, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the balance sheet date. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices. As of December 31, 2013, derivatives used to manage equity risk with an impact on the Group's net profit have a positive market value of 37 million euros. Considering nominal values of 20 million euros for those derivatives, a uniform 1% change in their underlying assets' share prices as of December 31, 2013 would induce a net impact on the Group's profit for an amount of less than 0.4 million euros. Most of these instruments mature in 2014.

The Group, mainly through its Watches and Jewelry business group, may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers; or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2013 have a negative market value of 7 million euros. Considering nominal values of 37 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2013 would induce a net impact on the Group's consolidated reserves in an amount of less than 0.5 million euros. These instruments mature in 2014.

23. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. The Selective Retailing business comprises the Group's own-label retailing activities. Other activities and holding companies comprise brands and businesses that are not associated with any of the abovementioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

23.1. Information by business group

Fiscal year 2013

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	4,160	9,834	3,228	2,732	8,915	280	-	29,149
Intra-Group sales	27	48	489	52	23	15	(654)	-
Total revenue	**4,187**	**9,882**	**3,717**	**2,784**	**8,938**	**295**	**(654)**	**29,149**
Profit from recurring operations	1,370	3,140	414	375	901	(177)	(2)	6,021
Other operating income and expenses	(4)	(63)	(6)	(6)	(5)	(43)	-	(127)
Depreciation and amortization expense	110	447	128	143	264	39	-	1,131
Impairment expense	(1)	48	-	-	8	12	-	67
Intangible assets and goodwill [b]	4,219	6,625	1,068	5,582	2,992	931	-	21,417
Property, plant and equipment	2,238	2,018	404	399	1,321	3,222	-	9,602
Inventories	4,253	1,388	356	1,136	1,449	159	(155)	8,586
Other operating assets	1,133	741	590	594	495	581	11,935 [c]	16,069
Total assets	**11,843**	**10,772**	**2,418**	**7,711**	**6,257**	**4,893**	**11,780**	**55,674**
Equity	-	-	-	-	-	-	27,723	27,723
Liabilities	1,310	2,121	1,130	716	1,821	697	20,156 [d]	27,951
Total liabilities and equity	**1,310**	**2,121**	**1,130**	**716**	**1,821**	**697**	**47,879**	**55,674**
Operating investments [e]	(187)	(629)	(229)	(192)	(390)	(36)	-	(1,663)

Fiscal year 2012

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	4,116	9,872	3,165	2,778	7,856	316	-	28,103
Intra-Group sales	21	54	448	58	23	16	(620)	-
Total revenue	**4,137**	**9,926**	**3,613**	**2,836**	**7,879**	**332**	**(620)**	**28,103**
Profit from recurring operations	1,260	3,264	408	334	854	(164)	(35)	5,921
Other operating income and expenses	(13)	(108)	(7)	(8)	(19)	(27)	-	(182)
Depreciation and amortization expense	100	414	112	122	229	42	-	1,019
Impairment expense	1	81	-	-	3	16	-	101
Intangible assets and goodwill [b]	3,989	4,857	1,032	5,577	3,046	815	-	19,316
Property, plant and equipment	1,937	1,768	312	378	1,252	3,122	-	8,769
Inventories	4,008	1,158	339	1,213	1,421	101	(160)	8,080
Other operating assets	1,057	658	583	635	459	590	9,851 [c]	13,833
Total assets [f]	**10,991**	**8,441**	**2,266**	**7,803**	**6,178**	**4,628**	**9,691**	**49,998**
Equity	-	-	-	-	-	-	25,508	25,508
Liabilities	1,271	1,870	1,098	732	1,785	675	17,059 [d]	24,490
Total liabilities and equity [f]	**1,271**	**1,870**	**1,098**	**732**	**1,785**	**675**	**42,567**	**49,998**
Operating investments [e]	(182)	(579)	(196)	(136)	(332)	(277)	-	(1,702)

Fiscal year 2011

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	3,511	8,672	2,851	1,911	6,414	300	-	23,659
Intra-Group sales	13	40	344	38	22	14	(471)	-
Total revenue	**3,524**	**8,712**	**3,195**	**1,949**	**6,436**	**314**	**(471)**	**23,659**
Profit from recurring operations	1,101	3,075	348	265	716	(204)	(38)	5,263
Other operating income and expenses	(16)	(56)	(2)	(6)	(26)	(3)	-	(109)
Depreciation and amortization expense	92	359	105	82	209	37	-	884
Impairment expense	-	20	-	-	5	15	-	40
Intangible assets and goodwill [b]	3,121	4,873	985	5,570	3,015	875	-	18,439
Property, plant and equipment	1,820	1,635	237	354	1,114	2,857	-	8,017
Inventories	3,905	1,030	337	1,118	1,181	67	(128)	7,510
Other operating assets	947	512	513	546	386	617	9,626 [c]	13,147
Total assets [f]	**9,793**	**8,050**	**2,072**	**7,588**	**5,696**	**4,416**	**9,498**	**47,113**
Equity	-	-	-	-	-	-	23,426	23,426
Liabilities	1,303	1,738	1,047	697	1,482	679	16,741 [d]	23,687
Total liabilities and equity [f]	**1,303**	**1,738**	**1,047**	**697**	**1,482**	**679**	**40,167**	**47,113**
Operating investments [e]	(159)	(437)	(150)	(117)	(215)	(652)	-	(1,730)

(a) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Intangible assets and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(c) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables. As of December 31, 2013, they include the 23.1% shareholding in Hermès International, representing an amount of 6,437 million euros, see Note 8 (5,409 million euros as of December 31, 2012 and 5,438 million euros as of December 31, 2011).
(d) Liabilities not allocated include financial debt and both current and deferred tax liabilities.
(e) Increase/(Decrease) in cash and cash equivalents.
(f) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

Data for fiscal year 2011 integrated data for Bulgari, which has been fully consolidated since June 30, 2011. Considering the fact that Bulgari is managed by a unique management team, dealing with all of the businesses related to Bulgari, which involve mainly manufacturing and distributing watches and jewelry, all of Bulgari's activities, including perfumes and cosmetics, have been included in the Watches and Jewelry business group.

As of December 31, 2011 and with respect to the period of Bulgari's consolidation within the LVMH group, its perfumes and cosmetics business accounted for consolidated revenue of 142 million euros.

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2013	2012	2011
France	3,144	3,107	2,866
Europe (excluding France)	5,510	5,455	4,797
United States	6,652	6,390	5,237
Japan	2,066	2,363	1,970
Asia (excluding Japan)	8,669	7,895	6,430
Other	3,108	2,893	2,359
Revenue	**29,149**	**28,103**	**23,659**

Operating investments by geographic region are as follows:

(EUR millions)	2013	2012	2011
France	586	648	692
Europe (excluding France)	315	290	601
United States	237	283	127
Japan	71	69	46
Asia (excluding Japan)	342	326	194
Other	112	86	70
Operating investments	**1,663**	**1,702**	**1,730**

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

23.3. Quarterly information

Quarterly sales by business group break down as follows:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	979	2,383	932	624	2,122	72	(165)	6,947
Second quarter	829	2,328	872	686	2,093	97	(157)	6,748
Third quarter	1,032	2,428	879	678	2,101	55	(153)	7,020
Fourth quarter	1,347	2,743	1,034	796	2,622	71	(179)	8,434
Total 2013	**4,187**	**9,882**	**3,717**	**2,784**	**8,938**	**295**	**(654)**	**29,149**
First quarter	926	2,374	899	630	1,823	84	(154)	6,582
Second quarter	833	2,282	828	713	1,767	99	(138)	6,384
Third quarter	1,006	2,523	898	690	1,862	66	(145)	6,900
Fourth quarter	1,372	2,747	988	803	2,427	83	(183)	8,237
Total 2012	**4,137**	**9,926**	**3,613**	**2,836**	**7,879**	**332**	**(620)**	**28,103**
First quarter	762	2,029	803	261	1,421	74	(103)	5,247
Second quarter	673	1,942	715	315	1,410	83	(93)	5,045
Third quarter	871	2,218	793	636	1,547	74	(128)	6,011
Fourth quarter	1,218	2,523	884	737	2,058	83	(147)	7,356
Total 2011	**3,524**	**8,712**	**3,195**	**1,949**	**6,436**	**314**	**(471)**	**23,659**

24. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	2013	2012	2011
Advertising and promotion expenses	3,332	3,277	2,711
Commercial lease expenses	2,489	1,944	1,563
Personnel costs	5,006	4,803	4,074
Research and development expenses	72	69	63

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

As of December 31, 2013, a total of 3,384 stores (excluding Loro Piana, whose network will be integrated in 2014) were operated by the Group worldwide (3,204 in 2012, 3,040 in 2011), particularly by Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores entail the payment of both minimum amounts and variable amounts, especially for stores with lease payments indexed to revenue. The total lease expense for the Group's stores breaks down as follows:

(EUR millions)	2013	2012	2011
Fixed or minimum lease payments	1,056	873	675
Variable portion of indexed leases	365	408	348
Airport concession fees – fixed portion or minimum amount	575	214	223
Airport concession fees – variable portion	493	449	317
Commercial lease expenses	**2,489**	**1,944**	**1,563**

Personnel costs consist of the following elements:

(EUR millions)	2013	2012	2011
Salaries and social charges	4,884	4,666	3,954
Pensions, contribution to medical costs and similar expenses in respect of defined benefit plans	88	83	67
Stock option plan and related expenses	34	54	53
Personnel costs	**5,006**	**4,803**	**4,074**

25. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2013	2012	2011
Net gains (losses) on disposals of fixed assets	7	(4)	(4)
Restructuring costs	(22)	(28)	(40)
Remeasurement of shares purchased prior to their initial consolidation	-	-	22
Transaction costs relating to the acquisition of consolidated companies	(21)	(3)	(17)
Impairment or amortization of brands, trade names, goodwill and other property	(88)	(139)	(73)
Other items, net	(3)	(8)	3
Other operating income and expenses	**(127)**	**(182)**	**(109)**

Impairment or amortization expenses recorded in 2013 relate to brands and goodwill for the most part. In 2012, they also included impairment of fixed assets for 74 million euros.

In 2011, the investments in Bulgari and Ile de Beauté held prior to the acquisition date of a controlling interest were revalued at market value at that date. Transaction costs essentially related to these two transactions.

26. NET FINANCIAL INCOME (EXPENSE)

(EUR millions)	2013	2012	2011
Borrowing costs	(138)	(164)	(189)
Income from cash, cash equivalents and current available for sale financial assets	29	26	41
Fair value adjustment of borrowings and interest rate hedges	6	(2)	(3)
Cost of net financial debt	**(103)**	**(140)**	**(151)**
Dividends received from non-current available for sale financial assets	71	174	54
Ineffective portion of foreign currency hedges	(159)	(49)	(105)
Net gain/(loss) related to available for sale financial assets and other financial instruments	23	31	(11)
Other items – net	(31)	(30)	(29)
Other financial income (expenses)	**(96)**	**126**	**(91)**
Net financial income (expense)	**(199)**	**(14)**	**(242)**

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

(EUR millions)	2013	2012	2011
Income from cash and cash equivalents	20	17	33
Interest from current available for sale financial assets	9	9	8
Income from cash, cash equivalents and current available for sale financial assets	**29**	**26**	**41**

In 2013, 2012 and 2011, the net gain/(loss) related to available for sale financial assets and other financial instruments was due to changes in market performance and the recognition of impairment losses on current and non-current available for sale financial assets.

In 2012, dividends received in respect of non-current available for sale financial assets included an exceptional dividend received from Hermès International SCA in the amount of 120 million euros (5 euros per share).

27. INCOME TAXES

(EUR millions)	2013	2012	2011
Current income taxes for the fiscal year	(1,961)	(2,039)	(1,671)
Current income taxes relating to previous fiscal years	13	20	2
Current income taxes	**(1,948)**	**(2,019)**	**(1,669)**
Change in deferred income taxes	186	199	158
Impact of changes in tax rates on deferred taxes	7	-	58
Deferred income taxes	**193**	**199**	**216**
Total tax expense per income statement	**(1,755)**	**(1,820)**	**(1,453)**
Tax on items recognized in equity [a]	**(249)**	**(73)**	**(46)**

(a) The balance sheets as of December 31, 2012 and 2011 have been restated to reflect the retrospective application as of January 1, 2011 of IAS 19 Employee Benefits as amended. See Note 1.2.

The effective tax rate is as follows:

(EUR millions)	2013	2012	2011
Profit before tax	5,695	5,725	4,912
Total income tax expense	(1,755)	(1,820)	(1,453)
Effective tax rate	**30.8%**	**31.8%**	**29.6%**

28. EARNINGS PER SHARE

	2013	2012	2011
Net profit, Group share *(EUR millions)*	**3,436**	**3,424**	**3,065**
Average number of shares in circulation during the fiscal year	507,997,567	508,041,429	498,874,042
Average number of treasury shares owned during the fiscal year	(7,714,153)	(8,907,786)	(10,104,756)
Average number of shares on which the calculation before dilution is based	**500,283,414**	**499,133,643**	**488,769,286**
Basic Group share of profit per share *(EUR)*	**6.87**	**6.86**	**6.27**
Average number of shares on which the above calculation is based	500,283,414	499,133,643	488,769,286
Dilution effect of stock option plans	2,934,083	3,096,309	3,438,206
Other dilution effects	-	-	-
Average number of shares on which the calculation after dilution is based	**503,217,497**	**502,229,952**	**492,207,492**
Diluted Group share of profit per share *(EUR)*	**6.83**	**6.82**	**6.23**

As of December 31, 2013, all of the instruments in circulation that may dilute earnings per share have been taken into consideration when determining the impact of dilution, given that all of the outstanding purchase and subscription options are considered to be available to be exercised at that date, since the LVMH share price is higher than the exercise price of these options.

No events occurred between December 31, 2013 and the date on which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

29. PENSIONS, CONTRIBUTION TO MEDICAL COSTS AND SIMILAR COMMITMENTS

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

(EUR millions)	2013	2012 [a]	2011 [a]
Service cost	79	64	56
Net interest cost	15	11	9
Actuarial gains and losses	2	9	5
Past service cost	-	1	2
Changes in regimes	(8)	(2)	(5)
Total expense for the period for defined benefit plans	**88**	**83**	**67**

(a) The net profit for fiscal years 2011 and 2012 has not been restated to reflect the application of revised IAS 19 Employee Benefits, as the impact of the change in standard on each of these fiscal years was less than 5 million euros.

30. OFF-BALANCE SHEET COMMITMENTS

30.1. Purchase commitments

(EUR millions)	2013	2012	2011
Grapes, wines and *eaux-de-vie*	994	1 012	1 019
Other purchase commitments for raw materials	110	80	84
Industrial and commercial fixed assets	379	205	154
Investments in joint venture shares and non-current available for sale financial assets	98	41	90

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

As of December 31, 2013, the maturity schedule of these commitments is as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and *eaux-de-vie*	565	386	43	994
Other purchase commitments for raw materials	105	5	-	110
Industrial and commercial fixed assets	181	198	-	379
Investments in joint venture shares and non-current available for sale financial assets	25	62	11	98

30.2. Lease commitments

In connection with its business activities, the Group enters into agreements for the rental of premises or airport concession contracts. The Group also finances a portion of its equipment through long-term operating leases.

The fixed minimum portion of commitments in respect of the irrevocable period of operating lease or concession contracts were as follows as of December 31, 2013:

(EUR millions)	2013	2012	2011
Less than one year	1,407	1,235	1,094
One to five years	3,613	3,208	2,843
More than five years	1,874	1,551	1,279
Commitments given for operating leases and concessions	**6,894**	**5,994**	**5,216**
Less than one year	10	15	19
One to five years	14	25	30
More than five years	-	1	1
Commitments received for sub-leases	**24**	**41**	**50**

In addition, the Group may enter into operating leases or concession contracts including guaranted variable payment amounts. For example, in June 2012, DFS was granted three additional five-year concessions at Hong Kong International Airport. The concession agreement provides for the payment of variable concession fees, calculated in particular on the basis of the number of passengers passing through the airport. On the basis of an estimate of this number of passengers at the signing date of the agreement, the total amount of these fees in respect of a calendar year would be about 300 million euros.

30.3. Collateral and other guarantees

As of December 31, 2013, these commitments break down as follows:

(EUR millions)	2013	2012	2011
Securities and deposits	412	295	145
Other guarantees	90	101	142
Guarantees given	**502**	**396**	**287**
Guarantees received	**14**	**19**	**28**

Maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	114	285	13	412
Other guarantees	52	29	9	90
Guarantees given	**166**	**314**	**22**	**502**
Guarantees received	**8**	**2**	**4**	**14**

30.4. Contingent liabilities and outstanding litigation

As part of its day-to-day management, the Group is party to various legal proceedings concerning brand rights, the protection of intellectual property rights, the set-up of selective retailing networks, licensing agreements, employee relations, tax audits and other areas relating to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation or disputes, known or outstanding at year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

30.5. Other commitments

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

31. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2013 and January 30, 2014, the date on which the financial statements were approved for publication by the Board of Directors.

SIMPLIFIED ACCOUNTING INFORMATION OF LVMH MOËT HENNESSY-LOUIS VUITTON SA

INCOME STATEMENT 66

CHANGE IN EQUITY 66

INCOME STATEMENT

Income/(Expenses) *(EUR millions - French accounting principles)*	Dec. 31, 2013	Dec. 31, 2012
Income from subsidiaries and investments	2,173	1,951
Profit from recurring operations before tax	1,986	1,731
Exceptional income (expense)	(8)	-
Income taxe income (expense)	(123)	(64)
Net profit	1,855	1,667

CHANGE IN EQUITY

(EUR millions - French accounting principles)	Share capital and share premium	Other reserves and regulated provisions	Retained earnings	Interim dividends	Net profit	Total equity
As of December 31, 2012 before appropriation of 2012 net profit	**4,001**	**583**	**4,937**	**(550)**	**1,667**	**10,638**
Appropriation of 2012 net profit	-	-	1,667	-	(1,667)	-
2012 dividend: final	-	-	(1,473)	550	-	(923)
Impact of treasury shares	-	-	23	-	-	23
Exercise of share subscription options	66	-	-	-	-	66
Retirement of LVMH shares	(66)	-	-	-	-	(66)
2013 interim dividend	-	-	-	(609)	-	(609)
Impact of treasury shares	-	-	-	9	-	9
Net profit of the year	-	-	-	-	1,855	1,855
As of December 31, 2013	**4,001**	**583**	**5,154**	**(600)**	**1,855**	**10,993**

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