

# Combined General Meeting

November 25, 2014

Pierre Godé

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## Context of exceptional distribution of shares of Hermès

- ◆ **Settlement agreement** signed by Hermès and LVMH on September 2, 2014, under aegis of President of Commercial Court of Paris
  - Agreement of LVMH to **distribute to its shareholders all Hermès shares** held by the Group
    - **24,473,545 shares** representing 23.18% of Hermès share capital and 16.56% of its voting rights at 30/09/2014
  - Distribution of all Hermès shares received by **Financière Jean Goujon and Christian Dior** to their respective shareholders
  - Agreement of LVMH, Financière Jean Goujon, Christian Dior and the other companies controlled by Mr. Bernard Arnault not to acquire any Hermès shares **during a five-year period**

## Distribution of shares of Hermès to LVMH shareholders

- ◆ **Exceptional distribution in kind : 2 Hermès shares for 41 LVMH shares**
  - Sums taken from distributable reserves and premiums
  - **Detachment and payment on December 17**
- ◆ Rights forming fractional shares **not tradable nor assignable**
  - If allocation to which shareholder is entitled is not **a whole number** of Hermès shares, shareholder shall receive the number of **Hermès shares immediately below this amount**, together with **cash payment for balance**
- ◆ Reminder: payment of interim dividend of 1.25€ per share on December 4

## Accounting impact of distribution of shares of Hermès (1/2)

- ◆ Sums taken from **reserves and premiums distributable** for distribution in kind
  - Limited to amount of distributable retained earnings, reserves and premiums (i.e. **€9,317M** as of December 31, 2013)
  - Determined by using **Hermès opening share price on December 17, 2014**
  
- ◆ **Impact on LVMH consolidated shareholders' equity (Group share)**
  - Number of distributed Hermès shares x opening share price on December 17, 2014
  - less taxes (net of reversal of recognized deferred taxes)
  - **Reduction of €6.6 billion assuming share price of €260**

## Accounting impact of distribution of shares of Hermès (2/2)

- ◆ **Impact on LVMH consolidated net profit (Group share)**
  - Number of distributed Hermès shares x opening share price on December 17
  - less consolidated cost of the distributed Hermès shares
  - less taxes arising from distribution in kind
  - **Consolidated gain of €2.4 billion (post-tax) assuming share price of €260**
  
- ◆ No significant impact on LVMH's consolidated net debt

## How many Hermès shares will LVMH shareholder receive ?

- ◆ LVMH shareholder will receive **2 Hermès shares for 41 LVMH shares held**
  - If shareholder holds a number of LVMH shares lower than 41 or which does not correspond to a multiple of 41, shareholder will receive **the number of Hermès shares immediately below this amount, together with a cash payment for the balance**
  - Cash payment for the balance calculated in proportion to Hermès opening share price on December 17
  
- ◆ **Examples** assuming theoretical Hermès share price of €260
  - Shareholder with 30 LVMH shares would **not be entitled to any Hermès shares** but solely **a gross cash payment of €380.49 (= 30 x (2/41) x €260)**
  - Shareholder with 50 LVMH shares would be entitled to **2 Hermès shares and a gross cash payment of €114.15 (= (50-41) x (2/41) x €260)**

## Timetable for payment of distribution in kind (1/2)

Holders of shares in bearer form or in registered accounts	
December 16	LVMH share positions taken into account at the end of trading day
December 17	Detachment of non-tradable and non-transferable allotment rights to distribution of Hermès shares, automatically allocated by Euroclear France to account custodians (one right per LVMH share)
From December 17	Presentation of allotment rights by the account custodians to centralizing bank (BNP Paribas Securities) <ul style="list-style-type: none"> <li>- Centralizing bank will credit each financial institution with whole number of Hermès shares and cash balance payment corresponding to rights submitted</li> <li>- Account custodians will then credit Hermès shares and, if applicable, cash balance payment to accounts of beneficiaries of distribution in kind</li> <li>- <b>Beneficiaries of distribution in kind must pay to their accredited intermediary fiscal and social withholdings due under the distribution</b></li> </ul>

## Timetable for payment of distribution in kind (2/2)

### Holders of directly registered shares

Before  
December 17

- Each shareholder shall communicate to LVMH details of account in which Hermès shares should be credited as well as cash account to which cash balance payment, if any, should be made.
- **Prior to delivery of shares, each shareholder will have paid to LVMH the estimated amount of fiscal and social withholdings due under distribution**
- Otherwise, possibility for shareholder to give a proxy to LVMH to sell all Hermès shares held so that LVMH can pay fiscal and social withholdings due under distribution

## Tax treatment of distribution in kind

*The following summary presents, for information purposes only, certain French tax consequences that may apply to natural persons with their tax residence in France under applicable laws and regulations currently in effect*

- ◆ Same tax treatment as distribution of dividend in cash
  - ◆ For the part of the distribution in kind qualifying as distribution of income
    - ◆ Social withholdings at a global rate of 15.5%
    - ◆ 21% non-final withholding
      - Withholding made by paying agent of income, if located in France.
      - Exemption if reference fiscal income for the second-to-last tax year is less than €50,000 (€75,000 for couples filing jointly) or if securities are held in French share savings plans (Plan d'Épargne en Actions, "PEA")
    - ◆ Income tax
      - Dividends are subject to income tax under **progressive scale and benefit from an unlimited tax deduction of 40%**
      - 21% non-final withholding may be credited against income tax due
      - Exemption if securities are held in French PEA (conditional upon PEA legislation)
  - ◆ For the part of the distribution in kind qualifying as repayment of paid-in capital, exemption of withholdings and income tax

## Frequently asked questions (1/2)

- ◆ **I hold LVMH shares in bearer form or in registered accounts. What do I need to do with my bank to benefit from the distribution in kind?**
  - **Nothing** needs to be done
  - However, you must pay to your custodian bank the **fiscal and social withholding taxes** due under the distribution in kind
- ◆ **I hold LVMH directly registered shares. What should I do?**
  - Before December 17, you should communicate to LVMH the **details of the account** in which the Hermès shares should be credited as well as the cash account to which the cash balance payment, if any, should be made
  - **Before December 17**, you should have paid to LVMH the estimated amount of the **fiscal and social withholdings** due under the distribution
  - You will receive a **letter** informing you of the terms and conditions in the coming days
- ◆ **I am a French tax resident. What will be the tax treatment of this distribution in kind ?**  
**Same tax treatment as distribution of dividend in cash**
  - For the part of the distribution in kind qualifying as distribution of income
    - 21% non-final withholding tax
    - Social withholdings at a global rate of 15.5%
    - Income tax (after an unlimited tax deduction of 40%)
  - For the part of the distribution in kind qualifying as repayment of paid-in capital
    - Exemption of withholdings and taxes

## Frequently asked questions (2/2)

- ◆ **I do not have enough cash on my bank account for the payment of the fiscal and social withholding taxes due under the distribution. What should I do?**
  - If you hold LVMH directly registered shares, you can give a proxy to LVMH to sell all of the Hermès shares held, the amount of which will be paid to you (as well as the cash payment for the balance), net of transaction costs and of fiscal and social withholdings
  - If you hold LVMH shares in bearer form or in registered accounts, you should contact your account custodian to sell part or all of the Hermès shares that you receive under the distribution in kind in order to pay the social withholdings and the taxes due under the distribution
- ◆ **Which share price will be used to calculate the amount paid in cash?**
  - The amount of cash payment will be calculated in proportion to the Hermès opening share price on December 17
- ◆ **I hold less than 41 shares. How will the cash amount that I will receive be calculated ?**  
You will only receive a balance payment in cash, calculated as follows (before fiscal and social withholdings):
  - Number of LVMH shares x 2/41 distribution ratio x Hermès opening share price on December 17
- ◆ **If I buy LVMH shares today, will I get the right to receive Hermès shares?**
  - All buy orders for LVMH shares executed until December 16 (included) will give the right to receive Hermès shares

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