LVMH

MOËT HENNESSY . LOUIS VUITTON

TRANSLATION OF THE FRENCH FINANCIAL DOCUMENTS

FISCAL YEAR ENDED DECEMBER 31, 2014

CONTENTS

EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Nicolas Bazire

Bernadette Chirac [a]

Nicholas Clive Worms [a]

Charles de Croisset [a]

Diego Della Valle [a]

Albert Frère [a]

Marie-Josée Kravis [a]

Lord Powell of Bayswater

Marie-Laure Sauty de Chalon [a]

Yves-Thibault de Silguy [a]

Francesco Trapani

Hubert Védrine [a]

Advisory Board members

Paolo Bulgari

Patrick Houël

Felix G. Rohatyn

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Pierre Godé
Vice-Chairman

Nicolas Bazire
Development and acquisitions

Michael Burke
Louis Vuitton

Chantal Gaemperle
Human resources

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora

Christophe Navarre
Wines and Spirits

Daniel Piette
Investment funds

Pierre-Yves Roussel
Fashion

Philippe Schaus
DFS

Jean-Baptiste Voisin
Strategy

General Secretary

Marc-Antoine Jamet

Performance Audit Committee

Yves-Thibault de Silguy [a]

Nicholas Clive Worms [a]

Charles de Croisset [a]

Nominations and Compensation Committee

Albert Frère [a]

Charles de Croisset [a]

Yves-Thibault de Silguy [a]

Statutory Auditors

DELOITTE & ASSOCIÉS
represented by Thierry Benoit

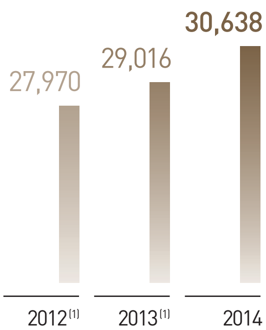
ERNST & YOUNG et Autres
represented by Jeanne Boillet and Gilles Cohen

(a) Independent Director.

FINANCIAL HIGHLIGHTS

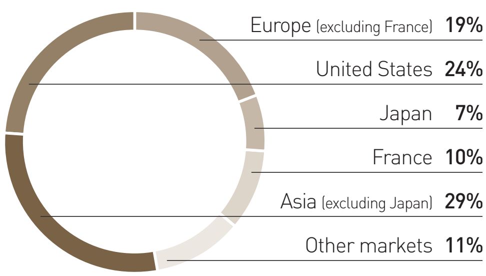
Revenue

(EUR millions)

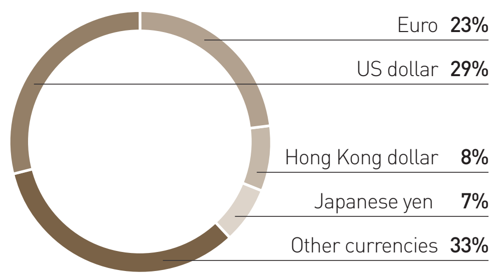


Revenue by business group *(EUR millions)*	2014	2013[1]	2012[1]
Wines and Spirits	3,973	4,173	4,122
Fashion and Leather Goods	10,828	9,883	9,926
Perfumes and Cosmetics	3,916	3,717	3,613
Watches and Jewelry	2,782	2,697	2,750
Selective Retailing	9,534	8,903	7,843
Other activities and eliminations	(395)	(357)	(284)
Total	**30,638**	**29,016**	**27,970**

Revenue by geographic region of delivery

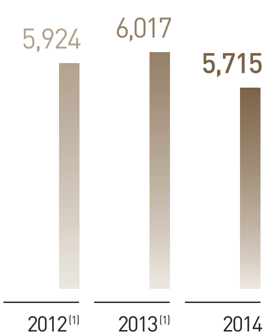


Revenue by invoicing currency



Profit from recurring operations

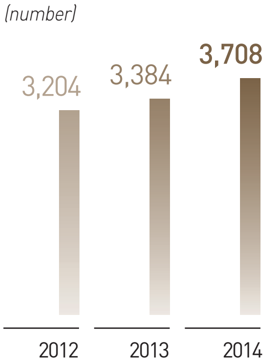
(EUR millions)



Profit from recurring operations by business group *(EUR millions)*	2014	2013[1]	2012[1]
Wines and Spirits	1,147	1,367	1,256
Fashion and Leather Goods	3,189	3,135	3,257
Perfumes and Cosmetics	415	414	408
Watches and Jewelry	283	367	336
Selective Retailing	882	908	860
Other activities and eliminations	(201)	(174)	(193)
Total	**5,715**	**6,017**	**5,924**

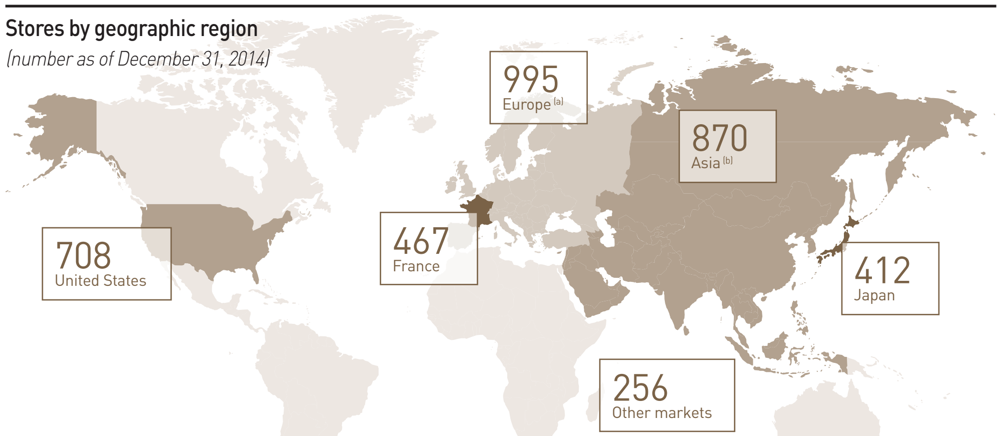
Stores

(number)



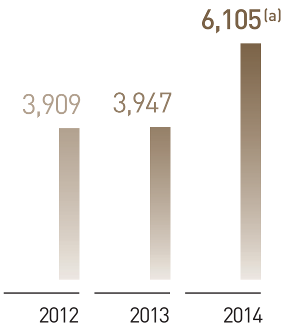
Stores by geographic region

(number as of December 31, 2014)

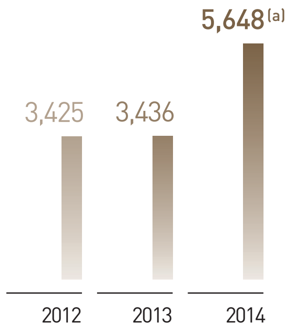


(a) Excluding France. (b) Excluding Japan.

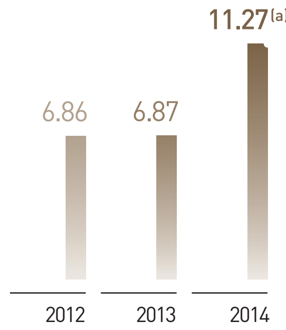
Net profit
(EUR millions)



Net profit, Group share
(EUR millions)

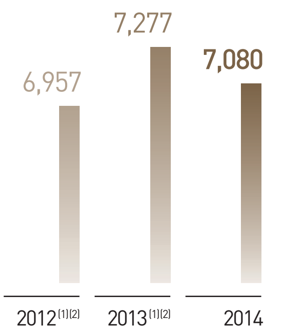


Basic Group share of net earnings per share
(EUR)



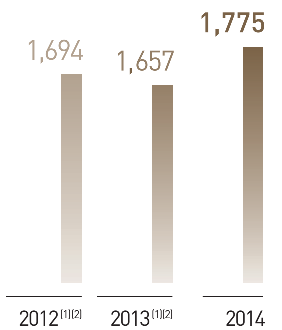
(a) Of which 2,677 million euros (i.e 5.34 euros per share) resulting from the distribution of Hermès shares. See Note 8 to the condensed consolidated financial statements.

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

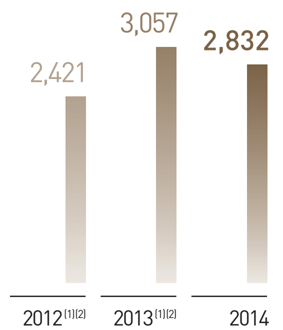


(a) Before interest and tax paid.

Operating investments
(EUR millions)

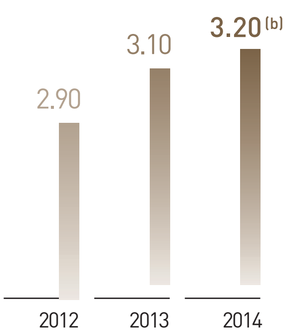


Free cash flow [a]
(EUR millions)



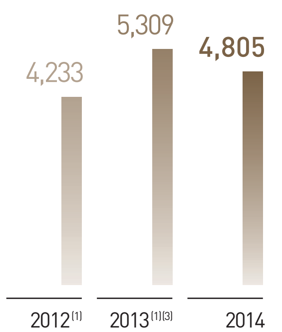
(a) Net cash from (used in) operating activities and operating investments.

Dividend per share [a]
(EUR)



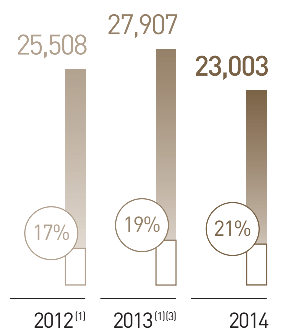
(a) Gross amount paid for fiscal year, excluding the impact of regulations applicable to the beneficiary.
(b) Amount proposed at the Shareholders' Meeting of April 16, 2015.

Net financial debt [a]
(EUR millions)



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

Total equity and Net financial debt/ Total equity
(EUR millions and percentage)



(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.
(2) Taking into account the amended presentation of dividends received and income tax paid starting in 2014. See Note 1.4 to the condensed consolidated financial statements.
(3) The balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2 to the condensed consolidated financial statements.

SHARE CAPITAL AND VOTING RIGHTS

	Number of shares	Number of voting rights [a]	% of share capital	% of voting rights
Arnault family group	236,421,811	455,684,247	46.57%	62.59%
Other	271,289,902	272,343,729	53.43%	37.41%
Total	**507,711,713**	**728,027,976**	**100.00%**	**100.00%**

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

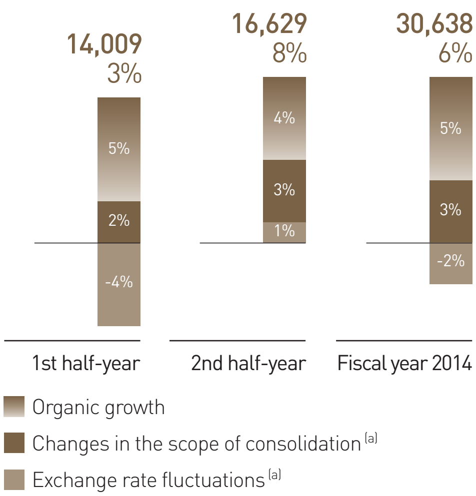
BUSINESS REVIEW AND COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF LVMH GROUP

1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1. Analysis of revenue

Change in revenue per half-year period

(EUR millions and percentage)



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

Consolidated revenue for the fiscal year 2014 was 30,638 million euros, up 6% over the preceding fiscal year. Revenue was impacted by the depreciation of the Group's main invoicing currencies against the euro, mainly during the first eight months of the year. The yen and the ruble were the two currencies most affected.

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

On a constant consolidation scope and currency basis, revenue increased by 5%.

Revenue by invoicing currency

(percentage)	2014	2013 [1]	2012 [1]
Euro	23	23	24
US dollar	29	28	28
Japanese yen	7	7	8
Hong Kong dollar	8	8	6
Other currencies	33	34	34
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed as follows: the relative contribution of the euro and the Japanese yen remained stable, at 23% and 7% respectively, while the US dollar increased by one point at 29%, and other currencies decreased by one point at 41%.

Revenue by geographic region of delivery

(percentage)	2014	2013 [1]	2012 [1]
France	10	11	11
Europe (excluding France)	19	19	19
United States	24	23	23
Japan	7	7	9
Asia (excluding Japan)	29	30	28
Other markets	11	10	10
Total	**100**	**100**	**100**

By geographic region of delivery, there was a 1 point increase in the relative contributions to Group revenue by the United States and Other markets, at 24% and 11% respectively, while the contributions of France and Asia (excluding Japan) decreased by 1 point each, to 10% and 29% respectively; Europe (excluding France) and Japan remained stable at 19% and 7%.

Revenue by business group

(EUR millions)	2014	2013 [1]	2012 [1]
Wines and Spirits	3,973	4,173	4,122
Fashion and Leather Goods	10,828	9,883	9,926
Perfumes and Cosmetics	3,916	3,717	3,613
Watches and Jewelry	2,782	2,697	2,750
Selective Retailing	9,534	8,903	7,843
Other activities and eliminations	(395)	(357)	(284)
Total	**30,638**	**29,016**	**27,970**

The breakdown of the Group's revenue by business group changed only slightly, with the integration of Loro Piana into Fashion and Leather Goods playing a part in the 1 point increase in that business group's contribution, which came to 35%. The proportion accounted for by Wines and Spirits fell by 1 point to 13%, whereas those of Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing remained stable at 13%, 9% and 31%, respectively.

Revenue for the Wines and Spirits business group decreased by 3% on a constant consolidation scope and currency basis, and by 5% based on published figures. The significant decline in volumes in China was not offset by the positive effects of the sustained policy of price increases or by the continuing

(1) The consolidated income statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.

high demand in the United States. Nevertheless, China is still the business group's second largest market.

Fashion and Leather Goods revenue was up 3% on a constant consolidation scope and currency basis, and up 10% in published figures. This business group's performance continued to benefit from the exceptional performance of Louis Vuitton. Céline, Kenzo, Givenchy, Fendi and Berluti delivered on their potential with double-digit growth.

Revenue for Perfumes and Cosmetics increased by 7% on a constant consolidation scope and currency basis, and by 5% based on published figures. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the economic crisis. The Perfumes and Cosmetics business group saw appreciable revenue growth in the United States and Asia, notably China, and was boosted by the excellent performances of Parfums Christian Dior, Benefit and Guerlain.

Revenue for Watches and Jewelry increased by 4% on a constant consolidation scope and currency basis, and by 3% based on published figures. Economic uncertainty and a highly competitive market caused a slowdown in purchases by multi-brand watch retailers. For all of the Watches and Jewelry business group's brands, Japan was the most dynamic region.

Revenue for Selective Retailing increased by 7% based on published figures, and by 8% on a constant consolidation scope and currency basis. The drivers of this performance were Sephora, which generated very appreciable growth in revenue across all world regions, and to a lesser extent DFS, which made substantial progress, spurred by development at the North American airports renovated at the end of 2013.

1.2. Profit from recurring operations

(EUR millions)	2014	2013[(1)]	2012[(1)]
Revenue	30,638	29,016	27,970
Cost of sales	(10,801)	(9,997)	(9,863)
Gross margin	19,837	19,019	18,107
Marketing and selling expenses	(11,744)	(10,767)	(10,013)
General and administrative expenses	(2,373)	(2,212)	(2,151)
Income (loss) from investments in joint ventures and associates	(5)	(23)	(19)
Profit from recurring operations	**5,715**	**6,017**	**5,924**
Operating margin *(%)*	**19**	**21**	**21**

The Group posted a gross margin of 19,837 million euros, up 4% compared to the previous fiscal year. As a percentage of revenue the gross margin was 65%, a decrease of 1 point.

Marketing and selling expenses totaled 11,744 million euros, up 9% based on published figures, amounting to a 8% increase on a constant consolidation scope and currency basis. This increase was mainly due to the ongoing development of the Group's retail networks, but also to higher communications investments by the Group's main brands. The level of these marketing and selling expenses nonetheless rose by only 1 point as a percentage of revenue, amounting to 38%. Among these marketing and selling expenses, advertising and promotion costs amounted to 11% of revenue, an increase of 6% on a constant consolidation scope and currency basis.

The geographic breakdown of stores was as follows:

(number)	2014[(a)]	2013	2012
France	467	443	412
Europe (excluding France)	995	926	910
United States	708	669	644
Japan	412	370	370
Asia (excluding Japan)	870	749	670
Other markets	256	227	198
Total	**3,708**	**3,384**	**3,204**

(a) Of which 122 additional stores as a result of the integration of Loro Piana.

General and administrative expenses totaled 2,373 million euros, up 7% based on published figures, and up 6% on a constant consolidation scope and currency basis. They amounted to 8% of revenue, the same proportion as in 2013.

Profit from recurring operations by business group

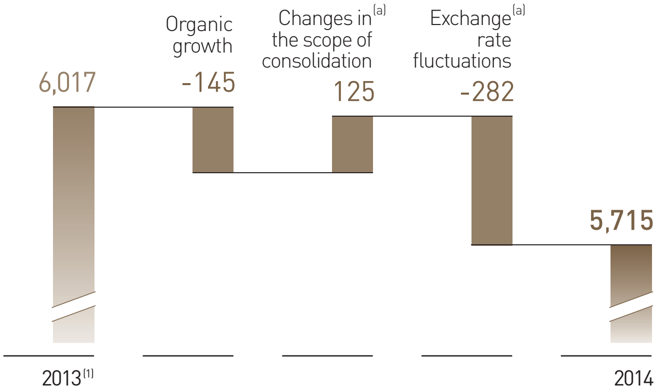
(EUR millions)	2014	2013[(1)]	2012[(1)]
Wines and Spirits	1,147	1,367	1,256
Fashion and Leather Goods	3,189	3,135	3,257
Perfumes and Cosmetics	415	414	408
Watches and Jewelry	283	367	336
Selective Retailing	882	908	860
Other activities and eliminations	(201)	(174)	(193)
Total	**5,715**	**6,017**	**5,924**

The Group's profit from recurring operations was 5,715 million euros, representing a decrease of 5%. The operating margin as a percentage of Group revenue was 19%, 2 points lower than in 2013.

(1) The consolidated income statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.

Change in profit from recurring operations

(EUR millions)



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

Exchange rate fluctuations had a negative net impact of 282 million euros on the Group's profit from recurring operations compared to the previous fiscal year. This total comprises the following three items: the impact of changes in exchange rate parities on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the euro zone.

Excluding currency impacts, foreign exchange hedging effects and changes in scope, the Group's profit from recurring operations decreased by 2%.

Wines and Spirits

	2014	2013[1]	2012[1]
Revenue *(EUR millions)*	3,973	4,173	4,122
Profit from recurring operations *(EUR millions)*	1,147	1,367	1,256
Operating margin *(%)*	29	33	30

Profit from recurring operations for Wines and Spirits was 1,147 million euros, down 16% compared to 2013. Champagne and wines contributed 565 million euros while cognac and spirits accounted for 582 million euros. Under pressure from declining volumes and product mix changes in China, the operating margin as a percentage of revenue for this business group decreased by 4 points to 29%, despite controlled costs and sustained price increases.

Fashion and Leather Goods

	2014	2013[1]	2012[1]
Revenue *(EUR millions)*	10,828	9,883	9,926
Profit from recurring operations *(EUR millions)*	3,189	3,135	3,257
Operating margin *(%)*	29	32	33

Fashion and Leather Goods posted profit from recurring operations of 3,189 million euros, up 2% compared to 2013. Louis Vuitton maintained its exceptional level of profitability, while Kenzo, Givenchy and Loro Piana confirmed their profitable growth momentum and the other brands continued to invest. The business group's operating margin as a percentage of revenue fell by 3 points to 29%.

Perfumes and Cosmetics

	2014	2013[1]	2012[1]
Revenue *(EUR millions)*	3,916	3,717	3,613
Profit from recurring operations *(EUR millions)*	415	414	408
Operating margin *(%)*	11	11	11

Profit from recurring operations for Perfumes and Cosmetics was 415 million euros, remaining stable compared to 2013. This growth was driven by Christian Dior, Benefit and Fresh, which posted improved results thanks to the success of their flagship product lines and strong innovative momentum. The business group's operating margin as a percentage of revenue remained stable at 11%.

Watches and Jewelry

	2014	2013[1]	2012[1]
Revenue *(EUR millions)*	2,782	2,697	2,750
Profit from recurring operations *(EUR millions)*	283	367	336
Operating margin *(%)*	10	14	12

Profit from recurring operations for Watches and Jewelry was 283 million euros, down 23% with respect to 2013. The business group's operating margin as a percentage of revenue decreased by 4 points to 10%.

(1) The consolidated income statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.

Selective Retailing

	2014	2013[1]	2012[1]
Revenue *(EUR millions)*	9,534	8,903	7,843
Profit from recurring operations *(EUR millions)*	882	908	860
Operating margin *(%)*	9	10	11

Profit from recurring operations for Selective Retailing was 882 million euros, down 3% compared to 2013. The business group's operating margin as a percentage of revenue fell by 1 point to 9%.

Other activities

The net result from recurring operations of Other activities and eliminations was a loss of 201 million euros, a deterioration compared to 2013. In addition to headquarters expenses, this heading includes the results of the Media division and those of the yacht builder Royal Van Lent.

1.3. Other income statement items

(EUR millions)	2014	2013[1]	2012[1]
Profit from recurring operations	5,715	6,017	5,924
Other operating income and expenses	(284)	(119)	(182)
Operating profit	5,431	5,898	5,742
Net financial income (expense)	2,947	(198)	(12)
Income taxes	(2,273)	(1,753)	(1,821)
Net profit before minority interests	**6,105**	**3,947**	**3,909**
Minority interests	(457)	(511)	(484)
Net profit, Group share	**5,648**	**3,436**	**3,425**

Other operating income and expenses amounted to a net expense of 284 million euros, compared to a net expense of 119 million euros in 2013. In 2014, Other operating income and expenses included 246 million euros in depreciation, amortization and impairment charges related to brands and goodwill for the main part. The remainder mainly consisted of expenses connected with acquisitions completed in 2014 and with costs for the reorganization of sales structures or industrial processes.

The Group's operating profit was 5,431 million euros, representing an 8% decrease over 2013.

Net financial income for the fiscal year was 2,947 million euros, compared with a net financial expense of 198 million euros in 2013. This item comprises:

- the aggregate cost of net financial debt, which amounted to 115 million euros, up 14 million euros compared to 2013, mainly due to the increase in the average amount of debt outstanding;
- other financial income and expenses, amounting to net financial income of 3,062 million euros, compared to a net expense of 97 million euros in 2013. This positive result essentially consists of capital gains arising on the distribution in kind of Hermès shares, of 3.2 billion euros.

The Group's effective tax rate was 27%, compared to 31% in 2013. This change was due essentially to the specific impact of the distribution of Hermès shares.

Profit attributable to minority interests was 457 million euros, compared to 511 million euros in 2013. This total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 5,648 million euros, up 64% compared to 2013. This represented 18% of revenue in 2014, up 6 points. Net of tax, the Hermès transaction contributed 2,677 million euros to the Group share of net profit. Excluding Hermès, the Group share of net profit was 2,971 million euros.

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

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

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

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

(1) The consolidated income statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.

2. WINES AND SPIRITS

	2014	2013[a]	2012[a]
Revenue *(EUR millions)*	3,973	4,173	4,122
Of which: Champagne and wines	*1,985*	*1,937*	*1,965*
Cognac and spirits	*1,988*	*2,236*	*2,157*
Sales volume *(millions of bottles)*			
Champagne	59.6	57.4	56.8
Cognac	70.4	69.1	67.1
Other spirits	17.3	16.9	15.7
Still and sparkling wines	45.1	44.7	43.3
Revenue by geographic region of delivery *(%)*			
France	6	7	7
Europe (excluding France)	21	19	20
United States	27	23	22
Japan	6	5	6
Asia (excluding Japan)	24	31	30
Other markets	16	15	15
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**1,147**	**1,367**	**1,256**
Operating margin *(%)*	**29**	**33**	**30**
Operating investments of the period *(EUR millions)*	**152**	**186**	**180**

(a) The consolidated financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.

Highlights

Excellence and innovation, firm pricing, sustained communication: in a mixed market characterized by strong competitive pressures, the Wines and Spirits business group stayed true to the priorities of its value-enhancing strategy. With economic uncertainty still prevailing in Europe, business was buoyed by a strong dynamic in the American marketplace. The high demand for our brands in promising markets and segments, and the responsiveness of the Moët Hennessy retail network, partially offset the slowdown in cognac sales in China due to destocking by distributors.

Champagne volumes were up 4%. Reflecting the Maisons' value strategy, prestige cuvées recorded solid growth. **Moët & Chandon** bolstered its image throughout the world. The brand achieved significant growth in the United States thanks to its investment plan targeting key cities. It continued to thrive in Japan, now its second-largest market, while fresh growth prospects appeared in Africa. **Dom Pérignon** launched its new product range worldwide, completed the very successful release of its *Deuxième Plénitude* Vintage 1998, and enjoyed a strong performance by Dom Pérignon Rosé. **Mercier** reaffirmed its new identity and expanded its offering. **Ruinart**, maintaining its consistent focus on premium cuvées, further improved its positions in France and accelerated its international expansion, particularly in new markets. **Veuve Clicquot** had a good year featuring robust growth, high-end price positioning and an enhanced product mix. Driven by constant innovation, the brand built on its leading position in the United States, maintained strong momentum in the Asia-Pacific region and achieved solid growth in the United Kingdom. **Krug** developed its brand awareness and launched a new communications approach with champagne-music pairings. In addition to the excellent performances recorded in Japan and the Asia-Pacific region, a very positive dynamic emerged in the United States.

In **Estates & Wines**, the **Chandon** brand reinforced its positions in its domestic markets and successfully launched its export business. The recently established branches Chandon India and Chandon China, in the Ningxia region of China, showed promising growth. A decrease in business for special quality wines weighed on profit for the Wines segment. In April, LVMH acquired **Clos des Lambrays**, one of the oldest and most prestigious Bourgogne vineyards, covering more than eight hectares in the Côte de Nuits.

Faced with destocking by distribution channels in China, **Hennessy** drew on the strength of its global presence and extensive product portfolio. It recorded volumes up 2% thanks to the enormous success of the *Very Special* Hennessy cognac in both historic and all growth markets. In the United States, its already healthy business got an additional boost from the *Very Special* communications platform, which benefited the entire product range. The brand expanded in Eastern Europe as well as in Taiwan, Malaysia and Vietnam. Promising countries such as India and the Philippines showed rapid development, and Hennessy recorded steady growth in the travel retail circuits.

Glenmorangie and **Ardbeg** whiskies and **Belvedere** vodka maintained their growth, fuelled by a policy of innovation, the brands' increasing renown and the many international awards they have won.

Outlook

In 2015, against a still uncertain economic backdrop, the Wines and Spirits business group will maintain its strategy of value creation to further strengthen the image and appeal of its brands. Product excellence and innovation will remain the key vectors to promote loyalty among the Maisons' existing clientele and win over new customers. In order to maintain the highest level of quality and enhance supply chain operations, the business group will continue to upgrade its production facilities and build on its strong partnerships with winegrowers, particularly in the case of Hennessy. Investments in communication will primarily help target the regions and market segments that present the greatest potential in the months to come and over the long term. Among other highlights, Hennessy will commemorate its 250th anniversary with numerous celebrations held around the world. The power of Moët Hennessy's product portfolio and distribution network, coupled with the commitment and responsiveness of its brand teams in major consumer countries and new markets, are essential strengths that will help consolidate the Group's leading position in the field of exceptional wines and spirits.

3. FASHION AND LEATHER GOODS

	2014	2013 [a]	2012 [a]
Revenue *(EUR millions)*	10,828	9,883	9,926
Revenue by geographic region of delivery *(%)*			
France	8	8	8
Europe (excluding France)	21	20	19
United States	21	20	20
Japan	11	12	14
Asia (excluding Japan)	30	31	31
Other markets	9	9	8
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	58	52	51
Wholesale	40	43	43
Licenses	2	5	6
Total	100	100	100
Profit from recurring operations *(EUR millions)*	3,189	3,135	3,257
Operating margin *(%)*	29	32	33
Operating investments of the period *(EUR millions)*	585	629	580
Number of stores	1,534 [b]	1,339	1,280

(a) The consolidated financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.
(b) Of which 122 additional stores as a result of the integration of Loro Piana.

Highlights

For **Louis Vuitton**, 2014 was a year of strong creative momentum, with the first half marked by enthusiastic responses to Nicolas Ghesquière's ready-to-wear debut and the presentation in Monaco of the *Croisière* collection, unprecedented in the Maison's history. The second half of the year featured two particular highlights: fashion show at the recently opened Fondation Louis Vuitton, celebration of the *Monogram* line by enlisting six major designers to reimagine it in a limited series ("Celebrating Monogram"). Alongside the ever-popular *Capucines*, other models such as the new *Lockit* and *Montaigne* are also in great demand. Leather pieces designed for runway shows also met with an excellent reception. Louis Vuitton continued the quality-driven development of its network of stores, particularly visible in the reopening of its Avenue Montaigne store in Paris.

At the close of its first year as part of LVMH, **Loro Piana** turned in a strong performance. Alongside its rare, precious natural materials and its offering of clothing, footwear and accessories designed for an exacting, loyal clientele, it also benefited from new store openings in Japan, the United States and Paris. The *Gift of Kings* collection, made from the finest wool in the world and once again illustrating an unequalled level of expertise, garnered rave reviews at launch.

Fendi continued to improve its retail network to showcase its offering of very high-quality products and achieved gains in all its markets. Growth in leather goods was boosted by the iconic lines. Furs enjoyed increased visibility in stores. An exhibition of the most beautiful pieces from 1965 to the present day was held in Hong Kong.

Céline maintained its steady growth. Leather goods, footwear and ready-to-wear made particularly remarkable headway. A show of the Autumn-Winter 2014 ready-to-wear collection held in Beijing significantly raised the brand's profile. The retail network was selectively expanded, with flagship stores opening in several locations such as London, Tokyo and Avenue Montaigne in Paris.

Givenchy, **Kenzo** and **Berluti** achieved accelerated growth, confirming the success of their strategies. Givenchy made particularly rapid strides in Europe, the United States and Asia. Kenzo reinforced its image around a unique positioning that melds creativity and functionality. Berluti completed the roll-out of its new boutique concept. The other Maisons continued to consolidate their organization. For **Loewe**, the year was marked by the positive response to the first collections released by its new Artistic Director, Jonathan Anderson, who joined the jury of the LVMH Prize for Young Fashion Designers. As part of their creative reinforcement phase, **Donna Karan** and **Marc Jacobs** made selective investments: Marc Jacobs focused on its key product categories and Donna Karan on expanding the collections that embody its strong New York roots. **Thomas Pink**, at the leading edge in the field of online sales, continued to perfect its website. **Pucci** opened its new store in Milan.

Outlook

In 2015, **Louis Vuitton** will maintain its strong innovative momentum and pursue the creative development driven by Nicolas Ghesquière. Through bold initiatives, it will continue to reinforce and revisit its icons and timeless product lines, the main contributors to its current and future growth. The creative developments to come and the brand's reach will be sustained. Louis Vuitton will continue to enhance the quality of its store network and will pursue initiatives aimed at offering its customers a unique experience and service they will find nowhere else in the world.

Loro Piana is committed to pursuing high-quality growth, while respecting the philosophy and the model on which it has built its success. It will continue to focus its investments on securing supplies of the most precious natural materials, pursuing textile innovation and selectively opening new boutiques.

Fendi will keep its strategy focused on an offering of highly sophisticated leather goods and on showcasing its historic specialty: furs.

All the other brands in this business group will work to reinforce their growth models and the factors that set them apart in their respective positioning, optimize their organizations and bolster their product offerings. Creative collections and excellence in retail will remain their shared objectives.

4. PERFUMES AND COSMETICS

	2014	2013 [a]	2012 [a]
Revenue *(EUR millions)*	**3,916**	**3,717**	**3,613**
Revenue by product category *(%)*			
Perfumes	43	45	48
Make-up	39	37	35
Skincare products	18	18	17
Total	**100**	**100**	**100**
Revenue by geographic region of delivery *(%)*			
France	13	13	13
Europe (excluding France)	30	32	33
United States	13	12	11
Japan	4	5	6
Asia (excluding Japan)	26	24	23
Other markets	14	14	14
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**415**	**414**	**408**
Operating margin *(%)*	**11**	**11**	**11**
Operating investments of the period *(EUR millions)*	**221**	**229**	**196**
Number of stores	**162**	**123**	**94**

(a) The consolidated financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.

Highlights

LVMH's Maisons continued to gain market share in a very competitive sector. Their three focus areas – perfumes, make-up and skincare – experienced growth. This performance was driven by brand image, the excellence and creativity of the products, the attention paid to their distribution and sustained investments in advertising.

Parfums Christian Dior made progress and increased its market share in all key countries. Perfumes continued to thrive thanks to its three anchors: *J'adore* pushed forward as a global leader, capitalizing on the successful chapter of its history that began with the new communication campaign featuring Charlize Theron; *Miss Dior* benefited from the launch of its *Blooming Bouquet* version; *Dior Homme* continued making steady headway and surged into new markets such as China and the United States. The arrival of Peter Philips as Creative Director of make-up design gave major impetus to the brand's collections, enhancing their creativity and their ties to Christian Dior Couture. Especially worth noting were highly innovative product launches in foundation and lipstick, and the restyling of the iconic *Dior Vernis* and *5 Couleurs*. Dior consolidated its leading position in make-up, and achieved a very strong growth in Asia. Skincare continued to grow, notably in Asia, its priority market. *Capture Totale* strengthened its positions thanks to the worldwide success of its new product, *Dreamskin*.

Guerlain completed another year of profitable growth and gained market share in France and China, two strategic countries. *La Petite Robe Noire* is now a firmly established perfume, while the high-profile launch of *L'Homme Idéal* enabled it to rise to a prominent position in top markets. The *KissKiss* make-up line and the *Orchidée Impériale* and *Abeille Royale* skincare lines made significant strides. Since its reopening at the end of 2013, the Champs-Élysées boutique has met with great commercial success. The new manufacturing facility dedicated to make-up and skincare, named La Ruche ("The Beehive") in homage to the Maison's emblematic bee was opened in Chartres, reflecting Guerlain's long-term commitment to excellence, innovation and the longevity of its expertise at the heart of Cosmetic Valley.

Parfums Givenchy got a revenue boost from the launches of the *Gentlemen Only* fragrance and *Dahlia Divin*, embodied by its brand ambassador Alicia Keys. The cosmetics line forged ahead. **Kenzo Parfums** reaped the rewards of its new creation, *Jeu d'Amour*, while consolidating the positions of its historic mainstay, *Flower*. **Benefit** kept up its positive momentum, ranking number 1 in make-up in the United Kingdom. Another highlight of 2014 was the considerable success of its *They're Real!* eyeliner and the launch of its new Brow Bar concept. The brand also continued to illustrate its expertise and its innovative approach in the digital realm. Celebrating its 30th anniversary, **Make Up For Ever** continued to gain market share in all regions, boosted by the development of its *Aqua*, *Artist* and *High Definition* flagship lines. **Fresh** built on the global success of its *Black Tea* line and on the launch of its new product ranges made with lotus and peony. The launch of the *Rosa Nobile* and *Ginepro di Sardegna* fragrances and the opening of a flagship store in Rome, on the legendary Piazza di Spagna, were the highlights of 2014 for **Acqua di Parma**.

Outlook

Over the coming months, LVMH's Maisons will continue to focus on excellence and on strengthening their specific positions, with the new objective of gaining market share. They will lean on the development of their emblematic product lines, and maintain a strong dynamic of innovation and investments in advertising. **Parfums Christian Dior** will push its flagship lines *J'adore*, *Miss Dior* and *Dior Homme*, while continuing to cultivate its aura and exceptional standing through its *Collection Privée*, which showcases the excellence of its savoir-faire and its deep roots in the traditions of luxury perfume-making. **Guerlain** will pursue its ambitious development plans by focusing on strategically important countries France and China. The fragrance lines *La Petite Robe Noire* and *L'Homme Idéal* will be reinforced, as will skincare and make-up lines. Guerlain will also set itself apart in 2015 through strong digital innovation. A robust pipeline of new product launches is planned for **Parfums Givenchy**, **Kenzo Parfums** and **Benefit**. **Make Up For Ever** will make innovation its watchword in 2015 and will expand its network of own-brand boutiques.

5. WATCHES AND JEWELRY

	2014	2013 [a]	2012 [a]
Revenue *(EUR millions)*	**2,782**	**2,697**	**2,750**
Revenue by geographic region of delivery *(%)*			
France	6	6	6
Europe (excluding France)	27	27	27
United States	12	12	12
Japan	13	13	14
Asia (excluding Japan)	26	27	27
Other markets	16	15	14
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**283**	**367**	**336**
Operating margin *(%)*	**10**	**14**	**12**
Operating investments of the period *(EUR millions)*	**191**	**187**	**131**
Number of stores	**380**	**363**	**351**

(a) The consolidated financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.

Highlights

In 2014, while jewelry sales showed remarkable momentum, the watches business was slowed by the cautious purchasing behavior of multi-brand watch retailers in a still uncertain economic environment. The creativity of the LVMH brands' products, their masterful savoir-faire and the increased efficiency of their distribution networks boosted business and helped meet market share growth targets: own-brand boutiques turned in strong performances in both jewelry and watches. While maintaining a prudent management policy, the Maisons continued to bolster their image and make selective investments in their distribution networks and manufacturing capacities.

Bvlgari continued to register growth, with particularly remarkable performance in jewelry and at its own stores. Jewelry was buoyed by the success of the iconic *Bvlgari-Bvlgari*, *B Zero 1* and *Serpenti* lines and the extension of the recent *Diva* collection. The watches segment, where Bvlgari gained market share, saw the launch of new versions of the *Octo* men's model and of the very promising *Lucea* and *Diva* women's lines, with *Diva* winning the jewelry watch prize at the Grand Prix d'Horlogerie de Genève awards. Bvlgari's savoir-faire in fine jewelry and its unparalleled mastery of colored gemstone combinations were showcased at a number of exhibitions held around the world. Bvlgari's 130th anniversary was celebrated concurrently with the reopening of its magnificently renovated historic store in Rome. Its network of boutiques again amplified their positive dynamic thanks to the roll-out of an ambitious store improvement program and some selective openings.

TAG Heuer refocused on its core offerings and adapted its organization to this strategy. An array of new products enriched its iconic *Formula 1 Automatic*, *Aquaracer Lady* and *Carrera* lines. These designs, accompanied by strong communications aimed at its target audiences, reaffirmed the brand's positioning in order to increase its potential market share gains. Manufacturing was reviewed in an effort to optimize and improve performance at its sites. TAG Heuer also focused on the efficiency of its distribution subsidiaries. Its own stores registered a steady flow of business, and the network was enriched by the first TAG Heuer boutique in New York.

Hublot continued its robust growth, fueled in particular by the *Classic Fusion* line, which made rapid strides alongside the emblematic *Big Bang*. The brand once again reaffirmed its creativity and upmarket strategy, designing new pieces in women's jewelry and fine watches. One of the year's high points was the success of the *LaFerrari* watch. Hublot demonstrated its manufacturing expertise with its *UNICO* manufacture chronographs and high value-added complications. As construction began on a second manufacturing facility in Nyon, Hublot expanded its network with a new store in Zurich, and took over distribution in Hong Kong, Taiwan and Australia.

Zenith continued to develop its collections, particularly the emblematic *El Primero*, whose communication was enhanced by the partnership entered into with the Rolling Stones. Two new boutiques opened, in Hong Kong and Singapore.

Chaumet continued to expand its own store network, with particularly strong performance in fine jewelry. The *Hortensia* collection was expanded to include new designs. **Montres Dior** and jewelers **De Beers** and **Fred** presented new creations and enhanced their iconic lines.

Outlook

With the wider economic environment still uncertain, the Watches and Jewelry business group will continue to focus on the essential thrusts of its strategy to gain market share, along with rigorous management practices and precisely targeted investments. The brands will work to reinforce their image in the most promising geographic segments, and will continue to increase the selectivity of their multi-brand retail network, as well as the quality and productivity of their own stores. Further efforts will be made to expand production capacities and optimize manufacturing processes, while continuing to facilitate synergies within the business group. Lastly, as an illustration of their expertise infused with the talent of their artisans and designers, all the Maisons will launch new collections, ever guided by a spirit of creativity and exceptional quality.

6. SELECTIVE RETAILING

	2014	2013 [a]	2012 [a]
Revenue *(EUR millions)*	**9,534**	**8,903**	**7,843**
Revenue by geographic region of delivery *(%)*			
France	15	15	17
Europe (excluding France)	9	10	11
United States	35	33	36
Japan	1	1	2
Asia (excluding Japan)	31	33	27
Other markets	9	8	7
Total	**100**	**100**	**100**
Profit from recurring operations *(EUR millions)*	**882**	**908**	**860**
Operating margin *(%)*	**9**	**10**	**11**
Operating investments of the period *(EUR millions)*	**389**	**389**	**330**
Number of stores			
Sephora	1,560	1,481	1,398
Other	54	60	68

(a) The consolidated financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2 to the condensed consolidated financial statements.

Highlights

In 2014, faced with a particularly complex situation in Asia, notably related to currency fluctuations and political events in the region, **DFS** focused on doing what it does best: providing excellence and innovation in its offering and services to international travelers. The rebranding of downtown stores under the new *T Galleria* name continued, while the recently renovated airport concessions in Hong Kong and North America delivered strong performances. The new Loyal T rewards program was launched worldwide successfully. Work began on the renewed wines and spirits concession at Changi Airport in Singapore, as well as upgrades in Hong Kong, San Francisco and Okinawa. One of the year's highlights was the announcement of DFS's plans to open its first European store at the Fondaco dei Tedeschi in the heart of Venice. This much-venerated building, which DFS wants to restore to its former glory, will be a venue for commerce and culture for travelers and locals alike. It is the perfect setting for DFS to showcase its teams' expertise: a new milestone in its expansion to the most coveted destinations around the world.

The growth of **Starboard Cruise Services** was based on the expansion and strong momentum of cruise routes in Asia. Maintaining its strategy of innovating and differentiating its offerings by cruise line, the brand signed a flurry of new contracts with different cruise companies, expanding the fleet of ships on which it operates to around one hundred by the end of 2014.

Sephora gained market share worldwide and continued to achieve double-digit revenue growth, with particularly remarkable performances in North America, the Middle East and Asia. In 2014, the brand opened more than a hundred stores and marked its debut in Indonesia and Australia. Several flagship stores, including those on the Champs-Élysées and in the Dubai Mall, were renovated to offer their clientele an ever more quality-driven experience. Online sales grew strongly, with an innovative mobile offering designed as part of a genuinely multichannel strategy. As part of this initiative, Sephora launched The Beauty Board in the United States, a new social shopping platform that lets users share photos and beauty advice, and features direct links to the brand's site. Sephora has aimed to make its offering more and more innovative and unique. The success of the Sephora brand continued to grow with the launch of the *Rouge Infusion* lip stain range, and an enriched exclusive offering following the release of the *Marc Jacobs* and *Formula X* brands. Sephora is dedicated to maintaining a unique relationship with its clientele, developing highly attractive loyalty programs and services found nowhere else. Staff commitment is underpinned by continuously updated training initiatives to ensure that customers always receive the highest standard of care and service.

Le Bon Marché benefited from the opening of its new Homeware department, dedicated to the art of living and entertaining, and from new sales momentum at the Grande Épicerie de Paris food store following its renovation. Business was also buoyed by Women's Fashion, Beauty and luxury Accessories, particularly watches and jewelry. Le Bon Marché continued to illustrate its cultural dimension with a Japan-themed exhibition entitled "Le Japon Rive Gauche" held in the fall. The new customer loyalty program got off to a promising start. Non-French customers, who increasingly identify with the spirit of Le Bon Marché, also made a significant contribution to the growth of its business.

Outlook

Drawing on its unique expertise in travel retail, **DFS** will continue to optimize its stores' offerings according to each destination, while adapting to its customers' expectations. In 2015, renovation work will start on the Chinachem and Hysan stores in Hong Kong, and the brand will launch its first foray into the digital domain at Changi Airport in Singapore. DFS will continue to selectively review opportunities to diversify its product offering and its geographic coverage in order to build on its success and future growth prospects.

Starboard Cruise Services will keep Asia among its core priorities and will continue to invest in transforming its boutiques to increase their productivity and enhance customer experience.

To sustain its remarkable momentum, **Sephora** will continue renovating and expanding its store network and will maintain its focus on innovation in products and services. New initiatives in merchandising, digital and mobile will further increase its lead by offering its clientele a constantly renewed experience in the world of beauty.

Le Bon Marché will continue cultivating its unique character and modernizing its retail spaces. 2015 will witness the creation of a new Footwear space and the first stage of a revolutionary concept in Women's Fashion. The department store will remain true to its ambition of offering its clientele a unique experience and a unique quality of customer care, and will develop new exclusive services.

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

7.1. Restatements to the balance sheet as of December 31, 2013

The balance sheet as of December 31, 2013 has been restated to reflect:

- the retrospective application as of January 1, 2012 of IFRS 11, eliminating the possibility to use proportionate consolidation to consolidate jointly controlled entities, which are accounted for using only the equity method (see Note 1.2 to the condensed consolidated financial statements);
- the impact of the finalization of purchase price allocations for acquisitions carried out in 2013, mainly Loro Piana (see Note 2 to the condensed consolidated financial statements).

The impact of these restatements on the main balance sheet items is presented below:

ASSETS *(EUR billions)*	Dec. 31, 2013 published	Retro-spective application of IFRS 11	Purchase price allocations for 2013 acquisitions	Dec. 31, 2013 restated
Brands and trade names	11.5	(0.2)	1.3	12.6
Goodwill	10.0	(0.1)	(0.8)	9.1
Other tangible and intangible fixed assets	9.5	-	0.1	9.6
Tangible and intangible fixed assets	31.0	(0.3)	0.6	31.3
Investments in joint ventures and associates	0.2	0.3	-	0.5
Other non-current assets	8.4	-	-	8.4
Non-current assets	**39.6**	**-**	**0.6**	**40.2**
Inventories	8.6	(0.1)	-	8.5
Other current assets	7.5	-	-	7.5
Current assets	**16.1**	**(0.1)**	**-**	**16.0**
Assets	**55.7**	**(0.1)**	**0.6**	**56.2**

LIABILITIES AND EQUITY *(EUR billions)*	Dec. 31, 2013 published	Retro-spective application of IFRS 11	Purchase price allocations for 2013 acquisitions	Dec. 31, 2013 restated
Total equity	27.7	-	0.2	27.9
Long-term borrowings	4.1	-	-	4.1
Deferred tax	3.9	-	0.4	4.3
Other non-current liabilities	8.3	(0.1)	-	8.2
Equity and non-current liabilities	**44.0**	**(0.1)**	**0.6**	**44.5**
Short-term borrowings	4.7	-	-	4.7
Other current liabilities	7.0	-	-	7.0
Current liabilities	**11.7**	**-**	**-**	**11.7**
Liabilities and equity	**55.7**	**(0.1)**	**0.6**	**56.2**

7.2. Balance sheet as of December 31, 2014

(EUR billions)	2014	2013 [a]	Change
Tangible and intangible fixed assets	32.3	31.3	1.0
Other non-current assets	3.0	8.9	(5.9)
Non-current assets	**35.3**	**40.2**	**(4.9)**
Inventories	9.5	8.5	1.0
Other current assets	8.6	7.5	1.1
Current assets	**18.1**	**16.0**	**2.1**
Assets	**53.4**	**56.2**	**(2.8)**

(EUR billions)	2014	2013 [a]	Change
Total equity	23.0	27.9	(4.9)
Long-term borrowings	5.0	4.1	0.9
Other non-current liabilities	13.2	12.5	0.7
Equity and non-current liabilities	**41.2**	**44.5**	**(3.3)**
Short-term borrowings	4.2	4.7	(0.5)
Other current liabilities	8.0	7.0	1.0
Current liabilities	**12.2**	**11.7**	**0.5**
Liabilities and equity	**53.4**	**56.2**	**(2.8)**

(a) Amounts restated to reflect the impacts described in §7.1.

LVMH's consolidated balance sheet totaled 53.4 billion euros as of year-end 2014, representing a 5% decrease from year-end 2013. Non-current assets declined by 4.9 billion euros and represented 66% of total assets, compared with 72% as of year-end 2013.

Tangible and intangible fixed assets grew by 1.0 billion euros, mainly due to exchange rate fluctuations, which had a positive impact of 0.7 billion euros. Investments for the year, net of amortization and depreciation charges as well as disposals, represented an additional increase of 0.3 billion euros. The comments on the cash flow statement provide further information about investments.

The substantial decrease in other non-current assets, amounting to 5.9 billion euros, resulted from the distribution in kind of Hermès shares to LVMH shareholders. See Note 8 to the condensed consolidated financial statements for further details on this transaction. As of the year-end close, the remaining shareholding in Hermès, after deduction of the shares distributed to shareholders in early January 2015, amounted to 0.1 billion euros. This amount corresponded to shares not distributed on account of the existence of fractional rights. This shareholding will be sold in 2015, pursuant to the provisions of the Settlement Agreement entered into with Hermès.

Inventories increased by 1.0 billion euros. The comments on the cash flow statement provide further information on this change.

Other current assets grew by 1.1 billion euros, of which 0.9 billion euros were related to the increased cash balance.

Other non-current liabilities, totaling 13.2 billion euros, increased by 0.7 billion euros, mainly influenced by the increase in provisions for contingencies and losses.

Other current liabilities increased by 1.0 billion euros, totaling 8.0 billion euros, of which 0.3 billion euros were related to the increase in trade accounts payable, 0.2 billion euros to the increase in the market value of derivatives and 0.3 billion euros to increased tax and social charge liabilities.

7.3. Net financial debt and equity

(EUR billions)	2014	2013 [a]	Change
Long-term borrowings	5.0	4.1	0.9
Short-term borrowings and derivatives	4.2	4.6	(0.4)
Gross borrowings after derivatives	**9.2**	**8.7**	**0.5**
Cash and cash equivalents and current available for sale financial assets	(4.4)	(3.4)	(1.0)
Net financial debt	**4.8**	**5.3**	**(0.5)**
Equity	**23.0**	**27.9**	**(4.9)**
Net financial debt/ Total equity ratio	**21%**	**19%**	**2%**

(a) Amounts restated to reflect the impacts described in §7.1.

The ratio of net financial debt to equity, which was 19% as of December 31, 2013, rose 2 points to 21%; equity decreased noticeably as a result of the distribution in kind of Hermès shares.

Total equity amounted to 23.0 billion euros as of year-end 2014, representing a decrease of 4.9 billion euros compared to year-end 2013. The distribution in kind of Hermès shares had a negative impact of 6.8 billion euros (see Note 8 to the consolidated financial statements for further details on this transaction). This was partially offset by the Group's earnings (excluding the impacts of the Hermès transaction on earnings) which, net of dividends distributed, contributed an increase of 1.5 billion euros. In addition to this, a positive impact of 0.5 billion euros was recorded due to exchange rate fluctuations on the reserves of entities reporting in foreign currency, mainly US dollars and Hong Kong dollars. Conversely, the change in revaluation reserves had a negative impact of 0.2 billion euros, related mainly to the remeasurement of foreign exchange hedges. As of December 31, 2014, total equity accounted for 43% of the balance sheet total, compared to 50% as of year-end 2013.

Gross borrowings after derivatives totaled 9.2 billion euros as of year-end 2014, representing a 0.5 billion euro increase compared to year-end 2013. Over the year, LVMH issued four bonds, which provided total financing of 1.7 billion euros, and repaid the 1 billion euro bond issued in 2009. Finally, commercial paper outstanding decreased by 0.3 billion euros. Exchange rate fluctuations led to a 0.1 billion euro increase in gross borrowings. Cash and cash equivalents and current available for sale financial assets totaled 4.4 billion euros at the end of the fiscal year, up 1.0 billion euros from 3.4 billion euros as of year-end 2013.

As of year-end 2014, the Group's undrawn confirmed credit lines amounted to 3.4 billion euros, substantially exceeding the outstanding portion of its commercial paper program, which came to 2.0 billion euros as of December 31, 2014.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2014	2013 [a] [b]	Change
Cash from operations before changes in working capital	**7,080**	**7,277**	**(197)**
Cost of net financial debt: interest paid	(116)	(111)	(5)
Income taxes paid	(1,639)	(1,832)	193
Net cash from operating activities before changes in working capital	**5,325**	**5,334**	**(9)**
Total change in working capital	(718)	(620)	(98)
Operating investments	(1,775)	(1,657)	(118)
Free cash flow	**2,832**	**3,057**	**(225)**
Financial investments	**(232)**	**(2,260)**	**2,028**
Transactions related to equity	**(1,961)**	**(2,048)**	**87**
Change in cash before financing activities	**639**	**(1,251)**	**1,890**

(a) Amounts restated to reflect the impacts described in §7.1.
(b) Restated to reflect the change, as from 2014, in the presentation of dividends received and income taxes paid. See Note 8 to the condensed consolidated financial statements.

Cash from operations before changes in working capital totaled 7,080 million euros, compared to 7,277 million euros a year earlier, representing a decrease of 3%. Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 5,325 million euros, stable compared to fiscal year 2013.

Interest paid, which totaled 116 million euros, was up slightly compared to its 2013 amount. The impact of the higher average amount of debt outstanding compared with 2013 was partially offset by the combined impacts of lower interest rates on borrowings and better returns on available cash.

Income taxes paid came to 1,639 million euros, representing a decrease compared to the amount of 1,832 million euros paid a year earlier. This was mainly due to the decrease in taxes relating to foreign exchange hedge amounts recognized in equity.

Working capital requirements increased by 718 million euros, primarily as a result of a rise in inventories, of 928 million euros. The impact was offset in the amount of 210 million euros by the increase in trade accounts payable and social security liabilities. The increase in inventory related mainly to Wines and Spirits and Fashion and Leather Goods, and to a lesser extent Selective Retailing and Watches and Jewelry.

Operating investments net of disposals resulted in an outflow of 1,775 million euros in 2014, compared to 1,657 million euros a year earlier. They consisted mainly of investments by Louis Vuitton, Sephora, DFS and Bvlgari in their retail networks, investments by Parfums Christian Dior in new counters, and investments by the champagne houses in their production facilities, as well as investments in real estate for administrative use, sales operations or rental purposes.

In 2014, financial investments accounted for a 232 million euro outflow, of which 167 million euros were for purchases of consolidated investments, mainly related to the acquisition of the Domaine du Clos des Lambrays. The remaining net outflow of 65 million euros arose from the management of non-current available for sale financial assets. Purchases and disposals, notably that of the stake in ST Lonia, and dividends received had a positive impact of 172 million euros, while income taxes paid relating to non-current available for sale financial assets amounted to 237 million euros.

Transactions relating to equity generated an outflow of 1,961 million euros. A portion of this amount, 1,619 million euros, corresponds to dividends paid during the fiscal year by LVMH SE (excluding the amount attributable to treasury shares), including 952 million euros for the final dividend payment in respect of fiscal year 2013 and 667 million euros for the interim dividend payment in respect of fiscal year 2014. In addition, dividends paid out to minority shareholders of consolidated subsidiaries amounted to 336 million euros. Conversely, share subscription options exercised during the fiscal year generated an inflow of 59 million euros.

The net cash inflow after all operating, investment, and equity-related activities thus amounted to 639 million euros. With the net cash inflow from financing activities amounting to 201 million euros and the positive impact of the change in the cumulative translation adjustment coming in at 27 million euros, the cash balance at the end of the fiscal year was up 867 million euros compared to year-end 2013.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2014	2013 [1]	2012 [1]
Revenue	23	**30,638**	**29,016**	**27,970**
Cost of sales		(10,801)	(9,997)	(9,863)
Gross margin		**19,837**	**19,019**	**18,107**
Marketing and selling expenses		(11,744)	(10,767)	(10,013)
General and administrative expenses		(2,373)	(2,212)	(2,151)
Income (loss) from joint ventures and associates	7	(5)	(23)	(19)
Profit from recurring operations	23-24	**5,715**	**6,017**	**5,924**
Other operating income and expenses	25	(284)	(119)	(182)
Operating profit		**5,431**	**5,898**	**5,742**
Cost of net financial debt		(115)	(101)	(138)
Other financial income and expenses		3,062	(97)	126
Net financial income (expense)	26	**2,947**	**(198)**	**(12)**
Income taxes	27	(2,273)	(1,753)	(1,821)
Net profit before minority interests		**6,105**	**3,947**	**3,909**
Minority interests	17	(457)	(511)	(484)
Net profit, Group share		**5,648**	**3,436**	**3,425**
Basic Group share of net earnings per share *(EUR)*	28	**11.27**	**6.87**	**6.86**
Number of shares on which the calculation is based		501,309,369	500,283,414	499,133,643
Diluted Group share of net earnings per share *(EUR)*	28	**11.21**	**6.83**	**6.82**
Number of shares on which the calculation is based		503,861,733	503,217,497	502,229,952

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	2014	2013 [1]	2012 [1]
Net profit before minority interests	**6,105**	**3,947**	**3,909**
Translation adjustments	534	(346)	(99)
Tax impact	104	(48)	(18)
	638	**(394)**	**(117)**
Change in value of available for sale financial assets	494	963	(27)
Amounts transferred to income statement	(3,326)	(16)	(14)
Tax impact	184	(35)	(6)
	(2,648)	**912**	**(47)**
Change in value of hedges of future foreign currency cash flows	(29)	304	182
Amounts transferred to income statement	(164)	(265)	13
Tax impact	57	(17)	(50)
	(136)	**22**	**145**
Gains and losses recognized in equity, transferable to income statement	**(2,143)**	**540**	**(19)**
Change in value of vineyard land	(17)	369	85
Amounts transferred to consolidated reserves	(10)	-	-
Tax impact	9	(127)	(28)
	(18)	**242**	**57**
Employee benefit commitments: change in value resulting from actuarial gains and losses	(161)	80	(101)
Tax impact	52	(22)	29
	(109)	**58**	**(72)**
Gains and losses recognized in equity, not transferable to income statement	**(130)**	**300**	**(15)**
Comprehensive income	**3,832**	**4,787**	**3,875**
Minority interests	(565)	(532)	(469)
Comprehensive income, Group share	**3,267**	**4,255**	**3,406**

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

CONSOLIDATED BALANCE SHEET

ASSETS *(EUR millions)*	Notes	2014	2013 [1][2]	2012 [1]
Brands and other intangible fixed assets	3	13,031	12,596	11,322
Goodwill	4	8,810	9,058	7,709
Property, plant and equipment	6	10,387	9,621	8,694
Investments in joint ventures and associates	7	519	480	483
Non-current available for sale financial assets	8	580	7,080	6,004
Other non-current assets	9	489	457	519
Deferred tax		1,436	913	952
Non-current assets		**35,252**	**40,205**	**35,683**
Inventories and work in progress	10	9,475	8,492	7,994
Trade accounts receivable	11	2,274	2,174	1,972
Income taxes		354	223	201
Other current assets	12	1,916	1,856	1,813
Cash and cash equivalents	14	4,091	3,226	2,187
Current assets		**18,110**	**15,971**	**14,167**
Total assets		**53,362**	**56,176**	**49,850**

LIABILITIES AND EQUITY *(EUR millions)*	Notes	2014	2013 [1][2]	2012 [1]
Share capital	15.1	152	152	152
Share premium account	15.1	2,655	3,849	3,848
Treasury shares and LVMH-share settled derivatives	15.2	(374)	(451)	(414)
Cumulative translation adjustment	15.4	492	(8)	342
Revaluation reserves		1,019	3,900	2,731
Other reserves		12,171	16,001	14,340
Net profit, Group share		5,648	3,436	3,425
Equity, Group share		21,763	26,879	24,424
Minority interests	17	1,240	1,028	1,084
Total equity		**23,003**	**27,907**	**25,508**
Long-term borrowings	18	5,054	4,149	3,825
Non-current provisions	19	2,291	1,797	1,772
Deferred tax		4,392	4,280	3,884
Other non-current liabilities	20	6,447	6,404	5,456
Non-current liabilities		**18,184**	**16,630**	**14,937**
Short-term borrowings	18	4,189	4,674	2,950
Trade accounts payable		3,606	3,297	3,118
Income taxes		549	357	442
Current provisions	19	332	324	335
Other current liabilities	21	3,499	2,987	2,560
Current liabilities		**12,175**	**11,639**	**9,405**
Total liabilities and equity		**53,362**	**56,176**	**49,850**

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Cumulative translation adjustment	Revaluation reserves				Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Employee benefit commit-ments		Group share	Minority interests	Total
Notes		15.1		15.2	15.4							17	
As of December 31, 2011	**507,815,624**	**152**	**3,801**	**(485)**	**431**	**1,990**	**(15)**	**714**	**(28)**	**15,811**	**22,371**	**1,055**	**23,426**
Gains and losses recognized in equity					(89)	(47)	133	44	(60)	-	(19)	(15)	(34)
Net profit										3,425	3,425	484	3,909
Comprehensive income		**-**	**-**	**-**	**(89)**	**(47)**	**133**	**44**	**(60)**	**3,425**	**3,406**	**469**	**3,875**
Stock option plan and similar expenses										50	50	3	53
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				24						(12)	12	-	12
Exercise of LVMH share subscription options	1,344,975		94								94	-	94
Retirement of LVMH shares	(997,250)		(47)	47							-	-	-
Capital increase in subsidiaries											-	8	8
Interim and final dividends paid										(1,447)	(1,447)	(317)	(1,764)
Changes in control of consolidated entities										(12)	(12)	(11)	(23)
Acquisition and disposal of minority interests' shares										(40)	(40)	(25)	(65)
Purchase commitments for minority interests' shares										(10)	(10)	(98)	(108)
As of December 31, 2012	**508,163,349**	**152**	**3,848**	**(414)**	**342**	**1,943**	**118**	**758**	**(88)**	**17,765**	**24,424**	**1,084**	**25,508**
Gains and losses recognized in equity					(350)	912	18	188	51	-	819	21	840
Net profit										3,436	3,436	511	3,947
Comprehensive income		**-**	**-**	**-**	**(350)**	**912**	**18**	**188**	**51**	**3,436**	**4,255**	**532**	**4,787**
Stock option plan and similar expenses										31	31	3	34
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				(103)						(7)	(110)	-	(110)
Exercise of LVMH share subscription options	1,025,418		67								67	-	67
Retirement of LVMH shares	(1,395,106)		(66)	66							-	-	-
Capital increase in subsidiaries											-	8	8
Interim and final dividends paid										(1,500)	(1,500)	(228)	(1,728)
Acquisition of a controlling interest in Loro Piana[1]											-	235	235
Changes in control of consolidated entities										1	1	(1)	-
Acquisition and disposal of minority interests' shares										(73)	(73)	(76)	(149)
Purchase commitments for minority interests' shares[1]										(216)	(216)	(529)	(745)
As of December 31, 2013	**507,793,661**	**152**	**3,849**	**(451)**	**(8)**	**2,855**	**136**	**946**	**(37)**	**19,437**	**26,879**	**1,028**	**27,907**
Gains and losses recognized in equity					500	(2,648)	(122)	(15)	(96)	-	(2,381)	108	(2,273)
Net profit										5,648	5,648	457	6,105
Comprehensive income		**-**	**-**	**-**	**500**	**(2,648)**	**(122)**	**(15)**	**(96)**	**5,648**	**3,267**	**565**	**3,832**
Stock option plan and similar expenses										37	37	2	39
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				27						(17)	10	-	10
Exercise of LVMH share subscription options	980,323		59								59	-	59
Retirement of LVMH shares	(1,062,271)		(50)	50							-	-	-
Capital increase in subsidiaries											-	3	3
Interim and final dividends paid										(1,579)	(1,579)	(328)	(1,907)
Distribution in kind of Hermès shares. See Note 8.			(1,203)							(5,652)	(6,855)	-	(6,855)
Changes in control of consolidated entities										(5)	(5)	11	6
Acquisition and disposal of minority interests' shares										(2)	(2)	32	30
Purchase commitments for minority interests' shares										(48)	(48)	(73)	(121)
As of December 31, 2014	**507,711,713**	**152**	**2,655**	**(374)**	**492**	**207**	**14**	**931**	**(133)**	**17,819**	**21,763**	**1,240**	**23,003**

(1) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2014	2013 [a] [1]	2012 [a] [1]
I. OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		5,431	5,898	5,742
Income/(loss) and dividends from joint-ventures and associates [a]	7	26	49	37
Net increase in depreciation, amortization and provisions		1,895	1,435	1,289
Other computed expenses		(188)	(29)	(59)
Other adjustments		(84)	(76)	(52)
Cash from operations before changes in working capital		**7,080**	**7,277**	**6,957**
Cost of net financial debt: interest paid		(116)	(111)	(152)
Income taxes paid [a]		(1,639)	(1,832)	(1,880)
Net cash from operating activities before changes in working capital		**5,325**	**5,334**	**4,925**
Change in working capital	14.1	(718)	(620)	(810)
Net cash from operating activities		**4,607**	**4,714**	**4,115**
Operating investments	14.2	(1,775)	(1,657)	(1,694)
Net cash from operating activities and operating investments (free cash flow)		**2,832**	**3,057**	**2,421**
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets	8	(57)	(197)	(131)
Proceeds from sale of non-current available for sale financial assets	8	160	38	36
Dividends received [a]	8	69	71	179
Income tax related to financial investments [a]		(237)	(11)	(21)
Impact of purchase and sale of consolidated investments	2	(167)	(2,161)	(59)
Net cash from (used in) financial investments		**(232)**	**(2,260)**	**4**
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH SE	15.1	59	66	95
Capital increases of subsidiaries subscribed by minority interests	17	3	7	8
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	15.2	1	(113)	5
Interim and final dividends paid by LVMH SE	15.3	(1,619) [b]	(1,501)	(1,447)
Income taxes paid related to interim and final dividends paid by LVMH SE [a]		(79)	(137)	(73)
Interim and final dividends paid to minority interests in consolidated subsidiaries	17	(336)	(220)	(314)
Purchase and proceeds from sale of minority interests	2	10	(150)	(206)
Net cash from (used in) transactions relating to equity		**(1,961)**	**(2,048)**	**(1,932)**
Change in cash before financing activities		**639**	**(1,251)**	**493**
IV. FINANCING ACTIVITIES				
Proceeds from borrowings		2,407	3,095	1,028
Repayment of borrowings		(2,100)	(1,057)	(1,494)
Purchase and proceeds from sale of current available for sale financial assets	13	(106)	101	(67)
Net cash from (used in) financing activities		**201**	**2,139**	**(533)**
V. EFFECT OF EXCHANGE RATE CHANGES		27	47	(43)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**867**	**935**	**(83)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14	**2,916**	**1,981**	**2,064**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	**3,783**	**2,916**	**1,981**
TOTAL INCOME TAXES PAID		**(1,955)**	**(1,980)**	**(1,974)**
Transactions included in the table above, generating no change in cash:				
- acquisition of assets by means of finance leases		5	7	5

(a) Taking into account the amended presentation of dividends received and income tax paid starting in 2014. See Note 1.4.
(b) The distribution in kind of Hermès shares had no impact on cash, excluding tax impacts. See Note 8.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. General framework and environment

The consolidated financial statements for the year ended December 31, 2014 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2014. These standards and interpretations have been applied consistently to the fiscal years presented. The 2014 consolidated financial statements were approved for publication by the Board of Directors on February 3, 2015.

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

1.2. Changes in the accounting framework applicable to LVMH

Standards, amendments and interpretations for which application became mandatory in 2014

The standards, amendments and interpretations applicable to LVMH with effect from January 1, 2014 relate to IFRS 10, IFRS 11 and IFRS 12 on consolidation. These IFRS redefine the concept of the control of entities (see Note 1.6), eliminate the possibility to use proportionate consolidation to consolidate jointly controlled entities, which are accounted for only using the equity method, and introduce additional disclosure requirements in the notes to the consolidated financial statements. The application of these standards did not have a material impact on the Group's consolidated financial statements, as proportionately consolidated entities represent only a small portion of the Group's financial statements.

Although jointly controlled, those entities are fully integrated within the Group's operating activities. LVMH now discloses their net profit, as well as that of entities using the equity method for previous closings (see Note 7), in a separate line, which forms part of profit from recurring operations.

The consolidation method of Wines and Spirits distribution subsidiaries jointly owned with the Diageo group has not been impacted.

IFRS 11 has been applied retrospectively since January 1, 2012, the impact of its application on the income statement and the balance sheet of the Group, as of December 31, 2013 and 2012, is presented below:

Impacts on the income statement

(EUR millions)	Dec. 31, 2013	Dec. 31, 2012
Revenue	**(133)**	**(133)**
Cost of sales	58	54
Gross margin	**(75)**	**(79)**
Marketing and selling expenses	83	89
General and administrative expenses	11	12
Income (loss) from investments in joint ventures and associates	(23)	(19)
Profit from recurring operations	**(4)**	**3**
Other operating income and expenses	8	-
Operating profit	**4**	**3**
Net financial income (expense)	**1**	**2**
Income taxes	2	(1)
Income (loss) from investments in joint ventures and associates	(7)	(4)
Net profit, Group share	**-**	**-**

Impacts on the balance sheet

ASSETS *(EUR millions)*	Jan. 1, 2012	Dec. 31, 2012	Dec. 31, 2013
Tangible and intangible fixed assets	(384)	(360)	(357)
Investments in joint ventures and associates	329	320	328
Other non-current assets	(3)	(2)	(2)
Non-current assets	**(58)**	**(42)**	**(31)**
Inventories and work in progress	(97)	(86)	(78)
Other current assets	(31)	(21)	(14)
Current assets	**(128)**	**(107)**	**(92)**
Total assets	**(186)**	**(149)**	**(123)**

LIABILITIES AND EQUITY *(EUR millions)*	Jan. 1, 2012	Dec. 31, 2012	Dec. 31, 2013
Total equity	-	-	-
Long-term borrowings	(8)	(11)	(10)
Non-current provisions and deferred tax	(77)	(60)	(58)
Equity and non-current liabilities	**(85)**	**(71)**	**(68)**
Short-term borrowings	(32)	(26)	(14)
Other current liabilities	(69)	(52)	(41)
Current liabilities	**(101)**	**(78)**	**(55)**
Total liabilities and equity	**(186)**	**(149)**	**(123)**

Standards, amendments and interpretations for which application is mandatory with effect from January 1, 2015

The standards, amendments and interpretations applicable to LVMH, whose mandatory application date is January 1, 2015 are as follows:

- IFRIC Interpretation 21 on the accounting for levies
- IAS 19 amendment on the accounting for employees' contributions to post employment plans

The application of these standards will not have a material impact on the Group's financial statements.

Other changes in the accounting framework and standards for which application is mandatory with effect later than January 1, 2015

The Group receives information on the progress of ongoing discussions held at IFRIC and IASB related to the recognition of purchase commitments for minority interests' shares and changes in their amount. See Note 1.12 to the consolidated financial statements for a description of the recognition method applied by LVMH to these commitments.

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

The impact of the application of IFRS 15 on revenue recognition with effect from January 1, 2017 is being assessed. It should be of little significance in light of the nature of the Group's business activities.

1.3. First-time adoption of IFRS

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

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

1.4. Presentation of financial statements

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

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

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

Cash flow statement

Net cash from operating activities is determined on the basis of operating profit, adjusted for non-cash transactions.

Additionally, as of December 31, 2014:

- Dividends received are presented according to the nature of the underlying investments; thus, dividends from joint ventures and associates are presented in Net cash from operating activities, while dividends from other unconsolidated entities are presented in Net cash from financial investments.
- Tax paid is presented according to the nature of the transaction from which it arises: in Net cash from operating activities for the portion attributable to operating transactions; in Net cash from financial investments for the portion attributable to transactions in available for sale financial assets, notably tax paid on gains from their sale; in Net cash from transactions relating to equity for the portion attributable to transactions in equity, notably distribution taxes arising on the payment of dividends.

The cash flow statements for the fiscal years ended December 31, 2013 and 2012 have been restated to reflect this new presentation of dividends received and tax paid (previously presented in Net cash from operating activities).

1.5. Use of estimates

For the purpose of preparing the consolidated financial statements, measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets (see Note 5), purchase commitments for minority interests (see Note 20) and of the determination of the amount of provisions for contingencies and losses (see Note 19) or for impairment of inventories and, if applicable, deferred tax assets. Such hypotheses, estimates or other forms of judgment which are undertaken on the basis of the information available, or situations prevalent at the date of preparation of the financial statements, may prove different from the subsequent actual events.

1.6. Methods of consolidation

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

Jointly controlled companies are accounted for using the equity method. See Note 1.2 regarding the impacts of the implementation of IFRS 10, IFRS 11 and IFRS 12 from January 1, 2014.

The assets, liabilities, income, and expenses of the Wines and Spirits distribution subsidiaries held jointly with the Diageo group are consolidated only in proportion to the LVMH group's share of operations (see Note 1.25).

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

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

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

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

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

1.8. Foreign currency transactions and hedging of exchange rate risks

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

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

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

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

Derivatives which are designated as hedges of commercial transactions denominated in a currency other than the functional currency of the entity are recognized in the balance sheet at their market value (see Note 1.9) at the balance sheet date and any change in the market value of such derivatives is recognized:

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

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

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

See also Note 1.21 regarding the definition of the concepts of effective and ineffective portions.

1.9. Fair value measurement

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

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

	Approaches to determining fair value	Amounts recorded at balance sheet date
Vineyard land	Based on recent transactions in similar assets. See Note 1.13.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.16.	Note 10
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.21.	Note 22.4
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.20.	Note 18
Liabilities in respect of purchase commitments for minority interests' shares priced according to fair value	Generally, based on the market multiples of comparable companies. See Note 1.12.	Note 20
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Non-quoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.15.	Note 8, Note 13
Cash and cash equivalents	Closing price quotation. See Note 1.18.	Note 14

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

1.10. Brands, trade names and other intangible assets

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

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

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

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

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

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

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

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.14.

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

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

- leasehold rights, key money: based on market conditions, generally over the lease period;
- rights attached to sponsorship agreements and media partnerships: over the life of the agreements, depending on how the rights are used;
- development expenditure: three years at most;
- software: one to five years.

1.11. Changes in the percentage interest in consolidated entities

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

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

The difference between the carrying amount of minority interests purchased after control is obtained and the price paid for their acquisition is deducted from equity.

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

Goodwill is not amortized but is subject to annual impairment testing using the methodology described in Note 1.14. Any impairment expense recognized is included within "Other operating income and expenses".

1.12. Purchase commitments for minority interests

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

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

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

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

1.13. Property, plant and equipment

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

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

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

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

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

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

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

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

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

1.14. Impairment testing of fixed assets

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

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

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

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

1.15. Available for sale financial assets

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

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

Current available for sale financial assets include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.18).

Available for sale financial assets are measured at their listed value at the balance sheet date in the case of quoted investments, and at their estimated net realizable value at that date in the case of unquoted investments.

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

1.16. Inventories and work in progress

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

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

Inventories are valued using the weighted average cost or FIFO method, depending on the type of business.

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

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

1.17. Trade accounts receivable, loans and other receivables

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

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

1.18. Cash and cash equivalents

Cash and cash equivalents comprise cash and highly liquid money-market investments subject to an insignificant risk of changes in value over time.

Money-market investments are measured at their market value, based on price quotations at the close of trading and on the exchange rate prevailing at the balance sheet date, with any changes in value recognized as part of net financial income/expense.

1.19. Provisions

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

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

1.20. Borrowings

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

In the case of hedging against fluctuations in the value of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedging instruments are measured at their market value at the balance sheet date, with any changes in those values recognized within net financial income/expense. Market value of hedged borrowings is determined using similar methods to those described hereafter in Note 1.21.

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

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

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

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

See also Note 1.21 regarding the definition of the concepts of effective and ineffective portions.

1.21. Derivatives

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

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

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.8 in the case of foreign exchange hedges, and as described in Note 1.20 in the case of interest rate hedges.

Market value is based on market data and on commonly used valuation models and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

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

1.22. Treasury shares and LVMH-share settled derivatives

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

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

1.23. Pensions, contribution to medical costs and other employee benefit commitments

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

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

- the portion related to the cost of services rendered by employees and net interest for the fiscal year is recognized in profit (loss) from recurring operations for the fiscal year;
- the portion related to changes in actuarial assumptions and to differences between projected and actual data (experience adjustments) is recognized in gains and losses taken to equity, in accordance with the amendment to IAS 19 applicable as of January 1, 2013. The financial statements as of December 31, 2012 have been restated to reflect the retrospective application of this amendment.

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

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

1.24. Current and deferred tax

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

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

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

Deferred tax assets and liabilities are not discounted.

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

1.25. Revenue recognition

Definition of revenue

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

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

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

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

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

Provisions for product returns

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

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

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' products to customers. According to those agreements, the assets, liabilities, income, and expenses of such entities are consolidated only in proportion to the Group's share of operations. The application of IFRS 11 as from January 1, 2014 did not impact this method. See Note 1.2.

1.26. Advertising and promotion expenses

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

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

1.27. Stock option and similar plans

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

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

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

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

1.28. Earnings per share

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

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of existing subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, supplemented by the expense to be recognized for stock option and similar plans (see Note 1.27), would be employed to re-purchase LVMH shares at a price corresponding to their average trading price over the fiscal year.

2. CHANGES IN THE PERCENTAGE INTEREST IN CONSOLIDATED ENTITIES

Wines and Spirits

In April 2014, LVMH acquired the entire share capital of the Domaine du Clos des Lambrays. Located in Morey-Saint-Denis, in France, on 8.66 continuous hectares, Clos des Lambrays is a prestigious cru from Côte de Nuits.

Fashion and Leather Goods

Loro Piana

In July 2013, LVMH signed a memorandum of understanding for the acquisition of an 80% stake in Italian company Loro Piana, which makes and sells luxury fabrics, clothing, and accessories.

On December 5, 2013, pursuant to that memorandum of understanding, LVMH acquired 80% of Loro Piana for 1,987 million euros. Loro Piana was fully consolidated with effect from December 5, 2013. The 20% of the share capital that has not been acquired is covered by reciprocal undertakings to buy and sell, exercisable no later than three years from December 5, 2013. The difference in value between the purchase commitment (recorded in Other non-current liabilities, see Note 20) and the minority interest, i.e. 244 million euros, was deducted from consolidated reserves.

The following table lays out the definitive allocation of the price paid by LVMH on December 5, 2013, the date of acquisition of the controlling interest:

(EUR millions)	**Provisional purchase price allocation**	**Changes**	**Definitive purchase price allocation**
Brand	-	1,300	1,300
Other intangible and tangible fixed assets, net	159	39	198
Other non-current assets	11	26	37
Non-current provisions	(18)	(21)	(39)
Current assets	382	(39)	343
Current liabilities	(203)	19	(184)
Net financial debt	(127)	13	(114)
Deferred tax	49	(415)	(366)
Net assets acquired	**253**	**922**	**1,175**
Minority interests (20%)	(51)	(184)	(235)
Net assets, Group share (80%)	**202**	**738**	**940**
Goodwill	1,785	(738)	1,047
Carrying amount of shares held as of December 5, 2013	**1,987**	**-**	**1,987**

The Loro Piana brand, amounting to 1,300 million euros, has been valued based on the relief from royalty method, corroborated by the discounted cash flow method. Goodwill, in the amount of 1,047 million euros, corresponds to Loro Piana's knowledge in the supply of high quality natural fibres, as well as its expertise and artisanal skill developed in the elaboration of products made from these exceptional materials.

Loro Piana acquisition expenses were recognized in Other operating income and expenses; they represent a total amount of 9 million euros as of December 31, 2013, see Note 25.

In 2013, Loro Piana acquisition generated an outlay of 1,982 million euros, net of cash acquired in the amount of 5 million euros.

Selective Retailing

LVMH acquired an additional 30% stake in Sephora Brasil, bringing its percentage holding to 100%. The difference between the acquisition price and the minority interests amount was recorded as a deduction from equity.

Other activities

In June 2014, LVMH sold 44% of its stake in Hotel Saint-Barth Isle de France. The difference between the cash received and the carrying amount of the sold stake was recognized in consolidated reserves.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			2014	2013 [1][2]	2012 [1]
	Gross	Amortization and impairment	Net	Net	Net
Brands	10,519	(562)	9,957	9,866	8,637
Trade names	3,651	(1,496)	2,155	1,933	2,009
License rights	90	(71)	19	20	22
Leasehold rights	624	(280)	344	320	245
Software, websites	1,049	(771)	278	235	198
Other	604	(326)	278	222	211
Total	**16,537**	**(3,506)**	**13,031**	**12,596**	**11,322**
Of which: assets held under finance leases	-	-	-	-	-

Movements during the fiscal year ended December 31, 2014 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2013 [1][2]	**10,383**	**3,257**	**898**	**567**	**589**	**15,694**
Acquisitions	-	-	101	54	161	316
Disposals and retirements	-	-	(23)	(4)	(39)	(66)
Changes in the scope of consolidation	-	-	-	-	2	2
Translation adjustment	135	394	27	9	13	578
Reclassifications	1	-	46	(2)	(32)	13
As of December 31, 2014	**10,519**	**3,651**	**1,049**	**624**	**694**	**16,537**

Accumulated amortization and impairment *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2013 [1][2]	**(517)**	**(1,324)**	**(663)**	**(247)**	**(347)**	**(3,098)**
Amortization expense	(22)	(1)	(116)	(34)	(77)	(250)
Impairment expense	(3)	-	-	(1)	(1)	(5)
Disposals and retirements	-	-	23	3	38	64
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	(19)	(171)	(17)	(1)	(7)	(215)
Reclassifications	(1)	-	2	-	(3)	(2)
As of December 31, 2014	**(562)**	**(1,496)**	**(771)**	**(280)**	**(397)**	**(3,506)**
Net carrying amount as of December 31, 2014	**9,957**	**2,155**	**278**	**344**	**297**	**13,031**

Translation adjustments arose mainly on intangible assets recognized in US dollars, based on fluctuations in the US dollar to euro exchange rate at the close of the fiscal year. This affected in particular the DFS Galleria trade name and the Donna Karan brand.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

4. GOODWILL

(EUR millions)			2014	2013 [1][2]	2012 [1]
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	7,629	(1,510)	6,119	6,199	5,172
Goodwill arising on purchase commitments for minority interests	2,691	-	2,691	2,859	2,537
Total	**10,320**	**(1,510)**	**8,810**	**9,058**	**7,709**

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

(EUR millions)			2014	2013 [1][2]	2012 [1]
	Gross	Impairment	Net	Net	Net
As of January 1	**10,269**	**(1,211)**	**9,058**	**7,708**	**6,843**
Changes in the scope of consolidation (See Note 2)	81	-	81	1,142	60
Changes in purchase commitments for minority interests	(165)	3	(162)	294	837
Changes in impairment	-	(209)	(209)	(57)	(24)
Translation adjustment	135	(93)	42	(29)	(7)
As of December 31	**10,320**	**(1,510)**	**8,810**	**9,058**	**7,709**

Changes in the scope of consolidation in fiscal year 2014 are mainly related to goodwill arising on the acquisition of Clos des Lambrays. See Note 2.

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

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives were subject to impairment testing as of December 31, 2014, according to which no significant risk of impairment was identified. See Note 25 regarding the impairment and amortization expense recorded during the fiscal year.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			2014	2013 [1][2]	2012 [1]
	Gross	Depreciation and impairment	Net	Net	Net
Land	1,172	(68)	1,104	1,055	1,180
Vineyard land and producing vineyards	2,455	(91)	2,364	2,294	1,930
Buildings	2,780	(1,350)	1,430	1,311	1,299
Investment property	679	(47)	632	605	509
Leasehold improvements, machinery and equipment	8,400	(5,386)	3,014	2,593	2,110
Assets in progress	688	(4)	684	800	715
Other tangible fixed assets	1,592	(433)	1,159	963	951
Total	**17,766**	**(7,379)**	**10,387**	**9,621**	**8,694**
Of which: assets held under finance leases	*300*	*(201)*	*99*	*105*	*109*
historical cost of vineyard land and producing vineyards	*722*	*(91)*	*631*	*537*	*535*

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

Gross value (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other tangible fixed assets	Total
				Stores	Production, logistics	Other			
As of December 31, 2013 [1][2]	**2,378**	**3,641**	**647**	**4,157**	**1,881**	**1,045**	**800**	**1,487**	**16,036**
Acquisitions	3	132	16	474	100	98	543	166	1,532
Change in the market value of vineyard land	(17)	-	-	-	-	-	-	-	(17)
Disposals and retirements	(25)	(37)	(2)	(232)	(74)	(74)	(2)	(15)	(461)
Changes in the scope of consolidation	96	12	-	(3)	1	(1)	(6)	4	103
Translation adjustment	7	144	18	293	21	52	34	34	603
Other movements, including transfers	13	60	-	478	66	118	(681)	(84)	(30)
As of December 31, 2014	**2,455**	**3,952**	**679**	**5,167**	**1,995**	**1,238**	**688**	**1,592**	**17,766**

Depreciation and impairment (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment			Assets in progress	Other tangible fixed assets	Total
				Stores	Production, logistics	Other			
As of December 31, 2013 [1][2]	**(84)**	**(1,275)**	**(42)**	**(2,502)**	**(1,273)**	**(715)**	**-**	**(524)**	**(6,415)**
Depreciation expense	(6)	(125)	(5)	(621)	(140)	(122)	-	(62)	(1,081)
Impairment expense	-	(14)	(2)	14	-	1	(5)	(2)	(8)
Disposals and retirements	-	34	2	229	72	73	1	15	426
Changes in the scope of consolidation	-	(5)	-	2	(1)	1	-	(2)	(5)
Translation adjustment	(1)	(48)	-	(188)	(13)	(36)	-	(25)	(311)
Other movements, including transfers	-	15	-	(128)	1	(40)	-	167	15
As of December 31, 2014	**(91)**	**(1,418)**	**(47)**	**(3,194)**	**(1,354)**	**(838)**	**(4)**	**(433)**	**(7,379)**
Net carrying amount as of December 31, 2014	**2,364**	**2,534**	**632**	**1,973**	**641**	**400**	**684**	**1,159**	**10,387**

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

Purchases of property, plant and equipment include investments by Louis Vuitton, Sephora, DFS, and Bvlgari in their retail networks, investments by Parfums Christian Dior in new counters, and investments by the champagne houses in their production equipment, as well as investments in real estate for administrative use, sales operations or rental purposes.

Translation adjustments arose mainly on property, plant and equipment recognized in US dollars, based on fluctuations in the US dollar to euro exchange rate as of December 31, 2014.

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)			2014		2013 [1]		2012 [1]	
	Gross	Impairment	Net	*Of which joint arrangements [a]*	Net	*Of which joint arrangements [a]*	Net	*Of which joint arrangements*
Share of net assets of joint ventures and associates as of January 1	**480**	**-**	**480**	***328***	**483**	***320***	**499**	***329***
Share of net profit (loss) for the period	(5)	-	(5)	*(15)*	(23)	*(31)*	(19)	*(23)*
Dividends paid	(21)	-	(21)	*(5)*	(26)	*(11)*	(18)	*(9)*
Changes in the scope of consolidation	7	-	7	*-*	6	*-*	(7)	*(7)*
Capital increases subscribed	16	-	16	*11*	38	*38*	14	*13*
Translation adjustment	8	-	8	*4*	(17)	*(3)*	(6)	*(2)*
Other movements, including transfers	34	-	34	*28*	19	*15*	20	*19*
Share of net assets of joint ventures and associates as of December 31	**519**	**-**	**519**	***351***	**480**	***328***	**483**	***320***

(a) Proportionately consolidated entities prior to the application of IFRS 11 Joint Arrangements. See Note 1.2.

As of December 31, 2014, investments in joint ventures and associates consisted primarily of:

- for joint arrangements:
  - a 50% equity stake in the Château Cheval Blanc wine estate (Gironde, France), which produces the eponymous Saint-Émilion Grand Cru Classé A;
  - a 50% equity stake in De Beers Diamond Jewellers, whose network of boutiques sells the De Beers brand jewelry;
  - a 50% equity stake in Montres Dior, which designs and manufactures Dior watches.
- for other companies:
  - a 40% equity stake in Mongoual SA, a real estate company which owns an office building in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SE;
  - a 46% equity stake in JW Anderson, a London-based ready-to-wear brand, acquired in September 2013;
  - a 45% equity stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports.

8. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)			2014	2013	2012
	Gross	Impairment	Net	Net	Net
Total	753	(173)	580	7,080	6,004

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2

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

(EUR millions)	2014		2013	2012
	Total	Of which Hermès		
As of January 1	**7,080**	**6,437**	**6,004**	**5,982**
Acquisitions	50	11	197	125
Disposals at net realized value	(160)	-	(38)	(36)
Changes in market value	455	407	941	(38)
Distribution in kind of Hermès shares	(6,797)	(6,797)	-	-
Changes in impairment	(12)	-	(5)	(4)
Changes in the scope of consolidation	-	-	1	-
Translation adjustment	33	-	(11)	(5)
Reclassifications	(69)	(58)	(9)	(20)
As of December 31	**580**	**-**	**7,080**	**6,004**

As of December 31, 2013, non-current available for sale assets mainly included an investment in Hermès International SCA ("Hermès") with a gross and net amount of 6,437 million euros (5,409 million euros as of December 31, 2012). This shareholding was distributed to LVMH's shareholders during the fiscal year as described below.

On September 2, 2014, under the aegis of the President of the Paris Commercial Court, Hermès and LVMH entered into a settlement agreement (the "Agreement") under the terms of which:

- LVMH agreed to distribute to its shareholders all of the Hermès shares it owned, namely 24,473,545 shares equal to 23.18% of the share capital and 16.56% of the voting rights of Hermès;
- LVMH, Financière Jean Goujon, Christian Dior and Mr. Bernard Arnault undertook not to acquire any Hermès shares for a period of five years.

In accordance with the terms of the Agreement, LVMH distributed its Hermès shares to its shareholders on December 17, 2014, in the form of an exceptional distribution in kind approved at the Combined Shareholders' Meeting of November 25, 2014. The share ratio used for the distribution was 2 Hermès shares for 41 LVMH shares. The amount of the distribution in kind, 6.9 billion euros, was determined on the basis of the opening Hermès share price on December 17, 2014, which was 280.10 euros. Because fractional shares were made neither tradable nor assignable, shareholders whose allocation based on the distribution ratio was not a whole number of Hermès shares received the next lower whole number of Hermès shares, plus a cash equalization payment. See also Note 15.3.

After completion of the distribution of Hermès shares to the shareholders, LVMH's stake in Hermès represented a gross and net amount of 61 million euros, corresponding to shares not distributed on account of the existence of fractional rights; under the terms of the Agreement LVMH has undertaken to dispose of those shares by no later than September 3, 2015. The Hermès share price used to value the shareholding was 294.80 euros as of December 31, 2014 (263.50 as of December 31, 2013; 226.30 as of December 31, 2012). The shares are presented in current available for sale financial assets as of December 31, 2014.

The impact of the Hermès share distribution on the consolidated financial statements as of December 31, 2014 is as follows:

(EUR millions)				Impacts on equity, of which:	Impacts on cash
	Revaluation reserves	Profit	Other reserves	Total	
Distribution in kind of Hermès shares	(2,800)	3,189 [a]	(6,855)	(6,466)	-
Related tax [c]	185	(512) [b]	-	(327)	(210)
Net	**(2,615)**	**2,677**	**(6,855)**	**(6,793)**	**(210)**

(a) See also Note 26.
(b) See also Note 27.
(c) Including the impact of the 3% tax on dividends paid by LVMH SE. See Note 27.3.

The net impact on consolidated equity is a reduction of 6.8 billion euros, corresponding to the value of the Hermès stake as of December 31, 2013, plus the tax impacts resulting from this distribution. The gain (excluding tax impacts) recorded in the income statement is 3.2 billion euros, corresponding to the difference between the value of the stake as measured using the Hermès opening share price on December 17, 2014, i.e. 6.9 billion euros, and the total cost price of the shares for accounting purposes, which is 3.7 billion euros (2.7 billion euros in cash after deduction of the gain recognized in 2010 on the unwinding of equity-linked swaps covering 12.8 million shares).

Lastly, in order to protect the holders of share subscription options and bonus shares, the shareholders authorized the Board of Directors during the Shareholders' Meeting of November 25, 2014, to adjust the number and price of shares under option, as well as the number of bonus shares whose vesting period had not expired before December 17, 2014. Therefore, the quantities of share subscription options and bonus shares concerned were increased by 11.1%, while the exercise price of these options was reduced by 9.98%. Since these adjustments only had the objective of maintaining the gain obtained by the beneficiaries at the level attained prior to the distribution, they had no effect on the consolidated financial statements. See also Note 16.

The stake held in Sociedad Textil Lonia SA was sold in 2014.

9. OTHER NON-CURRENT ASSETS

(EUR millions)	2014	2013 [1][2]	2012 [1]
Warranty deposits	236	223	207
Derivatives	75	68	176
Loans and receivables	156	151	118
Other	22	15	18
Total	**489**	**457**	**519**

10. INVENTORIES AND WORK IN PROGRESS

(EUR millions)			2014	2013 [1][2]	2012 [1]
	Gross	Impairment	Net	Net	Net
Wines and *eaux-de-vie* in the process of aging	4,018	(16)	4,002	3,717	3,465
Other raw materials and work in progress	1,610	(337)	1,273	1,157	1,047
	5,628	(353)	5,275	4,874	4,512
Goods purchased for resale	1,468	(145)	1,323	1,163	1,164
Finished products	3,604	(727)	2,877	2,455	2,318
	5,072	(872)	4,200	3,618	3,482
Total	**10,700**	**(1,225)**	**9,475**	**8,492**	**7,994**

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

(EUR millions)			2014	2013 [1][2]	2012 [1]
	Gross	Impairment	Net	Net	Net
As of January 1	**9,560**	**(1,068)**	**8,492**	**7,994**	**7,413**
Change in gross inventories [a]	941	-	941	764	827
Fair value adjustment for the harvest of the period	(7)	-	(7)	2	(26)
Changes in impairment	-	(313)	(313)	(242)	(190)
Changes in the scope of consolidation	11	(1)	10	292	48
Translation adjustment	399	(52)	347	(297)	(78)
Other, including reclassifications	(204)	209	5	(21)	-
As of December 31	**10,700**	**(1,225)**	**9,475**	**8,492**	**7,994**

(a) Including the impact of product returns. See Note 1.25.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

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

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

(EUR millions)	2014	2013	2012
Fair value adjustment for the harvest of the period	24	37	12
Adjustment for inventory consumed	(31)	(35)	(38)
Net effect on cost of sales of the period	**(7)**	**2**	**(26)**
Net effect on the value of inventory as of period-end	**166**	**173**	**171**

See Notes 1.9 and 1.16 on the method of marking harvests to market.

11. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2014	2013 [1][2]	2012 [1]
Trade accounts receivable, nominal amount	2,546	2,416	2,214
Provision for impairment	(66)	(67)	(63)
Provision for product returns	(206)	(175)	(179)
Net amount	**2,274**	**2,174**	**1,972**

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

(EUR millions)			2014	2013 [1][2]	2012 [1]
	Gross	Impairment	Net	Net	Net
As of January 1	**2,416**	**(242)**	**2,174**	**1,972**	**1,864**
Changes in gross receivables	30	-	30	291	147
Changes in provision for impairment	-	(5)	(5)	(4)	1
Changes in provision for product returns	-	(25)	(25)	(1)	(5)
Changes in the scope of consolidation	5	-	5	50	(1)
Translation adjustment	68	(6)	62	(136)	(44)
Reclassifications	26	7	33	2	10
As of December 31	**2,545**	**(271)**	**2,274**	**2,174**	**1,972**

The receivable auxiliary balance is comprised primarily of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. As of December 31, 2014, coverage of customer credit risk had been requested from insurers for the majority of trade receivables, approximately 90% of the amount of which was granted, unchanged from December 31, 2013.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

12. OTHER CURRENT ASSETS

(EUR millions)	2014	2013 [1] [2]	2012 [1]
Current available for sale financial assets	253	171	177
Derivatives	304	494	425
Tax accounts receivable, excluding income taxes	449	355	388
Advances and payments on account to vendors	162	173	195
Prepaid expenses	313	283	281
Other receivables	435	380	347
Total	**1,916**	**1,856**	**1,813**

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

13. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	2014	2013	2012
Unlisted securities, shares in non-money market SICAVs and funds	-	12	13
Listed securities	253	159	164
Total	**253**	**171**	**177**
of which: historical cost of current available for sale financial assets	*180*	*136*	*161*

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

(EUR millions)	2014	2013	2012
As of January 1	**171**	**177**	**145**
Acquisitions	-	-	-
Disposals at net realized value	(15)	(27)	(4)
Changes in market value	39	22	11
Translation adjustment	-	(1)	-
Reclassifications [a]	58	-	25
As of December 31	**253**	**171**	**177**

(a) See Note 8.

14. CASH AND CASH EQUIVALENTS

(EUR millions)	2014	2013 [1] [2]	2012 [1]
Fixed term deposits (less than 3 months)	1,270	809	479
SICAV and FCP money-market funds	784	538	98
Ordinary bank accounts	2,037	1,879	1,610
Cash and cash equivalents per balance sheet	**4,091**	**3,226**	**2,187**

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

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

(EUR millions)	2014	2013 [1][2]	2012 [1]
Cash and cash equivalents	4,091	3,226	2,187
Bank overdrafts	(308)	(310)	(206)
Net cash and cash equivalents per cash flow statement	**3,783**	**2,916**	**1,981**

14.1. Change in working capital

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

(EUR millions)	Notes	2014	2013 [1]	2012 [1]
Change in inventories and work in progress	10	(928)	(769)	(829)
Change in trade accounts receivable	11	(22)	(288)	(146)
Change in trade accounts payable		176	203	176
Change in other receivables and payables		56	234	(11)
Change in working capital [a]		**(718)**	**(620)**	**(810)**

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

14.2. Operating investments

Operating investments comprise the following elements for the fiscal years presented:

(EUR millions)	Notes	2014	2013 [1]	2012 [1]
Purchase of intangible fixed assets	3	(316)	(253)	(237)
Purchase of tangible fixed assets	6	(1,532)	(1,581)	(1,606)
Changes in accounts payable related to fixed asset purchases		78	108	141
Net cash used in purchases of fixed assets [a]		**(1,770)**	**(1,726)**	**(1,702)**
Net cash from fixed assets disposals [a]		45	98	44
Guarantee deposits paid and other cash flows related to operating investments		(50)	(29)	(36)
Operating investments		**(1,775)**	**(1,657)**	**(1,694)**

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

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

15. EQUITY

15.1. Share capital and share premium account

As of December 31, 2014, issued and fully paid-up shares totaled 507,711,713 (507,793,661 shares as of December 31, 2013 and 508,163,349 shares as of December 31, 2012), with a par value of 0.30 euros per share, including 226,167,633 shares with double voting rights (224,907,923 as of December 31, 2013 and 224,699,349 as of December 31, 2012). Double voting rights are granted to registered shares held for more than three years.

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

(EUR millions)				2014	2013	2012
	Number			Amount	Amount	Amount
		Share capital	Share premium account	Total		
As of January 1	**507,793,661**	**152**	**3,849**	**4,001**	**4,000**	**3,953**
Exercise of share subscription options	980,323	-	59	59	67	94
Distribution in kind of Hermès shares	-	-	(1,203)	(1,203)	-	-
Retirement of shares	(1,062,271)	-	(50)	(50)	(66)	(47)
As of December 31	**507,711,713**	**152**	**2,655**	**2,807**	**4,001**	**4,000**

15.2. LVMH treasury shares

The portfolio of LVMH treasury shares is allocated as follows:

(EUR millions)		2014	2013	2012
	Number	Amount	Amount	Amount
Share subscription option plans	3,426,161	156	203	270
Share purchase option plans	-	-	-	7
Bonus share plans	1,492,627	102	101	75
Other plans	148,016	8	39	49
Shares held for stock option and similar plans [a]	**5,066,804**	**266**	**343**	**401**
Liquidity contract	95,000	13	13	13
Shares pending retirement	689,566	95	95	-
LVMH shares	**5,851,370**	**374**	**451**	**414**

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

"Other plans" correspond to future plans.

The market value of LVMH shares held under the liquidity contract as of December 31, 2014 amounts to 13 million euros.

The portfolio movements of LVMH treasury shares in fiscal year 2014 were as follows:

(EUR millions)	Number	Amount	Effect on cash
As of December 31, 2013	**7,391,919**	**451**	**-**
Share purchases	1,197,687	159	(159)
Bonus shares definitively allocated	(478,278)	(27)	1
Retirement of shares	(1,062,271)	(50)	-
Proceeds from disposal at net realized value	(1,197,687)	(159)	159
Gain/(loss) on disposal	-	-	-
As of December 31, 2014	**5,851,370**	**374**	**1**

15.3. Dividends paid by the parent company LVMH SE

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

As of December 31, 2014, the amount available for distribution was 9,082 million euros; after taking into account the proposed dividend distribution in respect of the 2014 fiscal year, the amount available for distribution is 8,092 million euros.

(EUR millions, except for data per share in EUR)	2014	2013	2012
Interim dividend for the current fiscal year (2014: 1.25 euros; 2013: 1.20 euros; 2012: 1.10 euros)	634	609	559
Distribution in kind of Hermès shares. See Note 8.	6,855	-	-
Impact of treasury shares	(7)	(9)	(9)
Gross amount disbursed for the current fiscal year	**7,482**	**600**	**550**
Final dividend for the previous fiscal year (2013: 1.90 euros; 2012 and 2011: 1.80 euros)	965	914	914
Impact of treasury shares	(13)	(14)	(17)
Gross amount disbursed for the previous fiscal year	**952**	**900**	**897**
Total gross amount disbursed during the fiscal year [a]	**8,434**	**1,500**	**1,447**

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

The final dividend for fiscal year 2014, as proposed to the Shareholders' Meeting of April 16, 2015, is 1.95 euros per share, representing a total amount of 990 million euros, excluding the amount to be deducted in relation to treasury shares held at date of payment.

15.4. Cumulative translation adjustment

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

(EUR millions)	2014	Change	2013	2012
US dollar	147	350	(203)	(99)
Swiss franc	450	44	406	446
Japanese yen	52	-	52	120
Hong Kong dollar	226	241	(15)	60
Pound sterling	(6)	46	(52)	(40)
Other currencies	(79)	(12)	(67)	65
Foreign currency net investment hedges	(298)	(169)	(129)	(210)
Total, Group share	**492**	**500**	**(8)**	**342**

16. STOCK OPTION AND SIMILAR PLANS

16.1. Share subscription option plans

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

	2014		2013		2012	
	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*	Number	Weighted average exercise price *(EUR)*
Share subscription options outstanding as of January 1	**4,177,489**	**69.97**	**5,229,396**	**68.86**	**6,603,917**	**69.07**
Options expired	(152,815)	58.42	(26,489)	63.56	(29,546)	65.36
Adjustments made following the distribution in kind of Hermès shares [a]	339,962	(7.33)	-	-	-	-
Options exercised	(980,323)	60.71	(1,025,418)	64.52	(1,344,975)	69.96
Share subscription options outstanding as of December 31	**3,384,313**	**66.15**	**4,177,489**	**69.97**	**5,229,396**	**68.86**

(a) See Note 8.

16.2. Bonus share plans

The number of non-vested allocations changed as follows over the course of the fiscal years presented:

(number of shares)	2014	2013	2012
Non-vested allocations as of January 1	**1,484,118**	**1,273,136**	**1,160,441**
Non-vested allocations during the period	368,548	436,434	462,439
Adjustments made following the distribution in kind of Hermès shares [a]	159,417	-	-
Allocations vested during the period	(478,278)	(193,440)	(313,809)
Allocations expired during the period	(41,178)	(32,012)	(35,935)
Non-vested allocations as of December 31	**1,492,627**	**1,484,118**	**1,273,136**

(a) See Note 8.

Owned shares were remitted in settlement of the bonus shares vested.

16.3. Expense for the period

(EUR millions)	2014	2013	2012
Expense for the period for share subscription option plans and bonus share plans	39	34	53

See Note 1.27 regarding the method used to determine the accounting expense.

The LVMH share price the day before the grant date of the plan amounted to 139.80 euros for the plan instituted on July 24, 2014 and 127.05 for the plan instituted on October, 23, 2014.

At the time of these allocations, the average unit value of non-vested bonus shares granted in 2014 was 115.06 euros for beneficiaries who are French residents for tax purposes and 116.39 euros for beneficiaries with tax residence outside France.

Performance conditions, which were met for plans granted prior to 2014, were considered to have been met for the plans granted in 2014, for the purpose of determining the expense for fiscal year 2014.

17. MINORITY INTERESTS

(EUR millions)	2014	2013 [(1)(2)]	2012 [(1)]
As of January 1	**1,028**	**1,084**	**1,055**
Minority interests' share of net profit	457	511	484
Dividends paid to minority interests	(328)	(228)	(317)
Effects of changes in control of consolidated entities:			
- consolidation of Loro Piana	-	235	-
- other movements	11	(1)	(11)
Effects of acquisition and disposal of minority interests' shares:			
- acquisition of minority interests in Château d'Yquem	-	(51)	-
- other movements	32	(25)	(25)
Total effects of changes in the percentage interest in consolidated entities	43	158	(36)
Capital increases subscribed by minority interests	3	8	8
Minority interests' share in gains and losses recognized in equity	108	21	(15)
Minority interests' share in stock option plan expenses	2	3	3
Effects of changes in minority interests subject to purchase commitments	(73)	(529)	(98)
As of December 31	**1,240**	**1,028**	**1,084**

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

(EUR millions)	Cumulative translation adjustment	Hedges of future foreign currency cash flows	Vineyard land	Revaluation adjustments of employee benefits	Total share of minority interests
As of December 31, 2011	**(7)**	**(1)**	**149**	**(4)**	**137**
Changes for the fiscal year	(28)	12	13	(12)	(15)
As of December 31, 2012	**(35)**	**11**	**162**	**(16)**	**122**
Changes for the fiscal year	(44)	4	54	7	21
As of December 31, 2013	**(79)**	**15**	**216**	**(9)**	**143**
Changes for the fiscal year	138	(14)	(3)	(13)	108
As of December 31, 2014	**59**	**1**	**213**	**(22)**	**251**

Minority interests are composed primarily of Diageo's 34% stake in Moët Hennessy. Diageo's stake in Moët Hennessy may be assessed using the revenue, operating profit, and core assets of the Wines and Spirits business group, which are presented in Note 23. Since the 34% stake held by Diego in Moët Hennessy is subject to a purchase agreement, it is reclassified under Other non-current liabilities and is therefore excluded from the total amount of minority interests at the fiscal year-end date. See Notes 1.12 and 20.

There is also a minority interest of 39% held by Mr. Miller in DFS, which belongs to the Selective Retailing business group. Mr. Miller's rights are not deemed to have the potential to interfere with the implementation of the LVMH group's strategy for DFS.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

18. BORROWINGS

18.1. Net financial debt

(EUR millions)	2014	2013 [1] [2]	2012 [1]
Bonds and Euro Medium Term Notes (EMTN)	4,794	3,866	3,337
Bank borrowings and finance leases	260	283	488
Long-term borrowings	**5,054**	**4,149**	**3,825**
Bonds and Euro Medium Term Notes (EMTN)	925	1,013	696
Commercial paper	2,004	2,348	1,212
Bank overdrafts	308	310	206
Other short-term borrowings	952	1,003	836
Short-term borrowings	**4,189**	**4,674**	**2,950**
Gross amount of borrowings	**9,243**	**8,823**	**6,775**
Interest rate risk derivatives	(94)	(117)	(178)
Gross borrowings after derivatives	**9,149**	**8,706**	**6,597**
Current available for sale financial assets	(253)	(171)	(177)
Cash and cash equivalents	(4,091)	(3,226)	(2,187)
Net financial debt	**4,805**	**5,309**	**4,233**

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

LVMH issued three fixed-rate bonds in 2014, in the amounts of 350 million pounds sterling, 650 million euros and 150 million Australian dollars, redeemable at par at their respective maturities in 2017, 2021 and 2019. At the time these bonds were issued, swaps were entered into that effectively converted them into floating-rate financing arrangements.

The foreign currency-denominated issues are fully covered by euro-denominated swaps entered into at the time of their issue.

LVMH also issued a 300 million euro floating-rate bond maturing in 2019 and reopened its issues maturing in 2016 and 2019 for additional amounts of 150 million euros and 100 million euros.

In May 2014, LVMH redeemed its 1 billion euro bond issued in 2009.

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

(EUR millions)		Gross borrowings			Effects of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	2015	3,696	493	4,189	(678)	649	(29)	3,018	1,142	4,160
	2016	14	761	775	-	(4)	(4)	14	757	771
	2017	1,387	-	1,387	(1,299)	1,268	(31)	88	1,268	1,356
	2018	517	-	517	-	(5)	(5)	517	(5)	512
	2019	713	300	1,013	(351)	340	(11)	362	640	1,002
	2020	598	-	598	-	-	-	598	-	598
	Thereafter	764	-	764	(651)	637	(14)	113	637	750
Total		**7,689**	**1,554**	**9,243**	**(2,979)**	**2,885**	**(94)**	**4,710**	**4,439**	**9,149**

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

See Note 22.3 regarding the market value of interest rate risk derivatives.

The breakdown by quarter of gross borrowings falling due in 2015 is as follows:

(EUR millions)	**Falling due in 2015**
First quarter	2,488
Second quarter	1,513
Third quarter	54
Fourth quarter	134
Total	**4,189**

18.3. Analysis of gross borrowings by currency after derivatives

(EUR millions)	**2014**	**2013** [1]	**2012** [1]
Euro	7,033	6,899	4,741
US dollar	226	106	151
Swiss franc	995	970	990
Japanese yen	229	222	266
Other currencies	666	509	449
Total	**9,149**	**8,706**	**6,597**

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

19. PROVISIONS

(EUR millions)	**2014**	**2013** [1][2]	**2012** [1]
Provisions for pensions, medical costs and similar commitments	640	452	520
Provisions for contingencies and losses	1,618	1,332	1,234
Provisions for reorganization	33	13	18
Non-current provisions	**2,291**	**1,797**	**1,772**
Provisions for pensions, medical costs and similar commitments	3	5	13
Provisions for contingencies and losses	314	291	282
Provisions for reorganization	15	28	40
Current provisions	**332**	**324**	**335**
Total	**2,623**	**2,121**	**2,107**

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

In fiscal year 2014, the changes in provisions were as follows:

(EUR millions)	Dec. 31, 2013 (1) (2)	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustment)	Dec. 31, 2014
Provisions for pensions, medical costs and similar commitments	457	91	(88)	-	-	183	643
Provisions for contingencies and losses	1,623	489	(129)	(89)	-	38	1,932
Provisions for reorganization	41	30	(13)	(2)	-	(8)	48
Total	**2,121**	**610**	**(230)**	**(91)**	**-**	**213**	**2,623**
Of which: profit from recurring operations		*273*	*(199)*	*(60)*			
net financial income (expense)		*6*	*-*	*-*			
other		*331*	*(31)*	*(31)*			

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

In particular, the Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. These rectification claims, together with any uncertain tax positions that have been identified but not yet officially reassessed, are subject to appropriate provisions, the amount of which is regularly reviewed in accordance with the criteria of IAS 37 Provisions and IAS 12 Income Taxes.

20. OTHER NON-CURRENT LIABILITIES

(EUR millions)	2014	2013 (1) (2)	2012 (1)
Purchase commitments for minority interests	6,008	6,035	5,022
Derivatives (see Note 22)	16	51	41
Employee profit sharing	88	85	93
Other liabilities	335	233	300
Total	**6,447**	**6,404**	**5,456**

As of December 31, 2014, 2013 and 2012, purchase commitments for minority interests mainly include the put option granted to Diageo plc for its 34% share in Moët Hennessy, with six-months' advance notice and for 80% of the fair value of Moët Hennessy at the exercise date of the commitment. With regard to this commitment's valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

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

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

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

21. OTHER CURRENT LIABILITIES

(EUR millions)	**2014**	**2013** [1][2]	**2012** [1]
Derivatives (see Note 22)	274	76	20
Employees and social institutions	1,110	1,007	922
Employee profit sharing	74	84	95
Taxes other than income taxes	458	405	359
Advances and payments on account from customers	184	158	116
Deferred payment for tangible and financial non-current assets	433	404	367
Deferred income	190	156	116
Other liabilities	776	697	565
Total	**3,499**	**2,987**	**2,560**

22. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

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

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

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

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

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

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

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

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

22.2. Summary of derivatives

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

(EUR millions)			Notes	2014	2013	2012
Interest rate risk	Assets:	non-current		61	67	131
		current		42	68	56
	Liabilities:	non-current		(3)	(9)	(1)
		current		(6)	(9)	(8)
			22.3	**94**	**117**	**178**
Foreign exchange risk	Assets:	non-current		14	1	17
		current		217	389	369
	Liabilities:	non-current		(13)	(42)	(40)
		current		(268)	(60)	(9)
			22.4	**(50)**	**288**	**337**
Other risks	Assets:	non-current		-	-	28
		current		45	37	-
	Liabilities:	non-current		-	-	-
		current		-	(7)	(3)
				45	**30**	**25**
Total	Assets:	non-current	9	75	68	176
		current	12	304	494	425
	Liabilities:	non-current	20	(16)	(51)	(41)
		current	21	(274)	(76)	(20)
				89	**435**	**540**

22.3. Derivatives used to manage interest rate risk

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

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

Derivatives used to manage interest rate risk outstanding as of December 31, 2014 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value[a][b]		
	Less than one year	One to five years	More than five years	Total	Fair value hedges	Not allocated	Total
Interest rate swaps in euros, floating rate payer	750	400	650	1,800	80	-	80
Foreign currency swaps	72	2,773	-	2,845	14	-	14
Other interest rate risk derivatives	-	500	-	500	-	-	-
Total					**94**	**-**	**94**

(a) Gain/(Loss).
(b) See Note 1.9 regarding the methodology used for market value measurement.

22.4. Derivatives used to manage foreign exchange risk

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

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

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

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2014 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation				Market value [a][b]				
	2014	2015	Thereafter	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	325	1,335	-	1,660	-	2	-	-	2
Put JPY	30	13	-	43	1	-	-	-	1
Put GBP	2	12	-	14	-	-	-	-	-
Other	6	-	-	6	1	-	-	1	2
	363	**1,360**	**-**	**1,723**	**2**	**2**	**-**	**1**	**5**
Collars									
Written USD	17	2,781	357	3,155	-	(40)	-	-	(40)
Written JPY	14	609	-	623	-	34	-	-	34
Written Other	25	226	-	251	-	-	-	-	-
	56	**3,616**	**357**	**4,029**	**-**	**(6)**	**-**	**-**	**(6)**
Forward exchange contracts [c]									
USD	175	(32)	-	143	(2)	4	-	-	2
CHF	68	309	-	377	-	2	-	-	2
GBP	9	28	-	37	-	(1)	-	-	(1)
Other	32	(16)	-	16	7	2	-	1	10
	284	**289**	**-**	**573**	**5**	**7**	**-**	**1**	**13**
Foreign exchange swaps [c]									
USD	3,346	(63)	-	3,283	(67)	-	(41)	24	(84)
CHF	402	-	-	402	-	-	(7)	-	(7)
GBP	174	(5)	-	169	(1)	-	-	10	9
JPY	297	-	-	297	2	-	(1)	-	1
HKD	73	-	-	73	33	-	(38)	-	(5)
Other	217	(19)	43	241	10	-	-	14	24
	4,509	**(87)**	**43**	**4,465**	**(23)**	**-**	**(87)**	**48**	**(62)**
Total					**(16)**	**3**	**(87)**	**50**	**(50)**

(a) Gain/(Loss).
(b) See Note 1.9 regarding the methodology used for market value measurement.
(c) Sale/(Purchase).

22.5. Financial instruments used to manage other risks

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

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

The Group may also use equity-based derivatives to create synthetically an economic exposure to certain assets, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the balance sheet date. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices. As of December 31, 2014, derivatives used to manage equity risk with an impact on the Group's net profit have a market value of 44 million euros. Considering nominal values of 20 million euros for those derivatives, a uniform 1% change in their underlying assets' share prices as of December 31, 2014 would include a net impact on the Group's profit of less than 0.4 million euros. These instruments mature in 2015.

The Group, mainly through its Watches and Jewelry business group, may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers; or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2014 have a positive market value of 1.1 million euros. Considering nominal values of 51 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2014 would have a net impact on the Group's consolidated reserves in an amount of less than 0.5 million euros. These instruments mature in 2015 and 2016.

23. SEGMENT INFORMATION

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

23.1. Information by business group

Fiscal year 2014

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	3,945	10,796	3,368	2,720	9,511	298	-	30,638
Intra-Group sales	28	32	548	62	23	14	(707)	-
Total revenue	**3,973**	**10,828**	**3,916**	**2,782**	**9,534**	**312**	**(707)**	**30,638**
Profit from recurring operations	1,147	3,189	415	283	882	(162)	(39)	5,715
Other operating income and expenses	(34)	(110)	(14)	1	(74)	(53)	-	(284)
Depreciation and amortization expense	(119)	(555)	(149)	(171)	(296)	(41)	-	(1,331)
Impairment expense	(22)	(71)	(9)	(1)	(85)	(34)	-	(222)
Intangible assets and goodwill [b]	3,758	7,242	1,183	5,635	3,161	862	-	21,841
Property, plant and equipment	2,339	2,165	477	425	1,415	3,566	-	10,387
Inventories	4,567	1,561	398	1,244	1,668	239	(202)	9,475
Other operating assets	1,340	781	664	635	668	608	6,963 [c]	11,659
Total assets	**12,004**	**11,749**	**2,722**	**7,939**	**6,912**	**5,275**	**6,761**	**53,362**
Equity	-	-	-	-	-	-	23,003	23,003
Liabilities	1,461	2,265	1,325	743	2,053	932	21,580 [d]	30,359
Total liabilities and equity	**1,461**	**2,265**	**1,325**	**743**	**2,053**	**932**	**44,583**	**53,362**
Operating investments [e]	(152)	(585)	(221)	(191)	(389)	(237)	-	(1,775)

Fiscal year 2013

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	4,146	9,834	3,230	2,646	8,880	280	-	29,016
Intra-Group sales	27	49	487	51	23	15	(652)	-
Total revenue [1]	**4,173**	**9,883**	**3,717**	**2,697**	**8,903**	**295**	**(652)**	**29,016**
Profit from recurring operations [1]	1,367	3,135	414	367	908	(172)	(2)	6,017
Other operating income and expenses [1]	(4)	(63)	(6)	2	(5)	(43)	-	(119)
Depreciation and amortization expense [1]	(109)	(448)	(128)	(139)	(261)	(39)	-	(1,124)
Impairment expense [1]	1	(50)	(1)	-	(7)	(12)	-	(69)
Intangible assets and goodwill [b][1][2]	3,948	7,213	1,068	5,572	2,989	864	-	21,654
Property, plant and equipment [1][2]	2,182	2,031	404	390	1,313	3,301	-	9,621
Inventories [1][2]	4,242	1,371	356	1,079	1,438	160	(154)	8,492
Other operating assets [1][2]	1,384	738	590	650	552	674	11,822 [c]	16,409
Total assets	**11,756**	**11,353**	**2,418**	**7,691**	**6,292**	**4,999**	**11,668**	**56,176**
Equity [2]	-	-	-	-	-	-	27,907	27,907
Liabilities [1][2]	1,296	2,128	1,130	713	1,814	712	20,477 [d]	28,269
Total liabilities and equity	**1,296**	**2,128**	**1,130**	**713**	**1,814**	**712**	**48,384**	**56,176**
Operating investments [e][1]	(186)	(629)	(229)	(187)	(389)	(37)	-	(1,657)

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.
(2) The consolidated balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

Fiscal year 2012

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	4,102	9,872	3,168	2,693	7,819	316	-	27,970
Intra-Group sales	20	54	445	57	24	16	(616)	-
Total revenue [1]	**4,122**	**9,926**	**3,613**	**2,750**	**7,843**	**332**	**(616)**	**27,970**
Profit from recurring operations [1]	1,256	3,257	408	336	860	(159)	(34)	5,924
Other operating income and expenses [1]	(13)	(108)	(7)	(8)	(19)	(27)	-	(182)
Depreciation and amortization expense [1]	(99)	(414)	(111)	(117)	(227)	(41)	-	(1,009)
Impairment expense [1]	(1)	(81)	(1)	-	(3)	(15)	-	(101)
Intangible assets and goodwill [b][1]	3,718	4,852	1,032	5,566	3,042	821	-	19,031
Property, plant and equipment [1]	1,881	1,767	312	369	1,243	3,122	-	8,694
Inventories [1]	3,998	1,158	339	1,147	1,411	101	(160)	7,994
Other operating assets [1]	1,303	644	578	674	531	689	9,712 [c]	14,131
Total assets	**10,900**	**8,421**	**2,261**	**7,756**	**6,227**	**4,733**	**9,552**	**49,850**
Equity	-	-	-	-	-	-	25,508	25,508
Liabilities [1]	1,249	1,870	1,098	723	1,779	676	16,947 [d]	24,342
Total liabilities and equity	**1,249**	**1,870**	**1,098**	**723**	**1,779**	**676**	**42,455**	**49,850**
Operating investments [e][1]	(180)	(580)	(196)	(131)	(330)	(277)	-	(1,694)

(a) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Intangible assets and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.
(c) Assets not allocated include available for sale financial assets, other financial assets, and income tax receivables. As of December 31, 2013, they included the 23.2% shareholding in Hermès International, representing an amount of 6,437 million euros (5,409 million euros as of December 31, 2012). The Hermès shares were distributed as an exceptional distribution in kind on December 17, 2014; see Note 8.
(d) Liabilities not allocated include financial debt and both current and deferred tax liabilities.
(e) Increase/(Decrease) in cash and cash equivalents.

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2014	2013 [1]	2012 [1]
France	3,212	3,118	3,083
Europe (excluding France)	5,830	5,453	5,397
United States	7,262	6,640	6,377
Japan	2,107	2,057	2,351
Asia (excluding Japan)	8,740	8,647	7,876
Other	3,487	3,101	2,886
Revenue	**30,638**	**29,016**	**27,970**

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

Operating investments by geographic region are as follows:

(EUR millions)	2014	2013 [1]	2012 [1]
France	651	585	647
Europe (excluding France)	326	313	287
United States	255	238	281
Japan	50	70	68
Asia (excluding Japan)	387	339	323
Other	106	112	88
Operating investments	**1,775**	**1,657**	**1,694**

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

23.3. Quarterly information

Quarterly sales by business group break down as follows:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	888	2,639	941	607	2,222	78	(169)	7,206
Second quarter	789	2,391	898	659	2,160	74	(168)	6,803
Third quarter	948	2,647	961	706	2,234	65	(173)	7,388
Fourth quarter	1,348	3,151	1,116	810	2,918	95	(197)	9,241
Total 2014	**3,973**	**10,828**	**3,916**	**2,782**	**9,534**	**312**	**(707)**	**30,638**
First quarter	967	2,383	932	608	2,113	72	(162)	6,913
Second quarter	828	2,328	872	667	2,085	96	(157)	6,719
Third quarter	1,032	2,428	879	655	2,093	56	(153)	6,990
Fourth quarter	1,346	2,744	1,034	767	2,612	71	(180)	8,394
Total 2013 [1]	**4,173**	**9,883**	**3,717**	**2,697**	**8,903**	**295**	**(652)**	**29,016**
First quarter	918	2,375	899	615	1,813	83	(152)	6,551
Second quarter	831	2,282	829	690	1,759	99	(139)	6,351
Third quarter	1,006	2,523	898	669	1,855	67	(145)	6,873
Fourth quarter	1,367	2,746	987	776	2,416	83	(180)	8,195
Total 2012 [1]	**4,122**	**9,926**	**3,613**	**2,750**	**7,843**	**332**	**(616)**	**27,970**

24. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	2014	2013 [1]	2012 [1]
Advertising and promotion expenses	3,484	3,310	3,251
Commercial lease expenses	2,742	2,471	1,924
Personnel costs	5,455	4,980	4,759
Research and development expenses	79	71	68

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

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

As of December 31, 2014, a total of 3,708 stores were operated by the Group worldwide (3,384 in 2013, 3,204 in 2012), particularly by Fashion and Leather Goods and Selective Retailing.

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

(EUR millions)	2014	2013 [1]	2012 [1]
Fixed or minimum lease payments	1,288	1,040	855
Variable portion of indexed leases	412	363	406
Airport concession fees – fixed portion or minimum amount	557	575	214
Airport concession fees – variable portion	485	493	449
Commercial lease expenses	**2,742**	**2,471**	**1,924**

Personnel costs consist of the following elements:

(EUR millions)	2014	2013 [1]	2012 [1]
Salaries and social charges	5,323	4,858	4,622
Pensions, contribution to medical costs and expenses in respect of defined benefit plans	93	88	83
Stock option plan and related expenses	39	34	54
Personnel costs	**5,455**	**4,980**	**4,759**

25. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2014	2013 [1]	2012 [1]
Net gains (losses) on disposals	1	7	(4)
Restructuring costs	(36)	(14)	(28)
Transaction costs relating to the acquisition of consolidated companies	(8)	(21)	(3)
Impairment or amortization of brands, trade names, goodwill and other property	(246)	(88)	(139)
Other items, net	5	(3)	(8)
Other operating income and expenses	**(284)**	**(119)**	**(182)**

Impairment and amortization expenses recorded in 2014 and 2013 were mostly for brands and goodwill.

In 2012, this also included, in addition to impairments of brands and goodwill, impairment of property, plant and equipment for 74 million euros.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

26. NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	2014	2013 [1]	2012 [1]
Borrowing costs	(144)	(138)	(162)
Income from cash, cash equivalents and current available for sale financial assets	30	30	26
Fair value adjustment of borrowings and interest rate hedges	(1)	7	(2)
Cost of net financial debt	**(115)**	**(101)**	**(138)**
Dividends received from non-current available for sale financial assets	74	71	174
Ineffective portion of foreign currency hedges	(238)	(159)	(49)
Net gain/(loss) related to available for sale financial assets and other financial instruments	3,263	23	31
Other items, net	(37)	(32)	(30)
Other financial income/(expenses)	**3,062**	**(97)**	**126**
Net financial income/(expense)	**2,947**	**(198)**	**(12)**

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

(EUR millions)	2014	2013 [1]	2012 [1]
Income from cash and cash equivalents	18	20	17
Interest from current available for sale financial assets	12	10	9
Income from cash, cash equivalents and current available for sale financial assets	**30**	**30**	**26**

In 2014, income from available for sale financial assets and other financial instruments consisted mainly of the 3,189 million euro capital gain recognized following the exceptional distribution in kind of Hermès shares. See Note 8.

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

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

27. INCOME TAXES

(EUR millions)	2014	2013 [1]	2012 [1]
Current income taxes for the fiscal year	(2,458)	(1,958)	(2,039)
Current income taxes relating to previous fiscal years	30	13	20
Current income taxes	**(2,428)**	**(1,945)**	**(2,019)**
Change in deferred income taxes	153	185	198
Impact of changes in tax rates on deferred taxes	2	7	-
Deferred income taxes	**155**	**192**	**198**
Total tax expense per income statement	**(2,273)**	**(1,753)**	**(1,821)**
Tax on items recognized in equity	**406**	**(249)**	**(73)**

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

In 2014, the current income tax expense included 512 million euros in taxes relating to the exceptional distribution in kind of Hermès shares. See Note 8.

Moreover, total income tax expense for the fiscal year includes 54 million euros (41 million euros in 2013; 30 million euros in 2012) in respect of the exceptional contribution applicable in France from 2011 to 2014 (10.7% of the corporate income tax due for fiscal years 2014 and 2013, 5% of the corporate income tax due for fiscal year 2012).

The effective tax rate is as follows:

(EUR millions)	2014	2013 (1)	2012 (1)
Profit before tax	8,378	5,700	5,730
Total income tax expense	(2,273)	(1,753)	(1,821)
Effective tax rate	**27.1%**	**30.8%**	**31.8%**

28. EARNINGS PER SHARE

	2014	2013	2012
Net profit, Group share *(EUR millions)*	**5,648**	**3,436**	**3,425**
Average number of shares in circulation during the fiscal year	507,978,312	507,997,567	508,041,429
Average number of treasury shares owned during the fiscal year	(6,668,943)	(7,714,153)	(8,907,786)
Average number of shares on which the calculation before dilution is based	**501,309,369**	**500,283,414**	**499,133,643**
Basic Group share of profit per share *(EUR)*	**11.27**	**6.87**	**6.86**
Average number of shares on which the above calculation is based	501,309,369	500,283,414	499,133,643
Dilution effect of stock option plans	2,552,364	2,934,083	3,096,309
Other dilution effects	-	-	-
Average number of shares on which the calculation after dilution is based	**503,861,733**	**503,217,497**	**502,229,952**
Diluted Group share of profit per share *(EUR)*	**11.21**	**6.83**	**6.82**

The impact of the distribution in kind of Hermès shares on the Group's net profit (see Note 8) was 2,677 million euros, i.e 5.34 euros per share (5.31 euros after dilution).

As of December 31, 2014, all of the instruments in circulation that may dilute earnings per share have been taken into consideration when determining the impact of dilution, given that all of the outstanding subscription options are considered to be available to be exercised at that date, since the LVMH share price is higher than the exercise price of these options.

No events occurred between December 31, 2014 and the date on which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

29. PROVISIONS FOR PENSIONS, CONTRIBUTION TO MEDICAL COSTS AND OTHER EMPLOYEE BENEFIT COMMITMENTS

The expense recognized in the fiscal years presented for retirement benefit obligations, contribution to medical costs, and other employee benefit commitments is as follows:

(EUR millions)	2014	2013 [1]	2012 [1]
Service cost	76	79	64
Net interest cost	13	15	11
Actuarial gains and losses	4	2	9
Past service cost	-	-	1
Changes in regimes	-	(8)	(2)
Total expense for the period for defined benefit plans	**93**	**88**	**83**

30. OFF-BALANCE SHEET COMMITMENTS

30.1. Purchase commitments

(EUR millions)	2014	2013 [1]	2012 [1]
Grapes, wines and *eaux-de-vie*	1,706	994	1,012
Other purchase commitments for raw materials	69	110	80
Industrial and commercial fixed assets	458	379	205
Investments in joint-venture shares and non-current available for sale financial assets	99	98	41

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and *eaux-de-vie*. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known year-end prices and estimated production yields. The increase in commitments is attributable to the renewal during the fiscal year of a significant portion of supply contracts.

As of December 31, 2014, the maturity schedule of these commitments is as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and *eaux-de-vie*	654	1,034	18	1,706
Other purchase commitments for raw materials	67	2	-	69
Industrial and commercial fixed assets	348	110	-	458
Investments in joint-venture shares and non-current available for sale financial assets	15	42	42	99

30.2. Lease and similar commitments

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

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

The fixed minimum portion of commitments in respect of the irrevocable period of operating lease or concession contracts were as follows as of December 31, 2014:

(EUR millions)	2014	2013[1]	2012[1]
Less than one year	1,658	1,394	1,218
One to five years	3,788	3,572	3,166
More than five years	1,952	1,854	1,533
Commitments given for operating leases and concessions	**7,398**	**6,820**	**5,917**
Less than one year	13	10	15
One to five years	16	14	25
More than five years	-	-	1
Commitments received for sub-leases	**29**	**24**	**41**

In addition, the Group may enter into operating leases or concession contracts that have variable guaranteed amounts. For example, in June 2012, DFS was awarded three additional five-year concessions at Hong Kong International Airport. The concession agreement provides for the payment of a variable concession fee which is dependent notably on the number of passengers using the airport. In 2014, the amount of this fee was about 340 million euros.

30.3. Collateral and other guarantees

As of December 31, 2014, these commitments break down as follows:

(EUR millions)	2014	2013[1]	2012[1]
Securities and deposits	366	412	295
Other guarantees	88	90	101
Guarantees given	**454**	**502**	**396**
Guarantees received	**27**	**28**	**19**

Maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	192	163	11	366
Other guarantees	48	30	10	88
Guarantees given	**240**	**193**	**21**	**454**
Guarantees received	**7**	**8**	**12**	**27**

30.4. Contingent liabilities and outstanding litigation

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

30.5. Other commitments

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

(1) The financial statements as of December 31, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IFRS 11 Joint Arrangements. See Note 1.2.

31. SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2014 and February 3, 2015, the date on which the financial statements were approved for publication by the Board of Directors.

SIMPLIFIED ACCOUNTING INFORMATION OF LVMH MOËT HENNESSY-LOUIS VUITTON SE

INCOME STATEMENT

Income/(Expenses) *(EUR millions - French accounting principles)*	Dec. 31, 2014	Dec. 31, 2013
Income from subsidiaries and investments	7,359	2,173
Profit from recurring operations before tax	7,560	1,986
Exceptional income/(expense)	-	(8)
Income tax income/(expense)	(399)	(123)
Net profit	7,161	1,855

CHANGE IN EQUITY

(EUR millions - French accounting principles)	Share capital and share premium	Other reserves and regulated provisions	Retained earnings	Interim dividends	Net profit	Total equity
As of December 31, 2013 before appropriation	**4,001**	**583**	**5,154**	**(601)**	**1,855**	**10,992**
Appropriation of 2013 net profit	-	-	1,855	-	(1,855)	-
2013 dividend: final	-	-	(1,574)	601	-	(923)
Impact of treasury shares	-	-	22	-	-	22
Exercise of share subscription options	60	-	-	-	-	60
Retirement of shares	(51)	-	-	-	-	(51)
Appropriation of Retained earnings to Other reserves	-	5,457	(5,457)	-	-	-
Distribution in kind of Hermès shares	(1,203)	(5,652)	-	-	-	(6,855)
2013 interim dividend	-	-	-	(634)	-	(634)
Impact of treasury shares	-	-	-	7	-	7
Net profit for fiscal year 2014	-	-	-	-	7,161	7,161
As of December 31, 2014	**2,807**	**388**	**-**	**(627)**	**7,161**	**9,729**

Design and production: Agence Marc Praquin

LVMH

MOËT HENNESSY . LOUIS VUITTON

For any information:
LVMH, 22 avenue Montaigne - 75008 Paris
Tel. +33 1 44 13 22 22 - Fax +33 1 44 13 21 19

www.lvmh.com