REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

This report, which has been drawn up in accordance with the provisions of Article L. 225-37 of the French Commercial Code, was approved by the Board of Directors at its meeting on February 4, 2010.

Its purpose is to give an account of the membership of the Board of Directors of LVMH Moët Hennessy - Louis Vuitton SA, the preparation and organization of its work, as well as the compensation policy applied and the internal control procedures established by the Board.

1. CORPORATE GOVERNANCE

1.1 Board of Directors

The Board of Directors is the strategic body of the Company which is primarily responsible for enhancing the Company's value and for defending the corporate interests. Its main missions involve ensuring that the underlying strategy of the Company and the Group is adopted and overseeing its implementation, verifying the truth and fairness of information concerning the Company and the Group and protecting its assets.

The Board of Directors of LVMH Moët Hennessy - Louis Vuitton acts as guarantor of its rights of each of the shareholders and ensures that shareholders fulfill all their duties.

The AFEP/MEDEF Code of Corporate Governance for Listed Companies is applied by the Company. This document may be viewed on the MEDEF Web site www.code-afep-medef.com.

The Board of Directors has adopted a Charter that sets forth, in particular, rules governing its membership, its missions, its procedures, and its responsibilities.

Two Committees, the Performance Audit Committee and the Nominations and Compensation Committee, whose membership, roles and missions are defined by internal rules, have been established by the Board.

Any candidate for appointment as Director as well as any permanent representative of a legal entity shall receive a copy of the Board of Directors' Charter and of the internal rules governing the Committees prior to assuming his or her duties.

Pursuant to the provisions of the Board of Directors' Charter, Directors must bring to the attention of the Chairman any instance, even potential, of a conflict of interest between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities. They must also provide him with details of any conviction in relation to fraudulent offenses, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative or management body imposed by a court as well as of any bankruptcy, receivership or liquidation proceedings to which they have been a party. No information has been communicated to the Chairman with respect to this obligation.

1.2 Membership and missions

• The Board of Directors consisted of eighteen members at December 31, 2009: Mrs. Delphine Arnault, Messrs. Bernard Arnault, Antoine Arnault, Jean Arnault, Nicolas Bazire, Antonio Belloni, Antoine Bernheim, Nicholas Clive Worms, Charles de Croisset, Diego Della Valle, Albert Frère, Pierre Godé, Gilles Hennessy, Patrick Houël, Felix G. Rohatyn, Yves-Thibault de Silguy, Hubert Védrine and Lord Powell of Bayswater. Six of whom: Messrs. Antoine Bernheim, Nicholas Clive Worms, Charles de Croisset, Diego Della Valle, Yves-Thibault de Silguy and Hubert Védrine are considered as independent and hold no interests in the Company.

During its meeting of February 4, 2010, the Board of Directors proposed renewals of the appointments as Directors of Mrs. Delphine Arnault and Messrs. Bernard Arnault, Nicholas Clive Worms, Patrick Houël, Felix G. Rohatyn and Hubert Védrine as Directors as well as the appointment of Mrs. Hélène Carrère d'Encausse as Director.

The Board of Directors reviewed the status of each Director currently in office as well as that of the proposed appointee, in particular with respect to the independence criteria set forth in the AFEP/MEDEF Code of Governance of Listed Companies, and made the following determinations:

(i) Messrs. Charles de Croisset, Diego Della Valle, Yves-Thibault de Silguy, Hubert Védrine and Mrs. Hélène Carrère d'Encausse, whose appointment will be submitted for the approval of the Annual Shareholders' Meeting to be held on April 15, 2010, satisfy all of these criteria;

(ii) Mr. Antoine Bernheim is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Company's Board of Directors for more than twelve years and of the Boards of Directors of other companies that are subsidiaries of Arnault Group and LVMH Group;

(iii) Mr. Nicholas Clive Worms is to be considered, given his personal situation, as an independent Director, despite having served as a member of the Company's Board of Directors for more than twelve years.

The Company's bylaws require that each Director hold, directly and personally, at least 500 of its shares.

• Over the course of the 2009 fiscal year, the Board of Directors met four times as convened by its Chairman, by written notice sent to each of the Directors at least one week in advance of the meeting. The average attendance rate of Directors at these meetings was 79%.

The Board approved the annual and half-yearly financial statements and reviewed the Group's major strategic guidelines, its budget, the establishment of share subscription plans and the granting of bonus shares, the authorization for third party guarantees and various agreements with affiliated companies, the adoption of the LVMH Code of Conduct and the appointment of a Vice-

Chairman. It also conducted an evaluation of its capacity to meet the expectations of shareholders by reviewing its membership, its organization, and its procedures, making the necessary changes to its Charter as well as the internal rules and regulations for its various committees.

In its meeting of February 4, 2010, the Board of Directors reviewed its membership, organization and procedures, amending the Charter of the Board of Directors and the internal rules and regulations of the Performance Audit Committee accordingly.

The Board came to the conclusion that its membership may be considered as balanced, with regard to its percentage of external Directors, the breakdown of share capital, and with respect to the diversity and the complementarity of the skills and experiences of its members.

The Board noted that it had received the information required for the fulfillment of its missions in timely fashion and that each Director had been able, in addition to any discussions during Board meetings, to ask questions of executive management and obtain the requested details and explanations.

The Group's financial position was presented in a clear and detailed manner when the annual and half-yearly financial statements were submitted for the Board's approval.

The annual budget and a three-year strategic plan were presented to the Directors and discussed with the Board.

The ways in which the Group may respond to changes in the economic and financial environment gave rise to exchanges between Directors and Executive Management.

Lastly, the broad outlines of the Group's financial reporting and the improvements that may be made in these processes were the subject of discussions by the Board.

1.3 Executive Management

The Board of Directors decided not to assign the roles of Chairman and Chief Executive Officer to different persons. It made no change in the powers vested in the Chief Executive Officer.

In response to the proposal of the Chairman and Chief Executive Officer, the Board of Directors appointed a Group Managing Director, Mr. Antonio Belloni, who is granted the same powers as the Chief Executive Officer.

1.4 Performance Audit Committee

The main tasks of the Performance Audit Committee are to ensure that the Company and the Group's accounting policies comply with generally accepted accounting principles, to review the individual company and consolidated financial statements before they are submitted to the Board of Directors, and to ensure the effective implementation of the Group's internal controls.

It currently consists of three members, two of whom are independent, appointed by the Board of Directors. The current members of the Performance Audit Committee are Messrs. Antoine Bernheim (Chairman), Nicholas Clive Worms and Gilles Hennessy.

The Performance Audit Committee met four times in 2009. All of these meetings were attended by all of the members of the Committee, with the exception of one meeting where one of the members of the Committee was unable to participate. Attendees at these meetings also include the Statutory Auditors, Director of Operations, Chief Financial Officer, Management Control Director, Internal Audit Director, Accounting Director, Tax Director, Legal Director, and depending on the issues discussed, the Financing Director, the Treasury Director and the Risk and Insurance Director.

In addition to reviewing the annual and half-yearly parent company and consolidated financial statements, the Committee's work included examining the results of Internal Audit's missions, the Group's currency hedging policy, brand valuations, and the procedure for renewing appointments of statutory auditors. In addition, the Committee kept abreast of developments in regulatory frameworks and the work of the Autorité des Marchés Financiers (French market regulator – AMF) concerning the implementation of the Ministerial Order of December 8, 2008, transposing the European Union's 8th Company Law Directive 2006/43/EC into French law. In a presentation made to the Committee's Meeting held in May 2009, the Risk and Insurance Director discussed the Group's current management of major risks.

1.5 Nominations and Compensation Committee

The main responsibilities of the Nominations and Compensation Committee are to issue:

• proposals on compensation, benefits in kind and subscription or purchase options for the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s) of the Company, as well as on the allocation of directors' fees paid by the Company;

• opinions on candidates for the positions of Director, Advisory Board member, Group Executive Committee member or member of Executive Management of the Company's main subsidiaries.

It currently consists of three members, two of whom are independent, appointed by the Board of Directors. The current members of the Nominations and Compensation Committee are Messrs. Antoine Bernheim (Chairman), Charles de Croisset and Albert Frère.

The Committee met twice during the 2009 fiscal year, with all members in attendance. It issued proposals on compensation and the allocation of share subscription options to the Chairman and Chief Executive Officer and to the Group Managing Director and gave its opinion on compensation, share subscription options and benefits in kind granted by the Company and its subsidiaries to certain Directors. It also issued an opinion on the proposed appointment of Mr. Yves-Thibault de Silguy as Director and on the Directors whose terms in office were due to expire in 2009.

In addition, the Committee issued an opinion on the status of all members with regard to the independence criteria set forth within the AFEP/MEDEF Code, in particular.

Prior to the Board of Directors' Meeting of February 4, 2010, the Committee issued recommendations, among others:

• on the variable portion of compensation to be received for 2009 by the Chairman and Chief Executive Officer, the Group Managing Director, and other Directors receiving compensation from the Company or any of its subsidiaries, as well as on that to be received by these same individuals for 2010;

• on the rules for determining the amount of directors' fees;

• on the setting of "blackout periods" during which no transactions involving the Company's shares by members of the Board of Directors are permitted.

It reviewed all of the terms of office due to expire in 2010 and expressed a favorable opinion on the appointment of Mrs. Hélène Carrère d'Encausse as Director.

1.6 Advisory Board

Advisory Board members are invited to meetings of the Board of Directors and are consulted for decision-making purposes, although their absence cannot undermine the validity of the Board of Directors' deliberations.

They are appointed by the Shareholders' Meeting on the proposal of the Board of Directors and are chosen from shareholders on the basis of their competencies.

The Advisory Board currently has one member: Mr. Kilian Hennessy.

1.7 Participation in Shareholders' Meetings

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular the conditions for the attribution of double voting rights to registered shares, are defined in Article 23 of the bylaws (see the "Corporate Governance" section of the reference document).

1.8 Information that might have an impact on a takeover bid or exchange offer

Information that might have an impact on a takeover bid or exchange offer, as required by Article L. 225-100-3 of the French Commercial Code, is published in the "Management report of the Board of Directors - LVMH Moët Hennessy - Louis Vuitton" section of the reference document.

1.9 Compensation policy for company officers

Directors' fees paid to the members of the Board of Directors

The Shareholders' Meeting sets the total amount of directors' fees to be paid to the members of the Board of Directors.

This amount is divided among the members of the Board of Directors and members of the Advisory Board, in accordance with the rule defined by the Board of Directors, based on the proposal of the Directors' Nominations and Compensation Committee, namely:

(i) two units for each Director or member of the Advisory Board;

(ii) one additional unit for serving as a Committee member;

(iii) two additional units for serving as both a Committee member and a Committee Chairman;

(iv) two additional units for serving as either Vice-Chairman or Chairman of the Company's Board of Directors;

with the understanding that the amount corresponding to one unit is obtained by dividing the overall amount allocated to be paid as directors' fees by the total number of units to be distributed.

At its meeting of February 4, 2010, the Board of Directors decided that a portion of directors' fees to be paid to its members would be contingent upon their attendance at meetings of the Board of Directors and, where applicable, at those of the Committees to which they belong. A reduction in the amount to be paid is applied to two-thirds of the units described under (i) above, proportional to the number of Board Meetings the Director in question does not attend. In addition, for committee members, a reduction in the amount to be paid is applied to the additional fees mentioned under (ii) and (iii) above, proportional to the number of meetings by Committee including the Director in question as a member which he or she does not attend.

In respect of the 2009 fiscal year, LVMH paid a total of 1,136,250 euros in directors' fees to the members of its Board of Directors.

Other compensation

Compensation and benefits awarded to company officers are mainly determined on the basis of the degree of responsibility ascribed to their missions, their individual performance, as well as the Group's performance and the attainment of targets. This determination also takes into account compensation paid by similar companies with respect to their size, industry segment and extent of international operations.

A portion of the compensation paid to senior executive officers of the Company is based on the attainment of both financial and qualitative targets. The financial criteria are growth in revenue, operating profit and cash flow, with each of these items representing one-third of the total determination. The variable portion is capped at 180% of the fixed portion for the Chairman and Chief Executive Officer and at 120% of the fixed portion for the Group Managing Director.

Pursuant to the provisions of Article L.225-42-1 of the French Commercial Code, at its meeting of February 4, 2010, the Board of Directors approved the inclusion in Mr. Antonio Belloni's employment contract – suspended during the term of his mandate as Group Managing Director – of a covenant not to compete for a twelve-month period, giving rise to the payment of a monthly compensation equal to the monthly remuneration on the termination date of his functions, supplemented by one twelfth of the last bonus received.

Notwithstanding this clause, no other senior executive officer of the Company would benefit from provisions derogating from the option plan rules governing the exercise of options or granting them a specific compensation payment should they leave the Company.

Upon their retirement, members of the Executive Committee, and where applicable company officers, may receive a supplemental retirement benefit provided they have been members of the Executive Committee of the Group for a period of at least six years and that they assert at the same time their entitlement to their basic retirement benefits under compulsory pension schemes. This supplemental retirement benefit is determined based on a reference remuneration amount equal to the average annual remuneration received over the three civil years preceding the retirement year, capped at 35 times the annual social security ceiling. The annual supplemental retirement benefit is equal to the difference between 60% of the reference remuneration amount and all pension payments made by the general social security regime and the additional ARRCO and AGIRC regimes. Provisions recognized in 2009 for these supplemental retirement benefits are included in the amount shown for post-employment benefits under Note 30 of the consolidated financial statements.

An exceptional bonus may be awarded to certain Directors with respect to any specific mission with which they have been entrusted. The amount of this bonus shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

2. IMPLEMENTATION OF INTERNAL CONTROL PROCEDURES AND RISK MANAGEMENT

2.1 Definition

The Group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission) and which the Autorité des Marchés Financiers (French market regulator – AMF) has taken as the basis for its Reference Framework. At the behest of the Board of Directors, the Performance Audit Committee, Executive Management and other senior managers of the parent companies and subsidiaries, internal control, in conformity with the reference guide, is designed to provide reasonable assurance that the following objectives be met:

- the control of activities and processes, the efficiency of operations and the efficient utilization of resources;
- the reliability of financial and accounting information;
- compliance with applicable laws and regulations.

Moreover, in its reference guide, LVMH has defined two further goals:

- the safeguarding of assets and the value of capital;
- the application of the instructions and orientations decided by the Executive Management of the Group and of the operational units, i.e. the Houses/brands and their subsidiaries.

The internal control mechanism thus comprises a range of control procedures and activities in addition to those directly connected to the financial and accounting system; because it aims to ensure the control and continuity of all existing and new activities, the mechanism must enable the management of the Houses and subsidiaries to focus fully on the strategy, development and growth of the Group.

Limits of internal control

No matter how well designed and applied, the internal control mechanism cannot provide an absolute guarantee that the company's objectives will be achieved. All internal control systems have their limits due notably to the uncertainties of the outside world, individual judgment or malfunctions resulting from human or other errors.

2.2 Scope and formalization

With luxury as the unifying concept, LVMH is comprised of five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry and Selective Retailing. The business groups are themselves composed of companies of varying sizes owning prestige brands, which in turn are divided into subsidiaries operating worldwide.

As well as guaranteeing brand independence, this type of organization also allows synergies to be brought into play between companies belonging notably to the same business line.

The internal control policy applied across the Group is based on the following organizational principle:

- the parent company, LVMH SA, is responsible for its own internal control, while also acting as leader and coordinator for all other internal control systems within the Group;
- the President of a brand is responsible for the internal control of all the subsidiaries that contribute to development of the brand worldwide;
- each subsidiary's President is similarly responsible for its own operations.

The internal control mechanism, which has been formalized since 2003 to comply with the LSF (French Financial Security Act), has adopted a similar structure; it is both:

- decentralized at business group and brand level: the guidance and management of the internal control process is the responsibility of the Executive Management of the operational and legal entities;
- unified around a shared methodology and a single reference guide, both of which are coordinated centrally by the LVMH SA holding company and rolled-out to all Group companies.

The first stage of formalization is a process of self-assessment. It is part of an approach based on ongoing improvement that in the long run will help appraise the adequacy and efficiency of the Group's internal control system. Self-assessment is based on the LVMH internal control reference guide. This reference guide covers 12 key processes (Sales, Retail Sales, Purchases, Licenses, Travel and Entertainment, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems and Financial Statements Closing) together with control activities across the five COSO components; it is supported by SWITCH, an internal control management and modeling tool that has also been adopted by other CAC 40 members.

The self-assessment approach tailored to the LVMH Group's configuration and culture consists of:

- defining the scope of the LSF project, encompassing the Group's most significant companies, and for each of them:
- sending detailed instructions from the Executive Management of the Group to the Chairmen of the companies concerned;
- a review of the general control environment, in order to allow each company's Chairman to assess his or her entity's general control environment;
- a detailed review of key business processes in relation to the materiality of these processes and the expected level of risk coverage;
- the submission by the Management Committee of each selected entity of a letter of representation signed by its Chairman and its Chief Financial Officer, confirming their acceptance of responsibility for internal control in connection with the disclosure of information on areas of weakness and the remediation needed.

The detailed review of key processes is carried out on the basis of a standard questionnaire listing the main risks and related controls, with each company adapting the document to its own business environment. Specific processes were developed and evaluated to reflect the particular needs of certain activities (Distilled Alcohol and Vineyard Land for Wines and Spirits, Creation for Fashion and Leather Goods).

The letters of representation on internal control are passed on by the subsidiaries to the parent companies which in turn forward them to the Group.

In 2009, over one hundred entities (parent companies and subsidiaries) accounting for more than 80% of consolidated Group revenue undertook self-appraisal.

Furthermore, in order to supplement this self-appraisal system, an introductory training program on the assessment of internal control procedures (effectiveness testing) was offered to the largest Group companies. The controls involved were those having a financial impact on the Group's most representative processes (Sales, Retail Sales, Purchases, Financial Statements Closing, Inventory).

Lastly, in 2009, nine key processes (Treasury, Finance, Tax, Consolidation, Financial Statements Closing, Cash Flows, Information Systems, Financial Communication, Insurance) were analyzed at the Group level and at that of the parent company, LVMH SA, to determine the related risks. Upon completion of this analysis, action plans were established setting out procedures to correct deficiencies when detected.

Due diligence and assessments by Executive Management

These internal control formalization procedures are carried out on an internal basis, with independent external validation. This approach maximizes the involvement of operational managers, capitalizing on their knowledge and facilitating the maintenance of a permanent perspective on improving internal control over time within the Group. The Group's Statutory Auditors are kept informed on the progress of this initiative, as was the Performance Audit Committee, by means of regular reports.

2.3 Internal control components

In accordance with COSO guidelines, the Group's internal control system includes five closely interrelated components:

- a general control environment;
- a risk assessment system;
- appropriate controls;
- an information and communications system that enables responsibilities to be exercised efficiently and effectively;
- and a performance monitoring system.

All of these elements are centrally managed and coordinated, but they are also reviewed each year by the Group's significant entities through the established self-assessment procedure in force.

2.3.1 The general control environment

The internal control mechanism, which applies to all of LVMH's operations, aims primarily to create appropriate conditions for a general internal control environment tailored to the Group's specificities. It also aims to anticipate and control the risk of errors and fraud, without however guaranteeing their complete elimination.

The Group has always expressed its determination with regard to these fundamentals, which are the management's commitment to integrity and ethical behavior, the principle of honesty in relations with customers, suppliers, employees and other business partners, clear organizational structures, responsibilities and authorities defined and formalized according to the principle of the segregation of duties, regular monitoring of staff performance, and a commitment to skills management and professional development.

Ethical and good governance principles have been widely disseminated. The Group recommends codes of conduct, supplier charters and formalized procedures for declaring and monitoring conflicts of interest, the implementation of which it oversees at company level.

Skills management is a significant aspect of internal control. LVMH pays special attention to adjusting job profiles and corresponding responsibilities, formalizing annual performance reviews at individual and organizational level, and developing skills through training programs custom-designed for each level of seniority as well as by encouraging internal mobility. Personnel reports are produced monthly by the Group's Human Resources Department, presenting changes in staff and related analyses as well as vacancies and internal movements. A dedicated Intranet site is also available for the Group's Human Resources.

2.3.2 Risk management

The Group's risk management procedures serve to identify and evaluate the main risks with a potential impact on the achievement of operational and financial objectives as well as those likely to affect compliance with applicable laws and regulations. These procedures initially draw upon the internal control self-assessment process, conducted by about a hundred significant entities corresponding to more than 80% of the Group's consolidated revenue, and are supplemented by an additional mapping of purely operational and business-specific risks that would not be captured by the self-assessment process. In order to provide greater consistency and enhance the effectiveness of its Operational Departments, the Group is considering the implementation of an integrated approach for the assessment and management of major risks of various types, whether related to internal control or operations. A pilot program was launched in 2009. Feedback gathered will be used to determine whether or not such a system should be deployed.

Certain risks to which the Group is exposed are monitored separately (foreign exchange risk, environmental risk, counterfeiting, etc.). These risks are detailed separately in the "Report of the Board of Directors on Group management" within the section entitled "The LVMH Group", under paragraph 2 Operational risk factors and insurance policy, as well as in the section "LVMH and the environment".

Response to risk

Risk mitigation (in frequency and severity) is achieved through preventive actions (industrial risks), internal control (risks associated with processes), or through the implementation of business continuity plans or operational action plans. Depending on the types of risk to which a particular brand or entity is exposed, the latter may decide, in collaboration with the Group, to transfer residual risk to the insurance market or instead to assume this risk.

Personnel with an active role in risk management

Apart from the operational managers, who are responsible for the risks inherent to their businesses, the Risk and Insurance Department ensures that all Group companies have access to tools and methodologies for the identification and evaluation of risks, promotes effective loss prevention practices, and advises on risk coverage/transfer and financing strategies. The Management Committees of brands or entities are responsible for the implementation of action plans for the management of the major risks they identify and evaluate in the course of internal control self-assessment for their scope of operations. The Internal Audit team collaborates with the Risk and Insurance Department on the definition and implementation of evaluation methods and processes for handling certain major or large-scale risks. The Audit Director and the Risk and Insurance Director jointly informed the Audit Committee as to the status of current risk management procedures at the meeting of this Committee held in May 2009.

2.3.3 Control activities, procedures and documentation

Internal control practices and procedures are implemented by the companies' internal control managers under the responsibility of their Management Committees.

In 2007, on the occasion of the launch of a new Finance Intranet, the Group undertook a revision of all the procedures contributing to accounting and financial information and applicable to all the consolidated companies. It covered accounting and financial procedures available via the Group's Intranet, dealing mainly with accounting policies and standards, consolidation, taxation, investments, financial reporting (including budgetary procedures and strategic plans), cash flow and financing (including cash pooling, foreign exchange and interest rate hedging). The management reporting function also details the format, content and frequency of financial reports.

At the same time, the internal control manual was revamped, entitled "The Essentials of Internal Control", and made available on the Intranet. The guide describes the bases of the general environment and the salient features of the main processes: Sales, Retail Sales, Purchases, Inventory, Financial Statements Closing and Information Systems (general IT controls).

As well as this manual, the LVMH internal control reference guide covering a number of business processes has also been made available. This reference guide details, for each risk arising from a given process, the key control activities expected. In 2010, this guide was updated to include the definition of rules concerning the segregation of duties and the associated conflicts of interest involving sensitive transactions.

As regards the controls that are essential to achieving the key process internal control objectives, the Group and its internal control managers in the Houses ensure their implementation, where necessary. The managers are asked to make a special effort to document the key activities in the form of a procedure in order to ensure consistent quality over time, regardless of who carries them out.

The activities relating to the control and remediation of internal control weaknesses are reflected, documented and tracked by the "Switch" computerized self-assessment system, which is installed in the most significant entities of the Group.

An introductory training program on the assessment of internal control procedures (effectiveness testing) was offered in 2009 to the largest companies within the Group, focusing only on key financial controls. Feedback from this experience will provide additional assurances to the Operational Departments on the relevance and effectiveness of the controls established.

The Group's "Risk Management Guidelines" may also be found on the Finance Intranet, together with specially designed tools for the evaluation, prevention and coverage of risks. These materials may be accessed by all personnel involved in the application of the Group's risk management procedures.

2.3.4 Information and communication systems

The strategic plans in terms of information and communication systems are coordinated by the Group Finance Department, which ensures the standardization of the SAP ERPs in operation as well as business continuity. Aspects of internal control such as the segregation of duties and access rights are integrated at the time of implementation of new information systems.

The information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are also subject to special procedures: a Business Continuity Plan methodology kit has been distributed within the Group in order to define for each significant entity the broad outlines of such a plan as well as those of an IT Disaster Recovery Plan. A plan of each type has been developed for the parent company LVMH SA.

2.3.5 Monitoring of the internal control systems

There are several levels of monitoring, the main ones being:

Ongoing monitoring of the processes:

It is organized by the Operational Departments in order to anticipate or detect incidents as soon as possible. Exception reports are used to determine whether corrective actions are required based on a departure from normal operating conditions, as a complement to preventive measures, such as the segregation of duties.

Periodic monitoring of the mechanism:

- by management or operational staff under the responsibility of the internal control managers. The final deliverable of this supervision is the letter of representation on internal control signed by the Chairman and CFO of each significant entity;
- by LVMH Internal Audit and the Statutory Auditors, who provide management of the entities and the Executive Management of the Group with the results of their review work and their recommendations.

2.4 Internal control stakeholders

In addition to the contribution of all Group employees to the success of the internal control system, the following participants fulfill specific roles with respect to internal control:

At Group level

Board of Directors

As part of its responsibilities described above, the Board of Directors contributes to the general control environment through its underlying professional principles: the savoir-faire and responsibility of its members, the clarity and transparency of its decisions, and the efficiency and effectiveness of its controls. The Company refers to the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

Executive Committee

The Executive Committee comprises executive, operational and functional directors and defines strategic objectives on the basis of the orientations decided by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, and oversees both the definition and the accomplishment of the responsibilities and delegations of authority of executive management.

Performance Audit Committee

As part of its responsibilities described above, the Performance Audit Committee controls the existence and application of internal control procedures. It also examines the results of the work of Internal Audit and approves annual and mid term internal auditing orientation in terms of geographic, business and risk coverage. The Committee also receives information on the management of major risks.

Legal Department

The Group's Legal Department is responsible for monitoring the proper application of laws and regulations in force in each of the countries where LVMH Group has operations. It also fulfils a central legal review function and provides advice on legal matters as required by each of LVMH Group's business groups.

Audit and Internal Control Department

The Group's multidisciplinary Internal Audit team, with some 20 members whose supervision is centralized but operate out of two offices in Paris and Hong Kong, is active throughout the Group, applying a multi-year audit plan which is revised every year.

Between 40 and 50 assignments are carried out each year, including regular reviews of entities and assessments of cross-cutting risks.

The multi-year audit plan allows the degree to which the internal control system has been understood and assimilated to be monitored and reinforced where necessary. The audit plan is prepared on the basis of an analysis of potential risks, either existing or emerging, by type of business (such as size, contribution to profits, geographical positioning and quality of local management) and inputs from the operational managers concerned. Internal Audit intervenes in all Group companies, both in operational and financial matters. A review of the self-assessment process and its results is performed systematically for the significant entities involved.

The plan can be modified in response to changes to the political and economic environment or internal strategy.

Internal Audit reports on its work to management of the entity concerned and to Executive Management of the Group through a summary report and a detailed report explaining its recommendations and setting out Management's commitment to apply them within a reasonable period of time. Internal Audit sends copies of the reports that it issues to the Statutory Auditors and meets with them periodically to discuss current internal control issues.

The main features of the annual and multi-year audit plan, together with the main conclusions of the year under review, are presented to the Performance Audit Committee and to the business groups concerned. In 2009, Internal Audit carried out 39 assignments dealing with the key processes of audited companies, representing 22% of the Group's sales. These covered global themes corresponding to cross-cutting risks such as Customer Credit and Cash Management. Monitoring of the implementation of the recommendations has been enhanced by systematic on-site visits to companies with the most significant issues.

Moreover, since 2003, Internal Audit has coordinated the Group's compliance with LSF (French Financial Security Act) internal control measures, and devoted a specific team to internal controls. This team monitors and anticipates regulatory changes so that the internal control system can be adapted as required.

It coordinates a network of entity-level internal controllers responsible for ensuring compliance with the Group's internal control procedures and for preparing internal controls tailored to their businesses. These internal control managers are responsible for the various projects related to the internal control system and promote the dissemination and application of guidelines.

At subsidiary level

Management Committees

The Management Committee within each subsidiary is responsible for implementing the procedures necessary to ensure an efficient internal control mechanism for its scope of operations. The fact that operational managers are personally accountable for internal controls in each company and in each of the key business processes is a cornerstone of the internal control system.

2.5 Internal controls related to financial and accounting information

2.5.1 Organization

Internal controls of accounting and financial information are organized based on the cooperation and control of the following departments: Accounting and Consolidation, Management Control, Information Systems, Finance and Treasury, Tax and Financial Communication.

Accounting and Consolidation is responsible for preparing and producing the individual company accounts of the holding companies and the consolidated financial statements, in particular the financial statements and financial documents published as of June 30 (the interim report) and as of December 31 (the reference document) in addition to the management reporting process.

To this end, Accounting and Consolidation defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any related training programs that may be deemed necessary. Accounting and Consolidation also ensures that an appropriate financial reporting information system is maintained and coordinates the audit work of the Statutory Auditors.

Management Control is responsible for coordinating the budget process and its revisions during the year as well as for the five-year strategic plan. It produces the monthly operating report and all reviews required by Executive Management; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators.

In conjunction with subsidiaries, ***Information Systems*** draws up a three-year plan for information systems, by business group and company. It disseminates the Group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies that may be achieved between businesses and regions while respecting brand independence. It develops and maintains a telecommunications system shared by the Group. Finally, it coordinates policy for system and data security and preparation of emergency contingency plans.

Finance and Treasury are responsible for applying the Group's financial policy, efficiently managing the balance sheet and financial debt, improving financial structure and executing a prudent policy for managing foreign exchange and interest rate risks, the primary objective of which is to mitigate all related risks that are directly or indirectly generated by Group companies.

Treasury focuses particularly on Group cash pooling, ensuring optimal efficiency and preparing forecasts on the basis of quarterly updates prepared by the companies involved. It is also responsible for applying a centralized foreign exchange and interest rate risk management strategy designed to limit the negative impact of foreign exchange and interest rate fluctuations on businesses and investments. To this end, a management policy and strict procedures have been established to measure, manage and consolidate these market risks. This organization relies on an integrated computerized system allowing real-time controls on hedging transactions. The hedging mechanism is periodically presented to the Performance Audit Committee. Hedging decisions are taken by means of a clearly established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

Tax coordinates the preparation of tax returns and ensures compliance with applicable tax laws and regulations, provides advice to the different business groups and companies and defines tax planning strategy based on the Group's operational requirements. It organizes appropriate training courses in response to major changes in tax law and coordinates the uniform reporting system for tax data ("SyRUS Tax").

Financial Communication is responsible for coordinating all information issued to the financial community to enable it to acquire a clear, transparent and precise understanding of the Group's performance and prospects. It also provides Executive Management with the perceptions of the financial community on the Group's strategy and its positioning within its competitive environment. It defines the key messages to be communicated in close collaboration with Executive Management and the business groups. It harmonizes and coordinates the distribution of corporate messages through various channels (publications such as the annual and half-yearly reports, financial presentations, meetings with shareholders and analysts, the website, etc.)

Each of these departments coordinates the financial aspects of the Group's internal control in its own area of activity via the financial departments of business groups, main companies and their subsidiaries, which are in charge of similar functions in their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (controller, chief accountant, treasurer, etc.).

The Financial Departments of the main companies of the Group and the Departments of the parent company, LVMH, described above periodically organize joint finance committees. Run and coordinated by the Central Departments, these committees deal particularly with applicable standards and procedures, financial performance and any corrective action needed, together with internal controls applied to accounting and management data. A progress report on the LSF project is systematically provided to these committees.

2.5.2 Accounting and management policies

Subsidiaries adopt the accounting and management policies considered by the Group as appropriate for the individual company and consolidated financial statements. A consistent set of accounting standards is applied throughout, together with consistent formats and tools to submit data to be consolidated. Accounting and management reporting is also carried out through the same system, thus ensuring the consistency of internal and published data.

2.5.3 Consolidation process

The consolidation process is laid out in a detailed set of instructions and has a specially adapted data submission system designed to facilitate complete and accurate data processing, based on a consistent methodology and within suitable timeframes. The Chairman and CFO of each company undertake to ensure the quality and completeness of financial information sent to the Group – including off-balance sheet items – in a signed letter of representation which gives added weight to the quality of their financial information.

There are sub-consolidations at business unit and business group level, which also act as primary control filters and help ensure consistency.

At Group level, the teams in charge of consolidation are specialized by type of business and are in permanent contact with the business groups and companies concerned, thereby enabling them to better understand and validate the reported financial data and anticipate the treatment of complex transactions.

2.5.4 Management reporting

Each year, all of the Group's consolidated entities produce a five-year plan, a complete budget and annual forecasts. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget, and to foster ongoing communication between companies and the Group – an essential feature of the financial internal control mechanism.

A team of controllers at Group level, specialized by business, is in permanent contact with the business groups and companies concerned, thus ensuring better knowledge of performance and management decisions as well as appropriate control.

The half-yearly and annual financial statements are closed out at special results presentation meetings, in the presence of the Group's financial representatives and the companies concerned, during which the Statutory Auditors present their conclusions with regard to the quality of financial and accounting information and the internal control environment of the different companies of the Group, on the basis of the work that they performed during their audit assignments.

This report, the result of the contribution of the various internal control and risk management practitioners mentioned in the first part of this document, was conveyed in its draft form to the Performance Audit Committee for its opinion and approved by the Board of Directors at its meeting of February 4, 2010.

Conclusions

LVMH Group is pursuing its policy of constantly improving its internal controls, which it has carried out since 2003, by bolstering the self-appraisal system and its adoption by the main stakeholders.

In 2009, each of the Group's key entities carried out a review of its internal control system, including the description and formalization of established controls as well as their appropriateness in relation to incurred risks.

3. STATUTORY AUDITORS' REPORT, PREPARED IN ACORDANCE WITH ART. L. 225-235 OF THE FRENCH COMMERCIAL CODE (*CODE DE COMMERCE*), ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

To the Shareholders,

In our capacity as Statutory Auditors of LVMH Moët Hennessy - Louis Vuitton and in accordance with Article L.225-235 of the French Commercial Code (Code de commerce), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare and to submit for the Board of Director's approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

- report on the information contained in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information,
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weakness in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work is properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Neuilly-Sur-Seine and Paris-La Défense, March 3, 2010

The Statutory Auditors

DELOITTE & ASSOCIÉS

Alain Pons

ERNST & YOUNG Audit

Jeanne Boillet   Olivier Breillot

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.