

PRESS RELEASE

Exceptional distribution in kind of shares of Hermès International

Paris, November 3, 2014

On September 2, 2014, under the aegis of the President of the Commercial Court of Paris, LVMH Moët Hennessy – Louis Vuitton (“**LVMH**”) and Hermès International (“**Hermès**”) entered into a settlement agreement (the “**Settlement Agreement**”) aimed at restoring a climate of positive relations between them.

According to the terms of this agreement, LVMH has agreed to distribute to its shareholders all of the Hermès shares held by the LVMH group on the understanding that Christian Dior, which currently holds 40.9% of LVMH’s share capital through Financière Jean Goujon, will distribute the Hermès shares that it receives from LVMH to its own shareholders.

LVMH’s Board of Directors will therefore submit a resolution to its shareholders at the Combined General Meeting to be held on November 25, 2014, to approve the exceptional distribution in kind to be made in Hermès shares, the terms and conditions of which are described below. It is further noted that in the event that the LVMH General Shareholders’ Meeting approves this distribution, Financière Jean Goujon and Christian Dior shall distribute the Hermès shares that they receive to their respective shareholders.

These distributions will be paid on December 17, 2014.

As disclosed earlier, LVMH’s Board of Directors decided at its meeting on July 24, 2014 to distribute an interim cash dividend of €1.25 per share for the 2014 fiscal year. This interim dividend will be paid on December 4, 2014.

Following the completion of these transactions, LVMH, Financière Jean Goujon and Christian Dior will no longer hold any Hermès shares with the exception of Hermès shares representing rights to fractional interests or non-distributed shares due to the distribution ratio. These shares will be sold no later than September 3, 2015.

Pursuant to the Settlement Agreement:

- LVMH, Financière Jean Goujon and Christian Dior and their respective subsidiaries have agreed not to acquire any Hermès shares during a five-year period as from the date on which all of the Hermès shares representing rights to fractional shares or non-distributed Hermès shares have been sold; and
- Mr. Bernard Arnault has agreed over the same aforementioned five-year period, on his own behalf and that of the companies which he controls directly or indirectly as defined under Article L. 233-3 of the French Commercial Code (*Code de commerce*), not to hold, either on his own or jointly, directly or indirectly, a number of Hermès shares exceeding that which he will receive under the distributions, which will represent approximately 8.5% of Hermès share capital.

The undertakings set forth above shall cease to apply if the following events occur: (i) H51, a shareholder with a 50.3%¹ stake in Hermès, decides to sell its entire holding in Hermès, (ii) the H51

¹ Figure at December 31, 2013, based on the information available in the Hermès 2013 registration document filed with the *Autorité des marchés financiers* (French market regulator) on April 10, 2014 under number D.14-0323.

shareholders decide to sell their controlling interest in Hermès to a third party outside of the Hermès family group or (iii) the Hermès Supervisory Board (*Conseil de surveillance*) approves a tender offer on Hermès.

For the LVMH shareholders, this press release sets forth the technical terms of the distribution in kind of the Hermès shares as well as the broader context of this transaction.

For any information regarding Hermès, the LVMH shareholders should refer to the Hermès 2013 registration document (*document de référence*) filed with the *Autorité des marchés financiers* (French market regulator) on April 10, 2014 under number D.14-0323 as well as the press releases published by Hermès since such date. These documents are available on the Hermès website: finance.hermes.com.

Shareholders who are natural persons with their tax residence in France should be made aware that the distribution in kind of the Hermès shares is subject, under the conditions set out in paragraph 3.1.1 below, prior to the delivery of the shares or the payment of the cash balance, to a 21% non-final withholding tax (*prélèvement non libératoire*) of the distributed gross amount (unless exempted as described below), as well as to various social withholdings of up to 15.5% of the distributed gross amount, i.e. a total withholding amounting to 36.5% of the distributed gross amount.

This press release does not constitute (i) an offer to sell or subscribe or a solicitation of an offer to buy or subscribe to the Hermès shares, or (ii) a solicitation to obtain approval or a favorable vote to approve the distributions described herein in any jurisdiction where such solicitation would be prohibited.

United States of America

Shares and other securities may not be offered or sold in, or transferred to, the United States of America, absent registration or an exemption from registration requirements pursuant to the U.S. Securities Act of 1933, as amended. The Hermès shares included in the distribution in kind have not been, nor will they be, registered in the United States of America under the U.S. Securities Act of 1933, as amended. The distribution in kind of Hermès shares by LVMH has not been approved or rejected by the U.S. Securities and Exchange Commission (the “SEC”) or any other commission of a State of the United States of America and neither these commissions nor the SEC have reviewed the accuracy or adequacy of this press release. Any representation to the contrary may be considered a criminal offense in the United States of America.

Switzerland

This press release on the distribution in kind of Hermès shares listed on the regulated market Euronext Paris does not constitute an offering circular as defined by Articles 652a and 1156 of the Swiss Code of Obligations nor a listing prospectus as defined by the listing rules of the SIX Swiss Exchange.

1. TERMS OF THE DISTRIBUTION IN KIND

1.1. Features of the Distribution in Kind

Pursuant to the provisions of the Settlement Agreement, a resolution will be submitted to the LVMH shareholders at the Combined General Meeting to be held on November 25, 2014, to approve an exceptional distribution in kind offering two (2) Hermès shares for forty-one (41) LVMH shares held (the “**Distribution in Kind**”). This distribution ratio keeps to a minimum the number of Hermès shares not included in the Distribution in Kind. Based on information available at October 20, 2014, the Distribution in Kind would include 24,472,448 Hermès shares² and the remainder would amount to 1,097 Hermès shares.

The LVMH group holds 24,473,545 Hermès shares representing, based on the number of shares and voting rights comprising Hermès share capital at September 30, 2014, 23.18% of Hermès share capital and 16.56% of its voting rights. Hermès share capital is comprised of fully paid up ordinary shares of the same class, listed on compartment A of the regulated market Euronext Paris under ISIN code FR0000052292.

The Distribution in Kind will be detached and paid on December 17, 2014.

LVMH shareholders whose shares have been recorded in the accounts in their name at the end of the trading day preceding the date of detachment and payment, i.e., December 16, 2014 (after taking into account orders executed during the day of December 16, 2014, even if these orders are settled and delivered after the date of detachment), will be entitled to receive the Distribution in Kind (the “**Beneficiaries of the Distribution in Kind**”). In the case of a division of ownership of the shares, the beneficiary of the distribution in kind will be the bare owner. LVMH shares held in treasury at the date of detachment will not be eligible for the Distribution in Kind.

The amount corresponding to the Distribution in Kind (i) will be determined by using the Hermès opening share price on December 17, 2014, and (ii) will not exceed the amount of retained earnings, reserves and premiums distributable in accordance with current laws and regulations (amounting to €9,317 million at December 31, 2013). In the event that the Distribution in Kind exceeds this authorized ceiling, the LVMH Board of Directors would have all powers to adjust the aforementioned distribution ratio so that the amount distributed does not exceed such ceiling. This would be the case if the Hermès opening share price on the payment date exceeded €380.70 based on a distributable amount of €9,317 million and on the assumption that all the Hermès shares would be distributed. In the event that the ratio for the Distribution in Kind is adjusted, LVMH will publish a press release on the morning of the payment date once the Hermès opening share price is ascertained.

Rights forming fractional shares shall neither be tradable nor assignable. As a consequence, if the allocation to which a shareholder is entitled is not a whole number of Hermès shares due to the distribution ratio used (i.e. a holding of LVMH shares lower than 41 or which does not correspond to a multiple of 41), the shareholder shall receive the number of Hermès shares immediately below this amount, together with a cash payment for the balance to be paid by LVMH, the amount of which will be calculated in proportion to the Hermès opening share price on December 17, 2014. Shareholders with less than 41 LVMH shares at December 16, 2014 will therefore solely receive a balance payment in cash. For illustrative purposes only and assuming a Hermès theoretical share price, at the opening of the stock market on the payment date, of €230.95³:

- a shareholder with 30 LVMH shares would not receive any Hermès shares but solely a balance cash payment of a gross amount of €337.97, equivalent to $30 \times (2/41) \times €230.95$;

² This number is obtained by multiplying the number of LVMH shares giving entitlement to the Distribution in Kind at October 20, 2014, i.e. 501,685,204 shares (507,882,749 shares comprising LVMH’s share capital less 6,197,545 treasury shares), by the distribution ratio, i.e. 2 Hermès shares for 41 LVMH shares and using the theoretical assumption that there are no fractional shares.

³ The theoretical share price used for the examples above (i.e. €230.95 per Hermès share) is the Hermès closing share price on October 20, 2014.

- a shareholder with 50 LVMH shares would receive two (2) Hermès shares and a balance cash payment of a gross amount of €101.39, equivalent to $(50-41) \times (2/41) \times €230.95$.

The amount corresponding to the Distribution in Kind, i.e., the number of distributed Hermès shares (whether they are delivered to LVMH shareholders or sold, in particular, because of fractional shares) multiplied by the opening share price on December 17, 2014, shall be deducted in order of priority from the Other Reserves account, and for any surplus, from the Merger Premium, Contribution Premium and Share Premium accounts. Prior to doing so, a resolution will be submitted to the LVMH Combined Shareholders' Meeting to allocate all the retained earnings as at December 31, 2013 to the Other Reserves account.

The completion of the Distribution in Kind is contingent upon the approval by the Combined General Meeting of a resolution to amend LVMH's bylaws in order to authorize the distribution of dividends in kind.

Using the theoretical assumption that there are no fractional shares (and therefore no balance payment in cash) or adjustment of the distribution ratio, LVMH would hold post-Distribution in Kind 1,097 Hermès shares (calculated on the basis of the number of shares comprising LVMH's share capital less the number of shares held in treasury at October 20, 2014), it being specified that pursuant to the provisions of the Settlement Agreement, LVMH has agreed to sell these shares no later than September 3, 2015.

1.2. Timetable for the Distribution in Kind

The indicative timetable for the Distribution in Kind is as follows:

October 20, 2014	Publication of the first notice (<i>avis de réunion</i>) in the BALO (French official bulletin of legal notices) convening the Combined Shareholders' Meeting of LVMH
October 23, 2014	Decision by LVMH's Board of Directors to suspend the liquidity agreement and the exercise of stock options
November 3, 2014	Publication of the second notice (<i>avis de convocation</i>) in the BALO convening the Combined Shareholders' Meeting of LVMH
November 21, 2014	Onset of the suspension of the liquidity agreement and the exercise of stock options
November 25, 2014	Combined Shareholders' Meeting of LVMH amending the bylaws and approving the Distribution in Kind
December 4, 2014	Payment of the LVMH interim cash dividend for the 2014 fiscal year
December 17, 2014	Detachment of the right to the Distribution in Kind and payment Delivery of the Hermès shares allocated under the Distribution in Kind to the centralizing bank Book entry of the Hermès shares allocated under the Distribution in Kind after presentation of the allotment rights by the financial intermediaries End of the suspension period of the liquidity agreement and the exercise of stock options
December 19, 2014	Payment by LVMH to the centralizing bank of the amount corresponding to the cash balance payment due under the Distribution in Kind. Payment by the centralizing bank to the financial intermediaries of the sums due to their clients with respect to the cash balance payment after presentation of the allotment rights constituting fractional shares

1.3. Transactions related to the Distribution in Kind

In the event that the LVMH Combined Shareholders' Meeting approves the Distribution in Kind:

- Financière Jean Goujon will distribute to Christian Dior all of the Hermès shares received under the Distribution in Kind as interim dividends (the "**FJG Interim Dividend**"); and

- Christian Dior will distribute to its shareholders all of the Hermès shares received with respect to the FJG Interim Dividend as part of an exceptional distribution in kind and of an interim dividend in kind (the “**Christian Dior Exceptional Distribution**”).

The detachment and payment of the Distribution in Kind, the FJG Interim Dividend and the Christian Dior Exceptional Distribution will occur on December 17, 2014.

For more information on the Christian Dior Exceptional Distribution, the LVMH shareholders should consult the press release that will be published by Christian Dior and made available on the Christian Dior website: www.dior-finance.com.

2. PAYMENT OF THE DISTRIBUTION IN KIND

The payment transactions for the Distribution in Kind will begin as from December 17, 2014 under the conditions set forth below.

The bank responsible for centralizing the transactions in connection with the Distribution in Kind (the “**Centralizing Bank**”) is BNP Paribas Securities Services, 3 rue d’Antin, 75002 Paris.

For the Beneficiaries of the Distribution in Kind holding shares in bearer form (*au porteur*) or in registered accounts (*au nominatif administré*):

- the Distribution in Kind will be made via the technical detachment, on December 17, 2014, of a non-tradable and non-transferable allotment right for Hermès shares, which Euroclear France will automatically allocate to the account custodians, on the basis of equity positions in LVMH shares duly registered with Euroclear France at day-end closing on December 16, 2014, at a ratio of one right per LVMH ordinary share;
- as from December 17, 2014, the account custodians will provide to the Centralizing Bank both the allotment rights in multiples of 41 and the allotment rights constituting fractional shares;
- the Centralizing Bank will credit each financial institution (i) as from December 17, 2014, the whole number of Hermès shares corresponding to the rights submitted per multiple of 41 and (ii) as from December 19, 2014, the cash balance payment, the amount of which will be determined on December 17, 2014, in proportion to the Hermès opening share price as of the same date;
- the account custodians will then credit the Hermès shares and, if applicable, the cash balance payment allocated to them to the accounts of the Beneficiaries of the Distribution in Kind with LVMH shares held in bearer form or in a registered account;
- the Beneficiaries of the Distribution in Kind must pay to their accredited intermediary the social withholdings and/or the non-final withholding tax or the withholding tax due under the Distribution in Kind.

For Beneficiaries of the Distribution in Kind with directly registered (*au nominatif pur*) LVMH shares:

- immediately after the General Shareholders’ Meeting on November 25, 2014, each relevant Beneficiary of the Distribution in Kind will receive a letter informing them of the terms and conditions of the allocation of Hermès shares and the cash balance payment, where applicable;

- prior to December 17, 2014, each relevant Beneficiary of the Distribution in Kind shall 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;
- the Distribution in Kind will be made via the technical detachment, on December 17, 2014, of a non-tradable and non-transferable allotment right for Hermès shares, which Euroclear France will automatically credit to an account opened under LVMH's name, on the basis of the equity positions in LVMH shares of the Beneficiaries of the Distribution in Kind duly registered with LVMH at day-end closing on December 16, 2014, at a ratio of one right per LVMH ordinary share;
- as from December 17, 2014, LVMH will provide to the Centralizing Bank both the allotment rights in multiples of 41 and the allotment rights to fractional shares;
- LVMH will then credit the Hermès shares and, if applicable, the net amount of the cash balance payment to the accounts of the Beneficiaries of the Distribution in Kind (details of which having been previously provided to LVMH) with LVMH shares held in a directly registered account (*au nominatif pur*);
- the Beneficiaries of the Distribution in Kind must pay to LVMH the social withholdings and/or the non-final withholding tax or the withholding tax due under the Distribution in Kind. Immediately following the General Shareholders' Meeting on November 25, 2014, LVMH will send each relevant Beneficiary of the Distribution in Kind a letter informing them of the methods to settle these withholdings and taxes.

Shareholders that would like to sell the Hermès shares that they receive under the Distribution in Kind should contact their account custodian.

3. TAX TREATMENT OF THE DISTRIBUTION IN KIND

The following description summarizes certain French tax consequences, under applicable laws and regulations currently in effect, that may apply to LVMH shareholders under the Distribution in Kind.

This information constitutes only a short summary of the applicable tax provisions under currently applicable legislation, and is provided for information purposes only. The rules described below are subject to change and new laws or regulations could be retroactive or apply to the current calendar or fiscal year.

The tax information below does not constitute a comprehensive description of all tax impacts that may apply to LVMH shareholders under the Distribution in Kind.

LVMH shareholders should seek advice from their usual tax advisor on the tax consequences of their particular circumstances.

Moreover, persons who are not French tax residents must refer to (i) the provisions of the applicable tax treaty concluded between their own State of residence and France; (ii) the provisions of French tax legislation; and (iii) the legislation of their State of residence and/or nationality that may apply to them so that they may determine their applicable tax regime. These persons should seek advice from their usual tax advisor regarding the applicable tax treatment for the Distribution in Kind.

If a fraction of the Distribution in Kind corresponds to a repayment of paid-in capital (*remboursement d'apport*) from a tax perspective, LVMH will publish on December 17, 2014 a press release providing a breakdown from a tax perspective between a distribution of income and a repayment of paid-in capital made in connection with the Distribution in Kind. Such repayment will not be viewed as a

distribution of income and therefore will not be subject in this respect to a French levy made by the paying agent of the Distribution in Kind or to a French withholding tax.

3.1. Shareholders whose tax residence is located in France

Shareholders who are natural persons with their tax residence in France should be made aware that the Distribution in Kind is subject, under the conditions set out in paragraph 3.1.1 below, prior to the delivery of the shares or the payment of the cash balance, to a 21% non-final withholding tax (*prélèvement non libératoire*) of the distributed gross amount (unless exempted as described below), as well as to various social withholdings of up to 15.5% of the distributed gross amount, i.e. a total withholding amounting to 36.5% of the distributed gross amount.

3.1.1. Natural persons with personal holdings of LVMH shares who do not professionally engage in securities transactions

3.1.1.1. 21% Withholding

As from January 1, 2013, pursuant to Article 117-quater of the French General Tax Code (“CGI”), subject to the exceptions referred to below, natural persons residing in France are subject to a 21% non-final withholding on the gross amount of distributed income (*revenu distribué*). This withholding is made by the paying agent of the income, if it is located in France. When the paying agent of the income is established outside of France, the income is declared and the corresponding payment made within the first 15 days of the month following the month of the income payment, either by the taxpayer him/herself or by the paying agent, when that entity (i) is established in a Member State of the European Union or in another Member State of the European Economic Area Agreement that has concluded with France a convention on administrative assistance to combat tax evasion and avoidance, and (ii) has received instructions to that effect from the taxpayer.

However, natural persons belonging to a tax household whose reference fiscal income (*revenu fiscal de référence*) for the second-to-last tax year, as defined in 1° of IV of Article 1417 of the CGI, is less than €50,000 for taxpayers who are single, divorced or widowed, or €75,000 for couples filing jointly, may request an exemption from this withholding under the terms and conditions of Article 242-quater of the CGI. They may do so by providing to the paying agent no later than November 30 of the year preceding the year of the payment of the distributed income a sworn statement that the reference fiscal income shown on the tax notice issued in respect of the second-to-last year preceding the year of payment was below the above-mentioned taxable income thresholds.

When the paying agent is established outside France, only natural persons belonging to a tax household whose reference fiscal income of the year before last, as defined in 1° of IV of Article 1417 of the CGI, is equal or superior to the amounts mentioned in the previous paragraph are subject to this tax.

The withholding tax does not apply to income related to securities held in French share savings plans (*Plan d’Epargne en Actions*, “PEA”).

3.1.1.2. Income tax

As from January 1, 2013, under Article 158 of the CGI, dividends must be included in the shareholder's global taxable income as portfolio income (*revenu de capitaux mobiliers*) in respect of the year during which they are received. They are subject to income tax under the progressive scale and benefit from an unlimited tax deduction of 40% on the amount of distributed income (“**40% Reduction**”).

Pursuant to Article 193 of the CGI, the 21% non-final withholding may be credited against the income tax due in respect of the year in which it was paid. Where it exceeds the income tax due, the surplus is refunded.

If the LVMH shares are held in a French share savings plan (PEA), the dividends and similar distributed income are exempt from the income tax, subject to complying with the terms and conditions specific to the PEA.

3.1.1.3. Social withholdings

In addition, whether the 21% withholding tax is applicable or not, the gross amount of income distributed by LVMH (before application of the 40% Reduction) will also be subject to social withholdings at a global rate of 15.5%, broken down as follows:

- general social contribution (*contribution sociale généralisée*, “CSG”) at the rate of 8.2%;
- social debt repayment contribution (*contribution pour remboursement de la dette sociale*, “CRDS”) at the rate of 0.5%;
- social levy at the rate of 4.5%;
- additional contribution on the social levy at the rate of 0.3%; and
- solidarity levy at a rate of 2%.

Except for the CSG, which is deductible up to 5.1% from the taxable income of the year of its payment, these social contributions are not deductible for income tax purposes.

Shareholders should consult their usual tax advisor to determine reporting obligations and payment rules that may apply to them in respect of the 21% withholding tax and the social withholdings.

3.1.1.4. Exceptional contribution on high income earners

Pursuant to Article 223-sexies of the CGI, taxpayers subject to personal income tax are liable for a contribution based on the amount of the tax household's reference fiscal income as defined in 1° of IV of Article 1417 of the CGI, without any application of the quotient rules defined in Article 163-0 A of the CGI. The defined reference income includes the distributed income and dividends received by the relevant taxpayers before the 40% Reduction. This contribution is calculated by applying the following rates:

- 3% of the portion of reference fiscal income between €250,000 and €500,000 for single, widowed, separated or divorced taxpayers, and the portion of taxable income between €500,000 and €1,000,000 for couples filing jointly;
- 4% of the portion of reference fiscal income above €500,000 for single, widowed, separated or divorced taxpayers, and the portion of taxable income above €1,000,000 for couples filing jointly.

3.1.1.5. Fraction of the Distribution in Kind considered as a repayment of paid-in capital from a tax perspective

According to the administrative guidelines published by the tax authorities (BOI-RPPM-PVBMI-20-10-20-40-20141014, n°240), the distributions made by a company to its partners or shareholders who are natural persons and considered from a tax perspective for the latter as a repayment of paid-in capital as defined in paragraph 1 of Article 112 of the CGI are not treated as distributed income and as such are not subject to income tax nor to the withholdings and taxes set forth in sections 3.1.1.1 to 3.1.1.4. However, in the event that these partners or shareholders later sell the securities, the amount of the distributions will be subtracted from the purchase or subscription price of the securities as specified in Article 150-0 D of the CGI. Shareholders whose tax basis for the LVMH share is less than the amount of the repayment of in-paid capital, as well as shareholders who received a tax deferment when they acquired LVMH shares, should seek advice from their usual tax advisor as to which tax regime applies to their particular circumstances.

3.1.2. Legal entities subject to corporate income tax (under standard rules)

3.1.2.1. Legal entities without the status of a parent company (société mère) in France

Legal entities, other than those having parent company (*société mère*) status within the meaning of Article 145 of the CGI, should include the dividends and distributed income received in their taxable income subject to a corporate tax rate of 33^{1/3}%. The following additional contributions may also apply: (i) a 3.3% social contribution based on the corporate income tax charge, after a deduction of up to €763,000 for each twelve-month period (Article 235-ter ZC of the CGI), and (ii) for companies with revenue of more than €250,000,000, an exceptional 10.7% contribution (Article 235-ter ZAA of the CGI), based on the corporate income tax charge as determined before any reductions or tax credits.

However, pursuant to Article 219 I-b of the CGI, for legal entities with annual revenue of less than €7,630,000 (excluding taxes), and whose share capital is entirely paid up and at least 75% continuously held throughout the relevant fiscal year by natural persons or by a company satisfying all these conditions, the corporate income tax rate is set at 15% for the first €38,120 of taxable income for each twelve-month period. In addition, these legal entities are exempted from the aforementioned 3.3% social contribution and the additional 10.7% contribution.

3.1.2.2. Legal entities qualifying as a parent company (société mère) in France

Legal entities holding at least 5% of LVMH's share capital and voting rights, and which meet the conditions provided under Articles 145 and 216 of the CGI, may benefit, upon election, from a dividend and distributed income exemption under the parent subsidiary regime. Subsection I of Article 216 of the CGI provides, however, for the inclusion, in the taxable income subject to corporate income tax at the standard rate of the beneficiary, of a quota for fees and expenses set at 5% of total proceeds from the shares, tax credits included.

3.1.2.3. Fraction of the Distribution in Kind considered as a repayment of paid-in capital from a tax perspective

Legal entities should seek the advice of their usual tax advisor to determine the applicable tax treatment based on their specific circumstances with respect to receiving a fraction of the Distribution in Kind considered as a repayment of paid-in capital.

3.1.3. Other shareholders

LVMH shareholders that are subject to a tax regime different from those described hereinabove, in particular those taxpayers whose securities trading goes beyond mere portfolio asset management or who have recorded their shares as assets in their commercial balance sheet, should consult their own tax advisor to determine the provisions that apply to their particular circumstances.

3.2. Shareholders whose tax residence is located outside of France

Under French legislation currently in effect and subject to the application of any international tax treaties, the following provisions summarize some French tax consequences that may apply to investors (i) who are not tax residents of France within the meaning of Article 4 B of the CGI or whose registered office is located outside France and (ii) whose ownership of shares is not related to a fixed base or a permanent establishment subject to taxation in France.

These investors must, however, verify, with their usual tax advisor, the tax treatment that applies to their specific circumstances and, moreover, comply with the tax laws in force in their State of residence and/or nationality.

Subject to the provisions of any applicable international tax treaties and the exceptions listed below, the gross amount of distributed income will, in principle, be subject to a withholding tax, deducted by

the paying agent, where the tax residence or the registered office of the beneficial owner is located outside France.

Subject to what is set forth below and to completing the appropriate formalities, the rate of this withholding tax is set at (i) 21% by Article 187 (1) of the CGI where the beneficiary is a natural person residing in a Member State of the European Union or in another Member State of the European Economic Area Agreement that has concluded with France a convention on administrative assistance to combat tax evasion and avoidance and when the distributed income is eligible for the reduction provided in Article 158 (3)(2) of the CGI; (ii) 15% where the beneficiary is a non-profit organization that has its registered office in a Member State of the European Union or in another Member State of the European Economic Area Agreement that has concluded with France a convention on administrative assistance to combat tax evasion and avoidance, that would be taxed according to the treatment referred to in Article 206-5 of the CGI if it had its registered office in France and that meets the criteria provided for by paragraphs 580 *et seq.* of the administrative guidelines BOI-IS-CHAMP-10-50-10-40-20130325; and (iii) 30% in all other cases.

Moreover, regardless of the location of the beneficiary's tax residence or registered office, the income distributed by LVMH outside France to a "non-cooperative" State or territory, as defined by Article 238-0 A of the CGI, will be subject to a withholding tax at a rate of 75%. The list of non-cooperative States and territories is published by ministerial order and updated annually. The list as at January 1, 2014 was updated by the ministerial order dated January 17, 2014 (Official Journal dated January 19, 2014) and includes the following States and territories: Botswana, British Virgin Islands, Brunei, Montserrat, Guatemala, Nauru, Marshall Islands and Niue. Investors that may be impacted by such measure and those who are domiciled or established in a non-cooperative State or territory should seek the advice of their usual tax advisor to determine the tax treatment applicable to them.

Shareholders that are legal entities having their place of effective management in a Member State of the European Union may benefit from a withholding tax exemption, if they hold at least 10% of LVMH's share capital, and otherwise meet all the conditions of Article 119-ter of the CGI. Moreover, subject to meeting the conditions specified in administrative guidelines BOI-RPPM-RCM-30-30-20-40-20140725, legal entities that hold at least 5% of LVMH's share capital and voting rights may benefit from a withholding tax exemption, under certain conditions, if their place of effective management is located either in a Member State of the European Union, or in another Member State of the European Economic Area Agreement that has concluded with France a tax treaty which includes a clause on administrative assistance to combat tax evasion and avoidance.

Furthermore, and subject to the payment in a non-cooperative State or territory as defined in Article 238-0 A of the CGI, the tax withholding is not applicable pursuant to Article 119 (2) *bis* of the CGI to dividends distributed to collective investment undertakings governed by foreign law, located in a Member State of the European Union or another State that has concluded with France a convention on administrative assistance to combat tax evasion and avoidance and which satisfy the following two conditions:

- raising capital from a certain number of investors with the purpose of investing it in a fiduciary capacity on behalf of such investors, pursuant to a defined investment policy;
- having features similar to those required of collective undertakings governed by French law under section 1, paragraphs 1, 2, 3, 5 et 6 of sub-section 2, sub-section 3, or sub-section 4 of section 2 of Chapter IV of the 1st Title of Book II of the French Monetary and Financial Code (*Code monétaire et financier*).

The conditions of this exemption are set forth in detail in the official bulletin of public finances (*bulletin officiel des finances publiques*) dated August 12, 2013 (BOI-RPPM-RCM-30-30-20-70).

The withholding tax may be reduced or even eliminated pursuant to tax treaties signed by France. It is, moreover, the responsibility of LVMH shareholders to consult their usual tax advisor to determine whether they are likely to qualify for a reduction to or exemption from the withholding tax by virtue of the preceding principles or provisions of international tax treaties, and to determine the practical

formalities to be complied with to benefit from these treaties, including those provided for by BOI-INT-DG-20-20-20-20120912 relating to the “standard” or “simplified” procedure for the reduction of or exemption from the withholding tax.

4. PROTECTION OF THE HOLDERS OF STOCK OPTIONS AND BONUS SHARES

Pursuant to the terms of the stock option plans in effect, the Board of Directors decided on October 23, 2014 to suspend the exercise of exercisable stock options under the plans granted by LVMH’s Board of Directors at its meetings on May 12, 2005, May 11, 2006, May 10, 2007, May 15, 2008, May 14, 2009 and July 29, 2009 (the “**Stock Options**”) beginning on November 21, 2014 and up until December 17, 2014.

4.1. Preservation of the rights of the stock option holders

As a result of the Distribution in Kind, the LVMH shareholders will be asked at their Combined General Meeting on November 25, 2014, to approve that the rights of the holders of Stock Options be preserved and confer all powers to the Board of Directors to adjust the number and the price of the shares under option in accordance with the principles set forth in Article R. 228-91 of the French Commercial Code (*Code de commerce*).

LVMH’s Board of Directors will adjust the rights of the holders of Stock Options who have not exercised their options prior to the suspension of the exercise of options as set forth below.

4.1.1. Adjustment of the exercise price

The subscription price of a share under option post-adjustment will be equal to:

$$\begin{array}{l} \text{subscription price} \\ \text{of a share under} \\ \text{option prior to} \\ \text{adjustment} \end{array} \times \left(1 - \frac{\text{Amount of the Distribution in Kind per LVMH share}}{\text{Value of the LVMH share prior to the Distribution in Kind}} \right)$$

For the purposes of the adjustment, the Board of Directors will use:

- for the “*Amount of the Distribution in Kind per LVMH share*”, two forty-first of the opening price of the Hermès share recorded on Euronext Paris on the payment date of the Distribution in Kind, i.e., December 17, 2014; and
- for the “*Value of the LVMH share prior to the Distribution in Kind*” the arithmetical average of the volume weighted averages of the LVMH share price recorded on Euronext Paris during the three (3) trading days preceding the first day on which the LVMH shares are listed ex-Distribution in Kind, i.e., December 17, 2014.

4.1.2. Adjustment of the number of shares under option

The number of LVMH shares under option post-adjustment will be equal to:

$$\begin{array}{l} \text{number of shares} \\ \text{prior to adjustment} \end{array} \times \frac{\text{subscription price of a share under option prior to adjustment}}{\text{subscription price of a share under option post-adjustment}}$$

For the purposes of the adjustment, the number of shares under option will be rounded up to the next whole number where necessary.

4.2. Preservation of the rights of the beneficiaries of bonus shares

As a result of the Distribution in Kind, the LVMH shareholders will be asked at their Combined Shareholders' Meeting on November 25, 2014, to preserve the rights of the beneficiaries of the bonus share plans whose vesting period has not expired prior to December 17, 2014 (the "**Bonus Shares**") and confer all powers to the Board of Directors to adjust the number of awarded Bonus Shares that are still being vested in accordance with the principles set forth in Article R. 228-91 of the French Commercial Code (*Code de commerce*).

LVMH's Board of Directors will adjust the rights of the beneficiaries of the awarded Bonus Shares that are still being vested on December 16, 2014, by multiplying the number of awarded Bonus Shares that are still being vested for each of the beneficiaries by the following ratio:

Value of the LVMH share prior to the Distribution in Kind

Value of the LVMH share prior to the Distribution in Kind – Amount of the Distribution in Kind per LVMH share

For the purposes of this adjustment, the Board of Directors will use:

- for the "*Value of the LVMH share prior to the Distribution in Kind*" the arithmetical average of the volume weighted averages of the LVMH share price recorded on Euronext Paris during the three (3) trading days preceding the first day on which the LVMH shares are listed ex-Distribution in Kind, i.e., December 17, 2014; and
- for the "*Amount of the Distribution in Kind per LVMH share*", two forty-first of the opening price of the Hermès share recorded on Euronext Paris on the payment date of the Distribution in Kind, i.e., December 17, 2014.

For the purposes of the adjustment, the number of Bonus Shares will be rounded up to the next whole number where necessary.

5. IMPACT OF THE DISTRIBUTION IN KIND ON LVMH'S CONSOLIDATED EQUITY, NET PROFIT AND DEBT

5.1. Impact of the Distribution in Kind on the LVMH consolidated shareholders' equity (group share)

On the payment date, the Distribution in Kind will lead to a reduction in the LVMH consolidated shareholders' equity (group share) equal to (i) the number of distributed Hermès shares multiplied by the Hermès opening share price on the payment date of the Distribution in Kind, plus (ii) the difference between the taxes due under the Distribution in Kind and the recognized deferred taxes.

Furthermore, given that the Hermès shares were recorded in LVMH's financial statements at their market value, the LVMH consolidated shareholders' equity (group share) will also vary since the most recent financial statements published as of June 30, 2014, in relation to the difference between the share price recorded at such date (i.e., €269.50) and the Hermès opening share price on the payment date of the Distribution in Kind.

The impact of this transaction and of the fluctuation in the Hermès share price on the LVMH consolidated shareholders' equity (group share) compared to the figure recorded for the LVMH consolidated shareholders' equity (group share) in the consolidated balance sheet as of June 30, 2014, can therefore be summarized as follows:

	Number of outstanding shares	Shareholders' equity (group share) (in € millions)	Shareholders' equity per share (group share) (in € per share)
Situation as of 06/30/2014	501,534,889*	27,544	54.92
Impact (net of deferred taxes) of the change in the Hermès share price until the payment date⁽¹⁾		(889)	(1.77)
Impact of the Distribution in Kind (including the taxes due and net of the reversal of deferred taxes)^{(1) (2)}		(5,828)	(11.62)
Situation post-Distribution in Kind		20,827	41.53

(1) By way of example, the Hermès opening share price on the payment date used in the table above is the Hermès closing share price on October 20, 2014, i.e. €230.95 per Hermès share.

(2) For the purposes of the calculation, it was assumed that all of the Hermès shares held by LVMH will be distributed in the Distribution in Kind.

* Number of shares comprising LVMH's share capital less treasury shares.

5.2. Impact of the Distribution in Kind on LVMH consolidated net profit (group share)

The Distribution in Kind will lead to a one-off gain (net of taxes) being recorded in the consolidated financial statements as of December 31, 2014, equal to (i) the number of distributed Hermès shares multiplied by the Hermès opening share price on the payment date of the Distribution in Kind, less (ii) the consolidated cost of the distributed Hermès shares, less (iii) taxes arising from the Distribution in Kind.

By way of example, on the basis of the Hermès closing share price on October 20, 2014, and assuming that all of the Hermès shares held by LVMH are distributed in the Distribution in Kind, the consolidated gain would amount to €2,004 million pre-tax and €1,697 million post-tax.

Moreover, the Distribution in Kind would entail that LVMH loses the dividend that it has regularly received from Hermès up until now. In 2013, the dividend (net of tax) amounted to €56 million. This loss would trigger the dilution of the group share of net earnings per share as follows:

	Average number of outstanding shares in 2013*	Net profit (group share) (in € millions)	Group share of net earnings per share (in € per share)
2013 fiscal year	500,283,414	3,436	6.87
Impact of the Distribution in Kind⁽¹⁾		(56)	(0.11)
Situation post-Distribution in Kind	500,283,414	3,380	6.76
Diluted earnings per share			(1.63)%

(1) For the purposes of the calculation, it was assumed that all of the Hermès shares held by LVMH will be distributed in the Distribution in Kind.

* Number of shares comprising LVMH's share capital less treasury shares.

5.3. Impact of the Distribution in Kind on LVMH's consolidated debt

The Distribution in Kind has no impact on LVMH's consolidated net debt apart from the taxes arising therefrom. The cash balance payment to shareholders not holding a number of LVMH shares entitling them to a whole number of Hermès shares will have an immaterial impact on LVMH's consolidated net debt (given that the Hermès shares representing fractional rights will be resold).

6. RISK FACTORS

The following risk factors should be carefully considered.

6.1. Specific risk factors related to the Distribution in Kind

The main risk factors related to the Distribution in Kind are set forth below. LVMH shareholders should be aware that the list of risks presented below is not exhaustive and that other additional risks

that are not known or that LVMH does not consider, as of the date hereof, as having an adverse impact on the Distribution in Kind may exist:

- the Distribution in Kind is contingent upon shareholder approval to amend LVMH's bylaws to provide that LVMH has the option to distribute assets recorded in the balance sheet of the company and, in particular, securities by taking sums from the profits, retained earnings, reserves or premiums;
- in the event that the Distribution in Kind exceeds the ceiling set by the LVMH General Shareholders' Meeting, the Board of Directors would have to adjust the ratio so that the amount distributed does not exceed such ceiling. This would be the case if the Hermès opening share price on the payment date exceeded €30.70 based on a distributable amount of €9,317 million and on the assumption that all of the Hermès shares would be distributed;
- the non-distributed Hermès shares or fractional shares will be sold by September 3, 2015. LVMH shareholders may, moreover, sell all or part of the Hermès shares that they receive in the Distribution in Kind, in particular those who are subject to the 21% non-final withholding tax and the various social withholdings of up to 15.5% of the distributed gross amount received in connection with the Distribution in Kind. This could put downward pressure on the Hermès share price;
- the Hermès share price may drop post-Distribution in Kind;
- tax laws and regulations may change and could have an adverse impact compared to the current tax system.

6.2. Risk factors related to Hermès and its business

For a discussion of the main risk factors related to Hermès and its business, LVMH shareholders should consult the Hermès 2013 registration document filed on April 10, 2014 with the *Autorité des marchés financiers* under number D.14-0323.

This document is a free translation into English of the original French "*Communiqué - Distribution exceptionnelle en nature d'actions Hermès International*". (or page 13- 27 of "l'avis de convocation") 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.

LVMH

LVMH Moët Hennessy Louis Vuitton is represented in Wines and Spirits by a portfolio of brands that includes Moët & Chandon, Dom Pérignon, Veuve Clicquot Ponsardin, Krug, Ruinart, Mercier, Château d'Yquem, Domaine du Clos des Lambrays, Château Cheval Blanc, Hennessy, Glenmorangie, Ardbeg, Wen Jun, Belvedere, Chandon, Cloudy Bay, Terrazas de los Andes, Cheval des Andes, Cape Mentelle, Newton et Numanthia. Its Fashion and Leather Goods division includes Louis Vuitton, Céline, Loewe, Kenzo, Givenchy, Thomas Pink, Fendi, Emilio Pucci, Donna Karan, Marc Jacobs, Berluti, Nicholas Kirkwood and Loro Piana. LVMH is present in the Perfumes and Cosmetics sector with Parfums Christian Dior, Guerlain, Parfums Givenchy, Parfums Kenzo, Parfums Loewe as well as other promising cosmetic companies (BeneFit Cosmetics, Make Up For Ever, Acqua di Parma and Fresh). LVMH is also active in selective retailing as well as in other activities through DFS, Sephora, Le Bon Marché, la Samaritaine and Royal Van Lent. LVMH's Watches and Jewelry division comprises Bulgari, TAG Heuer, Chaumet, Dior Watches, Zenith, Fred, Hublot and De Beers Diamond Jewellers Ltd, a joint venture created with the world's leading diamond group.

Contacts:

Analysts and investors: Chris Hollis + 33 1.4413.2122
LVMH

Media:

France : Michel Calzaroni/Olivier Labesse/ + 33 1.4070.1189
Sonia Fellmann/Hugues Schmitt
DGM Conseil

UK: Hugh Morrison + 44.773.965 5492

Italy: Michele Calcaterra +39.335. 461985

US: James Fingerroth/Molly Morse/ +1 212.521.4800
Anntal Silver
Kekst & Company