FINANCIERE AGACHE

Translation of the French "Rapport financier annuel"
Fiscal year ended December 31, 2014

FINANCIERE AGACHE

2014 Annual Financial Report

This document is a free translation into English of the original French "Rapport financier annuel", hereafter referred to as the "Annual Financial Report". It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

Executive Body and Statutory Auditors as of December 31, 2014

BOARD OF DIRECTORS

Florian OLLIVIER
Chairman and Chief Executive Officer

Nicolas BAZIRE
Group Managing Director
Representative of GROUPE ARNAULT SAS

Denis DALIBOT

Pierre DE ANDREA
Representative of MONTAIGNE FINANCE SAS

Pierre DEHEN
Representative of GA PLACEMENTS SA

Lord POWELL of BAYSWATER

STATUTORY AUDITORS

ERNST & YOUNG et Autres
represented by Jeanne Boillet

MAZARS
represented by Denis Grison

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This report highlights significant events affecting the Financière Agache group in 2014.

1. Consolidated results

Revenue for the Financière Agache group for the 2014 fiscal year 2014 was 32,221 million euros, up 6% from the previous fiscal year.

Revenue was slightly impacted by the depreciation of the Group's main invoicing currencies against the euro, mainly during the first eight months of the year, particularly the Japanese yen and the ruble.

Since January 1, 2013, the scope of consolidated activities changed as follows: in Fashion and Leather Goods, acquisition of 80% of Loro Piana on December 5, 2013 and 52% of the British luxury footwear company Nicholas Kirkwood on October 1, 2013; in Other activities, acquisition of 80% of Cova, a patisserie business based in Milan (Italy), in June 2013, and of Hotel Saint-Barth Isle de France in September 2013. The impact of these changes in the scope of consolidation was around 2%.

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

The Group's profit from recurring operations was 5,896 million euros, down 4% compared to 2013. The current operating margin as a percentage of revenue decreased by 2 points from the previous fiscal year, to 18%.

Operating profit, after other operating income and expenses (a net expense of 289 million euros in 2014 compared with a net expense of 129 million euros in 2013), was 5,607 million euros, representing a decrease of 7% from its level in 2013.

Net financial income for the fiscal year was 1,775 million euros, compared with a net financial expense of 273 million euros in 2013. This item comprises:

- the aggregate cost of net financial debt, which was stable and represented an expense of 198 million euros compared with 193 million euros the previous year;
- other financial income and expenses, which amounted to net financial income of 1,910 million euros for the fiscal year, compared to a net expense of 89 million euros in 2013. This positive result essentially consists of capital gains realized by the Group's minority interests on the distributions in kind of Hermès International shares carried out by LVMH and Christian Dior;
- non-operating income from equity-accounted investments, which was 63 million euros in 2014, compared to 9 million euros in 2013.

The Group's effective tax rate was 32% in 2014, stable compared to 2013.

Consolidated net profit amounted to 5,010 million euros, compared to 3,939 million euros in 2013. The Group share of consolidated net profit was 621 million euros, compared with 1,038 million euros in 2013.

The main financial items were as follows:

(EUR millions)	2014	2013 [(1)]	2012 [(1)]
Revenue	32,221	30,408	29,183
Profit from recurring operations	5,896	6,155	6,027
Operating profit	5,607	6,026	5,847
Net profit	5,010	3,939	3,896
of which: Group share	621	1,038	1,035

Revenue growth by business group during the fiscal year was as follows:

- Revenue from Christian Dior Couture totaled 1.6 billion euros, up 13% at actual exchange rates and up 14% at constant exchange rates compared to 2013. Boutique sales increased by 14% at actual exchange rates and by 15% at constant exchange rates. All regions contributed to this robust growth.
- Revenue for the Wines and Spirits business group came to 4.0 billion euros, down 3% on a constant consolidation scope and currency basis, and down 5% based on published figures. The significant decline in volumes in China and product mix changes for cognacs were not offset by the positive effects of the sustained policy of price increases and continuing high demand in the United States.
- Fashion and Leather Goods revenue amounted to 10.8 billion euros, 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.

(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 consolidated financial statements.

- Revenue for Perfumes and Cosmetics came to 3.9 billion euros, up 7% on a constant consolidation scope and currency basis, and up 5% based on published figures. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the 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 totaled 2.8 billion euros, up 4% on a constant consolidation scope and currency basis, and up 3% based on published figures. Economic uncertainty and an intensely competitive market caused a slowdown in purchases by multi-brand watch retailers. For all of the business group's brands, Japan was the most dynamic region.
- Revenue for Selective Retailing came to 9.5 billion euros, up 7% based on published figures and 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.

Revenue and profit from recurring operations by business group

	Revenue			Profit from recurring operations		
(EUR millions)	2014	2013 (1)	2012 (1)	2014	2013 (1)	2012 (1)
Christian Dior Couture	1,602	1,413	1,229	203	165	131
Wines and Spirits	3,973	4,173	4,122	1,147	1,367	1,256
Fashion and Leather Goods	10,828	9,883	9,926	3,189	3,135	3,257
Perfumes and Cosmetics	3,916	3,717	3,613	415	414	408
Watches and Jewelry	2,782	2,697	2,750	283	367	336
Selective Retailing	9,534	8,903	7,843	882	908	860
Other activities and eliminations	(414)	(378)	(300)	(223)	(201)	(221)
TOTAL	**32,221**	**30,408**	**29,183**	**5,896**	**6,155**	**6,027**

By business group, the breakdown of Group revenue remained nearly unchanged. The integration of Loro Piana into Fashion and Leather Goods contributed to the 2 point increase in that business group's contribution, which came to 34%. The contribution of Wines and Spirits fell by 2 points to 12%. The proportions accounted for by Christian Dior Couture, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing remained stable, at 5%, 12%, 9% and 29% respectively.

Investments

Net cash used in investing activities (purchases and sales) was an outflow of 2,470 million euros. This outflow corresponds to net operating investments totaling 1,962 million euros, on the one hand, and net financial investments totaling 508 million euros on the other.

Research and development

Research and development expenses posted during the fiscal year totaled 81 million euros in 2014 (compared to 72 million euros in 2013 and 69 million euros in 2012). Most of these amounts cover scientific research and development costs for skincare and make-up products of the Perfumes and Cosmetics business group.

Workforce

As of December 31, 2014, the Group had a total workforce of 126,398 employees, up from 119,326 employees a year earlier.

Comments on 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 subsidiaries 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 by deducting:

- for the period's acquisitions, the amount of revenue generated during the period by the acquired entities, as of their initial consolidation;
- for the prior period's acquisitions, the amount of current period revenue generated over the months of the prior period during which the acquired entities were not yet consolidated;

and by adding:

- for the period's disposals, prior period revenue generated over the months of the current period during which the entities sold were no longer consolidated;
- for the prior period's disposals, prior period revenue generated by the entities sold.

(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 consolidated financial statements.

2. Results by business group

2.1. CHRISTIAN DIOR COUTURE

2.1.1. Highlights

The key highlights of 2014 were as follows:

Another year of double-digit growth

The excellence and dynamism of Christian Dior Couture were reflected in the success of its Leather Goods, Ready-to-Wear collections, Accessories and Jewelry.

Robust sales growth in the network of directly owned points of sale

Revenue generated by the directly owned network increased by 15% at constant exchange rates and by 14% at actual exchange rates. All regions contributed to this robust growth.

Solid growth in profit from recurring operations

Profit from recurring operations amounted to 203 million euros in 2014, growing by 23% compared to 2013 owing to an increase in sales and gross margin.

Targeted investments

Christian Dior Couture continued the targeted expansion of its network, notably with new boutiques in Amsterdam, Vienna, Baku, New York's SoHo district (Women's boutique), Chengdu IFS, Jakarta (Plaza Indonesia), Melbourne and Auckland.

Renovations were also undertaken, for example in Florence, Hawaii (Waikiki), Tokyo (Omotesando) and Singapore (Marina Bay Sands).

As of December 31, 2014, the retail network comprised 197 points of sale.

Unique communication and image

Collections were presented in Paris and throughout the world, including Haute Couture in Hong Kong, *Croisière* in New York and Autumn-Winter in Tokyo.

Raf Simons was recognized for his work as Artistic Director of the House of Dior by the Council of Fashion Designers of America. The documentary *Dior & I* on his first collection was screened in Tribeca (New York) before its worldwide release.

In Tokyo, the "Esprit Dior" exhibit attracted a large number of visitors; the "Les Petits Théâtres" exhibit was shown in Chengdu, Shenyang and Guangzhou.

A third phase of the "Secret Garden" campaign was filmed in the gardens of the Château de Versailles. Actresses Marion Cotillard and Jennifer Lawrence took part in new campaigns for the *Lady Dior* and *Be Dior* handbags.

2.1.2. Consolidated results of Christian Dior Couture

Consolidated revenue for 2014 amounted to 1,602 million euros, up 14% at constant exchange rates and 13% at actual exchange rates. Revenue progressed in the second half of 2014, posting an increase of 13% at actual exchange rates and 11% at constant exchange rates.

Profit from recurring operations was 203 million euros in 2014, representing an increase of 38 million euros.

Net financial income/(expense) was a net expense of 18 million euros, compared with a net expense of 17 million euros in 2013.

The tax expense totaled 52 million euros.

The Group share of net profit for the year was 113 million euros, with the amount attributable to minority interests totaling 10 million euros.

2.1.3. Analysis of revenue by business activity

(EUR millions)	2014 (12 calendar months)	2013 [1] (12 calendar months)	Change at actual rates	Change at constant rates
License royalties	24	30	-21%	-21%
Wholesale activities	110	99	+10%	+10%
Retail and Other activities	1,468	1,283	+14%	+15%
TOTAL	**1,602**	**1,413**	**+13%**	**+14%**

License royalties

Revenue from license royalties for Christian Dior Couture was down, in line with the strategy of increased selectivity. This activity now only represents 1% of revenue.

Wholesale activities

The distribution strategy is designed to reduce the contribution by multi-brand clients to revenue.

Retail and Other activities

(EUR millions)	2014 (12 calendar months)	2013 [1] (12 calendar months)	Change at actual rates	Change at constant rates
Europe and the Middle East	653	569	+15%	+15%
Americas	157	132	+19%	+20%
Asia-Pacific	658	582	+13%	+15%
TOTAL	**1,468**	**1,283**	**+14%**	**+15%**

- Retail sales continued to turn in strong performance, recording annual growth of 15% at constant exchange rates and 14% at actual exchange rates.
- All regions contributed to this robust growth.
- Within the retail network, the main highlights of the year were the openings or reopenings of the New York (SoHo), Chengdu IFS, Tokyo (Omotesando), Florence, Amsterdam and Vienna boutiques.
- In Leather Goods, the new *Be Dior* handbag line was well received, alongside the iconic *Lady Dior* and *Diorissimo* lines.
- The Ready-to-Wear collections and Footwear – especially *Dior Fusion* sneakers – met with great success.
- Accessories saw remarkable growth.

2.1.4. Outlook

In 2015, Christian Dior Couture will continue to develop at a steady pace, drawing on the excellence and innovation of its products, the strength of its network and the desirability of the brand.

Several events will support the growth of the Maison Dior in strategic markets.

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

2.2. WINES AND SPIRITS

2.2.1. Highlights

In 2014, revenue for the Wines and Spirits business group amounted to 3,973 million euros, representing a decrease of 5% based on published figures and 3% at constant structure and exchange rates.

Profit from recurring operations for Wines and Spirits was 1,147 million euros, down 16% compared to 2013. 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.

2.2.2. Main developments

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, the Group acquired **Clos des Lambrays**, one of the oldest and most prestigious Burgundy 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 its historical markets and all growth countries. 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.

2.2.3. 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.

2.3. FASHION AND LEATHER GOODS

2.3.1. Highlights

Fashion and Leather Goods recorded revenue of 10,828 million euros in 2014, up 3% on a constant consolidation scope and currency basis, and up 10% based on published figures.

Profit from recurring operations was 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. Operating margin as a percentage of revenue fell by 3 points to 29%.

2.3.2. Main developments

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: the fashion show at the recently opened Fondation Louis Vuitton, and the celebration of the *Monogram* 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 the Group, **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.

2.3.3. 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.

2.4. PERFUMES AND COSMETICS

2.4.1. Highlights

In 2014, revenue for the Perfumes and Cosmetics business group amounted to 3,916 million euros, an increase of 7% at constant structure and exchange rates and 5% based on published figures. The 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.

Profit from recurring operations amounted to 415 million euros, stable compared to 2013. The operating margin as a percentage of revenue remained stable at 11%.

2.4.2. Main developments

The Perfumes and Cosmetics 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**.

2.4.3. Outlook

Over the coming months, the business group's Maisons will continue to focus on excellence and on strengthening their specific positions, with the new objective of gaining market share. They will emphasize 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.

2.5. WATCHES AND JEWELRY

2.5.1. Highlights

In 2014, revenue for the Watches and Jewelry business group amounted to 2,782 million euros, up 4% at constant structure and exchange rates and 3% based on published figures. For all of the business group's brands, Japan was the most dynamic region.

Profit from recurring operations was 283 million euros, down 23% compared to 2013. Operating margin as a percentage of revenue for this business group fell 4 points to 10%.

2.5.2. Main developments

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 business group saw the creativity of its brands' products, their masterful savoir-faire and the increased efficiency of their distribution networks boost business and help 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. Jewelers **De Beers** and **Fred** presented new creations and enhanced their iconic lines.

2.5.3. 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.

2.6. SELECTIVE RETAILING

2.6.1. Highlights

In 2014, revenue for the Selective Retailing business group amounted to 9,534 million euros, an increase of 7% based on published figures and 8% at constant structure and exchange rates.

Profit from recurring operations was 882 million euros, representing a 3% decrease over 2013. The business group's operating margin as a percentage of revenue fell by 1 point to 9%.

2.6.2. Main developments

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 La Grande Épicerie de Paris 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.

2.6.3. 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.

3. Business risk factors and insurance policy

3.1. STRATEGIC AND OPERATIONAL RISKS

3.1.1. Group's image and reputation

Around the world, the Group is known for its brands, unrivaled expertise and production methods unique to its products. The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks, as well as the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives, inappropriate behavior by our brand ambassadors, the Group's employees, distributors or suppliers, as well as detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands and goodwill recorded in the Group's balance sheet as of December 31, 2014 amounted to 24.4 billion euros.

The Group maintains an extremely high level of vigilance with respect to any inappropriate use by third parties of its brand names, in both the physical and digital worlds. In particular, this vigilance involves the systematic registration of all brand and product names, whether in France or in other countries, via communications to limit the risk of confusion between the Group's brands and others with similar names, and via constant monitoring, which may prompt legal action by the Group, if required. Initiatives pursued by the Group aim to promote a legal framework suited to the digital world, prescribing the responsibilities of all those involved and instilling a duty of vigilance in relation to unlawful acts online to be shared by all actors at every link in the digital value chain.

In its Wines and Spirits and Perfumes and Cosmetics business groups, and to a lesser extent in its Watches and Jewelry business group, the Group sells a portion of its products to distributors outside the Group, which are thus responsible for sales to end customers. The reputation of the Group's products thus rests in part on compliance by all distributors with the Group's requirements in terms of their approach to the handling and presentation of products, marketing and communications policies, retail price management, etc. In order to discourage inappropriate practices, distribution agreements include strict guidelines on these matters, which are also monitored on a regular basis by Group companies.

Furthermore, the Group supports and develops the reputations of its brands by working with seasoned and innovative professionals in various fields (creative directors, oenologists, cosmetics research specialists, etc.), with the involvement of the most senior executives in strategic decision-making processes (collections, distribution and communication). In this regard, the Group's key priority is to respect and bring to the fore each brand's unique personality. All employees of the Group are conscious of the importance of acting at all times in accordance with the ethical guidelines communicated within the Group. Finally, in order to protect against risks related to an eventual public campaign against the Group or one of its brands, the Group monitors developments in the media on a constant basis and maintains a permanent crisis management unit.

3.1.2. Counterfeit and parallel retail networks

The Group's brands, expertise and production methods can be counterfeited or copied. Its products, in particular leather goods, perfumes and cosmetics, may be distributed in parallel retail networks, including web-based sales networks, without the Group's consent. As part of a joint effort aimed at developing new solutions to get consumers more engaged in their digital experience, while also preserving brand value and promoting creativity, the Group and several major Internet companies (pure plays) have announced that they are working together to protect the Group's intellectual property rights and combat the online advertising and sale of counterfeit products.

Counterfeiting and parallel distribution have an immediate adverse effect on revenue and profit. Activities in these illegitimate channels may damage the brand image of the relevant products over time and may also lower consumer confidence. The Group takes all possible measures to protect itself against these risks.

Action plans have been specifically drawn up to address the counterfeiting of products, in addition to the systematic protection of brand and product names discussed above. This involves close cooperation with governmental authorities, customs officials and lawyers specializing in these matters in the countries concerned, as well as with market participants in the digital world, whom the Group also ensures are made aware of the adverse consequences of counterfeiting. The Group also plays a key role in all of the trade bodies representing the major names in the luxury goods industry, in order to promote cooperation and a consistent global message, all of which are essential in successfully combating the problem. In addition, the Group takes various measures to fight the sale of its products through parallel retail networks, in particular by developing product traceability, prohibiting direct sales to those networks, and taking specific initiatives aimed at better controlling retail channels.

Beyond the borders of the European Union, the Group is not subject to any legal constraints that might impede the full exercise of its selective retail distribution policy, or limit its ability to bring proceedings against any third parties distributing Group products without proper approval. In the European Union, competition law guarantees strictly equal treatment of all economic operators, particularly in terms of distribution, potentially posing an obstacle to companies refusing to distribute their products outside a network of authorized distributors. However, Commission Regulation (EC) No. 2790/1999 of December 22, 1999 (known as the 1999 Block Exemption Regulation), by authorizing selective retail distribution systems, established an exemption to this fundamental principle, under which the Group operates, thus providing greater protection for Group customers. This exemption was confirmed in April 2010, when the Commission renewed the Block Exemption Regulation, and extended its application to retail sales over the Internet. This legal protection gives the Group more resources

in the fight against counterfeit goods and the parallel distribution of its products, a battle waged as much in the digital as in the physical world.

In 2014, anti-counterfeiting measures generated internal and external costs for the Group in the amount of approximately 35 million euros.

3.1.3. Contractual constraints

In the context of its business activities, the Group enters into multi-year agreements with its partners and some of its suppliers (especially lease, concession, distribution and procurement agreements). Should any of these agreements be terminated before its expiration date, compensation is usually provided for under the agreement in question, which would represent an expense without any immediate offsetting income item. As of December 31, 2014, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 10 billion euros. Detailed descriptions of these commitments may be found in Notes 30.1 and 30.2 to the consolidated financial statements. However, no single agreement exists whose termination would be likely to result in significant costs at Group level.

Any potential agreement that would result in a commitment by the Group over a multi-year period is subjected to an approval process at the Group company involved, adjusted depending on the related financial and operational risk factors. Agreements are also reviewed by the Group's in-house legal counsel, together with its insurance brokers.

In addition, the Group has entered into commitments to its partners in some of its business activities to acquire the stakes held by the latter in the activities in question should they express an interest in such a sale, according to a contractual pricing formula. As of December 31, 2014, this commitment is valued at 6 billion euros and is recognized in the Group's balance sheet under "Other non-current liabilities" (see Note 20 to the consolidated financial statements).

The Group has also made commitments to some of the shareholders of its subsidiaries to distribute a minimum amount of dividends, provided the subsidiaries in question have access to sufficient cash resources. This relates in particular to the businesses of Moët Hennessy and DFS, for which the minimum dividend amount is contractually agreed to be 50% of the consolidated net profit of these entities.

3.1.4. Anticipating changes in expectations of Group customers

Brands must identify new trends, changes in consumer behavior, and in consumers' tastes, in order to offer products and experiences that meet their expectations, failing which the continued success of their products would be threatened. By cultivating strong ties, continually replenishing their traditional sources of inspiration, ranging from art to sports, cinema and new technologies, etc., the Group's various brands aim at all times to better anticipate and fully respond to their customers' changing needs, in line with each brand's specific identity and its particular affinities in its sphere of activity.

3.1.5. International exposure of the Group

The Group conducts business internationally and as a result is subject to various types of risks and uncertainties. These include changes in customer purchasing power and the value of operating assets located abroad, economic changes that are not necessarily simultaneous from one geographic region to another, and provisions of corporate or tax law, customs regulations or import restrictions imposed by some countries that may, under certain circumstances, penalize the Group. Some of the Group's activities were thus penalized in 2014 by the "anti-extravagance" measures instated by China since late 2012. This was notably the case of the Cognac business, which, affected by the decline in receptions and banquets, suffered a drop in sales volumes in 2014 related to the substantial volumes of inventories held by its distributors at the end of 2013. The fall in volumes of corporate gift-giving also had an adverse impact on the Watches and Jewelry business.

In order to protect itself against the risks associated with an inadvertent failure to comply with a change in regulations, the Group has established a regulatory monitoring system in each of the regions where it operates.

The Group maintains very few operations in politically unstable regions. The legal and regulatory frameworks governing the countries where the Group operates are well established. It is important to note that the Group's activity is evenly spread for the most part between three geographical and monetary regions: Asia, Western Europe and the United States. This geographic balance helps to offset the risk of exposure to any one area.

Furthermore, a significant portion of Group sales is directly linked to fluctuations in the number of tourists. This is especially the case for the travel retail activities within Selective Retailing, but tourists also make up a large percentage of customers frequenting the boutiques operated by companies in the Fashion and Leather Goods business group. Events likely to reduce the number of tourists (geopolitical instability, weakening of the economic environment, natural catastrophes, etc.) might have an adverse impact on Group sales.

Lastly, the Group is an active participant in current global discussions in support of a new generation of free-trade agreements between the European Union and non-EU countries, which involves not only access to external markets, but also the signing of agreements facilitating access by tourists from non-EU countries to the European Union. Despite a tense security situation leading member states to request enhanced border checks, The European Commission has proposed the creation of a "touring visa" (with an extended stay period and permission to travel around the entire Schengen area) that will facilitate luxury tourism shopping in the European Union.

3.1.6. Consumer safety

In France, the European Union and all other countries in which the Group operates, many of its products are subject to specific regulations. Regulations apply to production and manufacturing conditions, as well as to sales, consumer safety, product labeling and composition.

In addition to industrial safety, the Group's companies also work to ensure greater product safety and traceability to reinforce

the Group's anticipation and responsiveness in the event of a product recall.

A legal intelligence team has also been set up in order to better manage the heightened risk of liability litigation, notably that to which the Group's brands are particularly exposed.

3.1.7. Seasonality

Nearly all of the Group's activities are subject to seasonal variations in demand. A significant proportion of the Group's sales – approximately 30% of the annual total for all businesses – is generated during the peak holiday season in the fourth quarter of the year. Unexpected events in the final months of the year may have a significant effect on the Group's business volume and earnings.

3.1.8. Supply sources and strategic competencies

The attractiveness of the Group's products depends, from a quantitative and qualitative standpoint, on being able to ensure adequate supplies of certain raw materials. In addition, from a qualitative perspective, these products must meet the Group's exacting quality standards. This mainly involves the supply of grapes and eaux-de-vie in connection with the activities of the Wines and Spirits business group, of leathers, canvases and furs in connection with the activities of the Fashion and Leather Goods business group, as well as watchmaking components, gemstones and precious metals in connection with the activities of the Watches and Jewelry business group. In order to guarantee sources of supply corresponding to its demands, the Group sets up preferred partnerships with the suppliers in question. Although the Group enters into these partnerships in the context of long-term commitments, it is constantly on the lookout for new suppliers also able to meet its requirements. By way of illustration, an assessment of the risk that a vendor may fail has been carried out and good practices have been exchanged, leading notably to implementing the policy of splitting supplies for strategic Perfumes and Cosmetics products.

In addition, for some rarer materials, or those whose preparation requires very specific expertise, such as certain precious leathers or high-end watchmaking components, the Group pursues a vertical integration strategy on an ad hoc basis.

The Group's professions also require highly specific skills and expertise, in the areas of leather goods or watchmaking, for example. In order to avoid any dissipation of this know-how, the Group implements a range of measures to encourage training and to safeguard these professions, which are essential to the quality of its products, notably by promoting the recognition of the luxury trades as professions of excellence, with criteria specific to the luxury sector and geared to respond in the best possible manner to its demands and requirements.

Lastly, the Group's success also rests on the development of its retail network and on its ability to obtain the best locations without undermining the future profitability of its points of sale. The Group has built up specific expertise in the real estate field which, shared with that of companies across the Group, contributes to the optimal development of its retail network.

3.1.9. Information systems

The Group is exposed to the risk of information systems failure, as a result of a malfunction or malicious intent. The occurrence of this type of risk event may result in the loss or corruption of sensitive data, including information relating to products, customers or financial data. Such an event may also involve the partial or total unavailability of some systems, impeding the normal operation of the processes concerned. In order to protect against this risk, the Group puts in place a decentralized architecture which means that any propagation of this risk can be avoided. Through its network of IT security managers, the Group continues to implement a full set of measures to protect its sensitive data as well as business continuity plans at each Group company.

This sensitive data includes personal information, notably that of our customers and employees, which requires very specific protection procedures. The Group has thus developed good governance tools intended for use by all Group companies, including guidelines for online marketing and the protection of data.

3.1.10. Industrial, environmental and climate risks

In Wines and Spirits, production activities depend upon climate conditions before the grape harvest. Champagne growers and merchants have set up a mechanism in order to cope with variable harvests, which involves stockpiling wines in a qualitative reserve.

In the context of its production and storage activities, the Group is exposed to the occurrence of losses such as fires, water damage, or natural catastrophes.

To identify, analyze and provide protection against industrial and environmental risks, the Group relies on a combination of independent experts and qualified professionals from various Group companies, and in particular safety, quality and environmental managers.

The protection of the Group's assets is part of a policy on industrial risk prevention meeting the highest safety standards (NFPA fire safety standards). Working with its insurers, the Group has adopted HPR (Highly Protected Risk) standards, the objective of which is to significantly reduce fire risk and associated operating losses. Continuous improvement in the quality of risk prevention is an important factor taken into account by insurers in evaluating these risks and, accordingly, in the granting of comprehensive coverage at competitive rates.

This approach is combined with an industrial and environmental risk monitoring program. In 2014 at LVMH, engineering consultants audited about 80 sites.

In addition, prevention and protection schemes include contingency planning to ensure business continuity.

3.2. INSURANCE POLICY

The Group has a dynamic global risk management policy based primarily on the following:

- systematic identification and documentation of risks;
- risk prevention and mitigation procedures for both human risk and industrial assets;
- implementation of international contingency plans;
- a comprehensive risk financing program to limit the consequences of major events on the Group's financial position;
- optimization and coordination of global "master" insurance programs.

The Group's overall approach is primarily based on transferring its risks to the insurance markets at reasonable financial terms, and under conditions available in those markets both in terms of scope of coverage and limits. The extent of insurance coverage is directly related either to a quantification of the maximum possible loss, or to the constraints of the insurance market.

Compared with the Group's financial capacity, its level of self-insurance is not significant. The deductibles payable by Group companies in the event of a claim reflect an optimal balance between coverage and the total cost of risk. Insurance costs paid by Group companies are around 0.17% of their consolidated revenue at LVMH and 0.20% of their consolidated revenue at Christian Dior Couture.

The financial ratings of the Group's main insurance partners are reviewed on a regular basis, and if necessary one insurer may be replaced by another.

The main insurance programs coordinated by the Group are designed to cover property damage and business interruption, transportation, credit, third-party liability and product recall.

3.2.1. Property and business interruption insurance

Most of the Group's manufacturing operations are covered under a consolidated international insurance program for property damage and resulting business interruption.

Property damage insurance limits are in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. For the LVMH group, the coverage limit of this program is 1,750 million euros per claim, an amount determined based on an analysis of the LVMH group's maximum possible losses. This limit amounts to 250 million euros per claim for Christian Dior Couture.

Coverage for "natural events" provided under the LVMH group's international property insurance program totals 75 million euros per claim and per year. For Christian Dior Couture, coverage amounts to 250 million euros per claim in France (15 million outside France). As a result of a new Japanese earthquake risk modeling study performed in 2014, specific coverage in the amount of 15 billion yen was taken out for this risk at the LVMH group. For Christian Dior Couture, specific coverage in the amount of 6 billion yen was taken out in 2011. These limits are in line with the Group companies' risk exposures.

3.2.2. Transportation insurance

All Group operating entities are covered by an international cargo and transportation insurance contract. The coverage limit of this program (around 60 million euros for LVMH and 4 million euros for Christian Dior Couture) corresponds to the maximum possible transport loss arising as a result of transportation in progress at a given moment.

3.2.3. Third-party liability

The Group has established a third-party liability and product recall insurance program for all its subsidiaries throughout the world. This program is designed to provide the most comprehensive coverage for the Group's risks, given the insurance capacity and coverage available internationally.

Coverage levels are in line with those of companies with comparable business operations.

Both environmental losses arising from gradual as well as sudden and accidental pollution and environmental liability (Directive 2004/35/EC) are covered under this program.

Specific insurance policies have been implemented for countries where work-related accidents are not covered by state insurance or social security regimes, such as the United States. Coverage levels are in line with the various legal requirements imposed by the different states.

3.2.4. Coverage for special risks

Insurance coverage for political risks, company officers' liability, fraud and malicious intent, trade credit risk, acts of terrorism, loss of or corruption of computer data, and environmental risks is obtained through specific worldwide or local policies.

3.3. FINANCIAL RISKS

3.3.1. Credit risk

Because of the nature of its activities, a significant portion of the Group's sales are not exposed to customer credit risk; sales are made directly to customers by Christian Dior Couture, through the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Watches and Jewelry stores. Together, these sales accounted for approximately 65% of total revenue in 2014.

Furthermore, for the remaining revenue, the Group's businesses are not dependent on a limited number of customers whose default would have a significant impact on Group activity level or earnings. The extent of insurance against customer credit risk is satisfactory, with around 90% of credit coverage requests granted by insurers as of December 31, 2014.

3.3.2. Counterparty risk

Through its financing, investment and market risk hedging operations, the Group is exposed to counterparty risk, mainly banking-related, which must be regularly and actively managed. Risk diversification is a key objective. Special attention is given to the exposure of our bank counterparties to financial and sovereign credit risks, in addition to their credit ratings, which must always be in the top-level categories.

3.3.3. Foreign exchange risk

A substantial portion of the Group's sales is denominated in currencies other than the euro, particularly the US dollar (or currencies tied to the US dollar such as the Hong Kong dollar or the Chinese yuan, among others) and the Japanese yen, while most of its manufacturing expenses are euro-denominated.

Exchange rate fluctuations between the euro and the main currencies in which the Group's sales are denominated can therefore significantly impact its revenue and earnings reported in euros, and complicate comparisons of its year-on-year performance.

The Group actively manages its exposure to foreign exchange risk in order to reduce its sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options. An analysis of the sensitivity of the Group's net profit to fluctuations in the main currencies to which the Group is exposed, as well as a description of the extent of cash flow hedging for 2015 relating to the main invoicing currencies are provided in Note 22.5 to the consolidated financial statements.

Owning substantial assets denominated in currencies other than the euro (primarily the US dollar and Swiss franc) is also a source of foreign exchange risk with respect to the Group's net assets. This currency risk may be hedged either partially or in full through the use of borrowings or financial futures denominated in the same currency as the underlying asset. An analysis of the Group's exposure to foreign exchange risk related to its net assets for the main currencies involved is presented in Note 22.5 to the consolidated financial statements.

3.3.4. Interest rate risk

The Group's exposure to interest rate risk may be assessed with respect to the amount of its consolidated net financial debt, which totaled approximately 8.1 billion euros as of December 31, 2014. After hedging, 45% of gross financial debt was subject to a fixed rate of interest and 55% was subject to a floating rate. An analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates are presented in Notes 18.5 and 18.7 to the consolidated financial statements.

The Group's debt is denominated in various currencies, with the portion denominated in currencies other than the euro being most of the time converted to euros via cross-currency swaps; the Group is then mainly exposed to fluctuations in euro interest rates. This interest rate risk is managed using swaps or by purchasing options (protections against an increase in interest rate) designed to limit the adverse impact of unfavorable interest rate fluctuations.

Through its use of forwards and options to hedge foreign exchange risk as described in Subsection 3.3.3., the Group is also exposed to the spreads in interest rates between the euro and the hedged currencies.

3.3.5. Equity market risk

The Group's exposure to equity market risk relates mainly to its ownership interests in Christian Dior and LVMH as well as to Christian Dior and LVMH treasury shares, which are held primarily to cover stock option plans and bonus share plans.

The Group's exposure also relates to its 8.3% equity stake in Hermès International SCA.

Moreover, listed securities may be held by some of the funds in which the Group has invested, or directly in non-current or current available for sale financial assets.

The Group may use derivatives in order to reduce its exposure to risk. Derivatives may serve as a hedge against fluctuations in share prices. For instance, they may be used to cover cash-settled compensation plans index-linked to the change in the LVMH share price. Derivatives may also be used to create a synthetic long position.

3.3.6. Commodity market risk

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 price of future deliveries of alloys with the 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, hedging consists of purchasing gold from banks, or taking out future and/or options contracts with physical delivery upon maturity.

3.3.7. Liquidity risk

The Group's local liquidity risks are generally of low significance. Its overall exposure to liquidity risk can be assessed either (a) with regard to the amount of the short-term portion of its net financial debt, excluding the impact of derivatives, net of cash and cash equivalents, 1.2 billion euros as of year-end 2014, or (b) with regard to compound outstanding amounts in respect of its commercial paper programs, 2.8 billion euros. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 6.8 billion euros.

Therefore, the Group's liquidity is based on the large amount of its investments and long-term borrowings, the diversity of its investor base (bonds and short-term securities), and the quality of its banking relationships, whether evidenced or not by confirmed credit lines.

The Group has undertaken to maintain a customary financial ratio in connection with certain long-term credit lines ("assets to net financial debt"). The current level of this ratio ensures that the Group has considerable financial flexibility with regard to this commitment.

Agreements governing financial debt and liabilities are not associated with any specific clause likely to significantly modify their terms and conditions.

The breakdown of financial liabilities by contractual maturity is presented in Note 22.7 to the consolidated financial statements.

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

The Group applies an exchange rate and interest rate management strategy designed primarily to reduce any negative impacts of foreign currency or interest rate fluctuations on its business and investments.

The Group has implemented policies, guidelines and procedures to measure, manage and monitor these market risks.

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

The backbone of this organization is integrated information systems that allow hedging transactions to be monitored quickly.

Hedging strategies are presented to the Group's various Audit Committees.

Hedging decisions are taken by means of a clearly established process that includes regular presentations to the management bodies concerned and detailed documentation.

4. Financial policy

During the fiscal year, the Group's financial policy was focused on the following areas:

- improving the Group's financial structure and its flexibility, as evidenced by the key indicators listed below:
  - the moderate reduction in equity despite the impacts of the distributions of Hermès shares:

    equity before appropriation of profit fell 8% to 27.3 billion euros as of year-end 2014, compared to 29.6 billion euros a year earlier. This decline arose from the distributions in kind of Hermès shares to the Group's minority interests, which had a negative impact of 4.9 billion euros (see Note 8 to the consolidated financial statements for further details on this transaction),
  - lower net debt:

    net debt came to 8.1 billion euros at the end of 2014, as against 8.6 billion euros a year earlier. Net financial debt decreased by 0.5 billion euros. This reduction was made possible by cash flows from operating activities and after operating investments (free cash flow), which remained high in 2014.

    In 2014, the Group was able to take advantage of ever more favorable market conditions to substantially bolster its long-term borrowings, while maintaining the cost of net financial debt at a relatively stable level: 198 million euros in 2014, compared with 193 million euros in 2013.
  - the Group's ready access to liquidity, in particular through its commercial paper programs, which remained highly successful with investors,
  - raising the amount of cash and cash equivalents, with a diversified range of top-tier banking counterparties,
  - the Group's financial flexibility, facilitated by a significant reserve of undrawn confirmed credit lines totaling 6.8 billion euros, including a 2 billion euro syndicated loan with a remaining term to maturity of 5 years;
- maintaining a prudent foreign exchange and interest rate risk management policy designed primarily to hedge the risks generated directly and indirectly by the Group's operations and by hedging its assets;
- greater concentration of Group liquidity owing to the ongoing roll-out of cash pooling practices worldwide, ensuring the fluidity of cash flows across the Group and optimal management of surplus cash. As a rule, the Group applies a diversified short- and long-term investment policy;
- pursuing a policy of measured dividend payouts to Financière Agache shareholders and generous payouts to the Group's minority interests. In addition to the distributions in kind of Hermès shares, final and interim dividends in cash authorized for payment to minority interests of the consolidated subsidiaries – chief among them being LVMH and Christian Dior – amounted to 1.4 billion euros.

4.1. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

4.1.1. Restatement of 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 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	Retrospective application of IFRS 11	Purchase price allocations for 2013 acquisitions	Dec. 31, 2013 restated
Brands and trade names	13.8	-	1.3	15.1
Goodwill	10.9	-	(0.8)	10.1
Other	10.1	-	0.1	10.2
Tangible and intangible fixed assets	34.7	-	0.6	35.3
Investments in joint ventures and associates	0.7	-	-	0.7
Other non-current assets	8.8	0.1	-	8.9
Non-current assets	**44.2**	**0.1**	**0.6**	**44.9**
Inventories	9.0	(0.1)	-	8.9
Other current assets	8.9	-	-	8.9
Current assets	**17.9**	**(0.1)**	**-**	**17.8**
Assets	**62.1**	**-**	**0.6**	**62.7**

LIABILITIES AND EQUITY *(EUR billions)*	Dec. 31, 2013 published	Retrospective application of IFRS 11	Purchase price allocations for 2013 acquisitions	Dec. 31, 2013 restated
Equity	29.4	-	0.2	29.6
Long-term borrowings	5.9	-	-	5.9
Deferred tax	4.7	-	0.4	5.1
Other non-current liabilities	8.2	-	-	-
Equity and non-current liabilities	**48.2**	**-**	**0.6**	**48.8**
Short-term borrowings	6.6	-	-	6.6
Other current liabilities	7.3	-	-	7.3
Current liabilities	**13.9**	**-**	**-**	**13.9**
Liabilities and equity	**62.1**	**-**	**0.6**	**62.7**

4.1.2. Balance sheet as of December 31, 2014

(EUR billions)	2014	2013 [1] [2]	Change
Tangible and intangible fixed assets	36.4	35.3	1.1
Other non-current assets	6.5	9.6	(3.1)
Non-current assets	**42.9**	**44.9**	**(2.0)**
Inventories	9.9	8.9	1.0
Other current assets	10.4	8.9	1.5
Current assets	**20.3**	**17.8**	**2.5**
ASSETS	**63.2**	**62.7**	**0.5**

(EUR billions)	2014	2013	Change
Equity	27.3	29.6	(2.3)
Long-term borrowings	7.3	5.9	1.4
Other non-current liabilities	14.0	13.3	0.7
Equity and non-current liabilities	**48.6**	**48.8**	**(0.2)**
Short-term borrowings	6.1	6.5	(0.4)
Other current liabilities	8.5	7.4	1.1
Current liabilities	**14.6**	**13.9**	**0.7**
LIABILITIES AND EQUITY	**63.2**	**62.7**	**0.5**

The consolidated balance sheet of the Financière Agache group totaled 63.2 billion euros at year-end 2014, representing a 1% increase from year-end 2013.

Non-current assets declined by 2.0 billion euros and represented 68% of total assets, compared with 72% as of year-end 2013.

Tangible and intangible fixed assets grew by 1.1 billion euros. This increase was mainly due to exchange rate fluctuations, which had a positive impact of 0.7 billion euros. Operating investments for the year, net of disposals as well as amortization and depreciation charges, represented an additional increase of 0.1 billion euros. The comments on the cash flow statement provide further information about these investments.

Other non-current assets declined by 3.1 billion euros. This decrease mainly resulted from the distributions in kind of Hermès International shares. See Note 8 to the consolidated financial statements for further details on these transactions.

Inventories increased by 1.0 billion euros, reflecting the growth of the Group's business activities. The comments on the cash flow statement provide further information on this change.

Other current assets amounted to 10.4 billion euros. They increased by 1.5 billion euros, mainly due to the increase in cash and cash equivalents.

Non-current liabilities increased by 2.1 billion euros, from 19.2 billion euros at year-end 2013 to 21.3 billion euros at year-end 2014. This change was mainly the result of the 1.4 billion euro increase in long-term borrowings and the increase in non-current provisions.

Current liabilities rose by 0.7 billion euros from their level as of year-end 2013. In particular, short-term borrowings decreased by 0.4 billion euros, while other current liabilities increased by 1.1 billion euros compared to year-end 2013. This increase essentially resulted from the rise in trade accounts payable of 0.4 billion euros, the increase in tax and social security liabilities of 0.3 billion euros and the increase in other current assets of 0.4 billion euros, mainly due to the increase in the market value of derivatives.

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

(EUR billions)	2014	2013 (1) (2)	Change
Long-term borrowings	7.3	5.9	1.4
Short-term borrowings and derivatives	6.0	6.4	(0.4)
Gross borrowings after derivatives	**13.3**	**12.3**	**1.0**
Cash and cash equivalents, other financial assets and current available for sale financial assets	(5.2)	(3.8)	(1.4)
Net financial debt	**8.1**	**8.6**	**(0.5)**
Equity	**27.3**	**29.6**	**(2.3)**
Net financial debt/Total equity ratio	**29.5%**	**28.8%**	**0.7**

The ratio of net financial debt to equity rose by nearly 0.7 points, from 28.8% as of December 31, 2013 to 29.5%. This change was the result of the 2.3 billion euro decrease in equity following the distributions in kind of Hermès International shares.

Total equity amounted to 27.3 billion euros at year-end 2014, representing a decrease of 2.3 billion euros compared to year-end 2013. This change primarily reflects the 4.9 billion euro impact of the distributions in kind of Hermès International shares (see Note 8 to the consolidated financial statements for further details on this transaction). It was partially offset by the Group's earnings (excluding the impacts of the Hermès transaction on earnings) which, net of cash dividends distributed, contributed an increase of 2.1 billion euros. In addition to this, a positive impact of 0.7 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 effects of purchase commitments for minority interests had a negative impact of 0.5 billion euros and the change in revaluation reserves had a negative impact of 0.2 billion euros.

Gross borrowings after derivatives totaled 13.3 billion euros as of year-end 2014, representing a 1.0 billion euro increase compared to year-end 2013.

Over the year, LVMH issued four bonds, which provided total financing of 1.5 billion euros, as well as taps to previous bonds in the amount of 0.2 billion euros. Conversely, LVMH repaid the 1.0 billion euro bond issued in 2009.

Over the same period, Christian Dior issued a five-year bond in a nominal amount of 0.5 billion euros and repaid the 0.35 billion euro bond issued in 2009.

Financière Agache renegotiated the maturity of a 0.5 billion euro syndicated loan from July 2017 to December 2018.

Commercial paper outstanding decreased by 0.25 billion euros in 2014. Cash and cash equivalents and current available for sale financial assets totaled 5.2 billion euros at the end of the fiscal year.

As of year-end 2014, the Group's undrawn confirmed credit lines amounted to 6.8 billion euros, substantially exceeding the Group's commercial paper programs, the outstanding portion of which came to 2.8 billion euros as of December 31, 2014.

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

4.2. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement, presented in the consolidated financial statements, provides details on the main financial flows in 2014.

(EUR millions)	2014	2013 [1]	Change
Cash from operations before changes in working capital	**7,371**	**7,514**	**(143)**
Cost of net financial debt: interest paid	(201)	(199)	(2)
Tax paid relating to operating activities	(1,688)	(1,884)	196
Net cash from operating activities before changes in working capital	**5,482**	**5,431**	**51**
Change in working capital	(779)	(679)	(100)
Operating investments	(1,962)	(1,901)	(61)
Free cash flow	**2,741**	**2,851**	**(110)**
Financial investments	**(508)**	**(2,260)**	**1,752**
Transactions related to equity	**(1,836)**	**(1,902)**	**66**
Change in cash before financing activities	**397**	**(1,311)**	**1,708**

Cash from operations before changes in working capital totaled 7,371 million euros, compared to 7,514 million euros a year earlier, representing a decrease of 2% in 2014.

Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 5,482 million euros, up 1% compared to fiscal year 2013.

The amount of interest paid, 201 million euros, was on par with the amount paid in 2013, which was 199 million euros. The impact of the higher average amount of debt outstanding compared with 2013 was offset by the combined impacts of lower interest rates on borrowings and better returns on available cash.

Income taxes paid relating to operating activities came to 1,688 million euros, down from the 1,884 million euros paid in 2013.

Working capital requirements increased by 779 million euros, primarily as a result of a rise in inventories, which generated a cash requirement of 998 million euros. The impact was offset in the amount of 265 million euros by the increase in trade accounts payable and social security liabilities. The increase in inventory was mainly related to Wines and Spirits and Fashion and Leather Goods, and to a lesser extent Christian Dior Couture, Selective Retailing and Watches and Jewelry.

Operating investments net of disposals resulted in a net cash outflow of 1,962 million euros in 2014, compared to 1,901 million euros in 2013. They mainly consisted of investments by Louis Vuitton, Sephora, DFS, Bvlgari and Christian Dior Couture in their retail networks, investments by the champagne houses in their production facilities, investments by Parfums Christian Dior in new counters, and investments in real estate for administrative use, sales operations or rental purposes.

In 2014, financial investments accounted for a 508 million euro outflow, of which 168 million euros were related to purchases of consolidated investments, mainly related to the acquisition of the Domaine du Clos des Lambrays. The remaining net outflow of 340 million euros arose from the management of non-current available for sale financial assets. Purchases, net of disposals (notably that of the stake in ST Lonia), amounted to 173 million euros. Dividends received totaled 73 million euros, while income taxes paid relating to non-current available for sale financial assets amounted to 240 million euros.

Transactions relating to equity generated an outflow of 1,836 million euros. This amount includes 1,450 million euros in dividends paid to minority interests of the consolidated subsidiaries. These were essentially the minority interests of Christian Dior and LVMH, Diageo as a result of its 34% stake in Moët Hennessy and the minority interests of DFS. The amount also includes the impact of acquisitions, net of disposals, of minority interests for 294 million euros.

The net cash inflow after all operating, investment, and equity-related activities thus amounted to 397 million euros. The net cash inflow from financing activities was 895 million euros. In particular, bond issues and new borrowings represented 3,625 million euros in 2014, compared with repayments for 2,849 million euros.

The cash balance rose by 1,335 million euros over the fiscal year and amounted to 4,470 million euros as of December 31, 2014.

(1) Amounts restated to reflect the changes, as from 2014, in the presentation of dividends received and income taxes paid. See Note 1.4 to the consolidated financial statements.

5. Results of Financière Agache

Financière Agache maintained its direct and indirect ownership interests in its subsidiaries Christian Dior and LVMH.

Total income received from subsidiaries and equity investments came to 527.5 million euros in 2014, compared to 345.1 million euros in 2013.

Net financial income was 518.4 million euros, compared to 315.3 million euros in 2013. This 203.2 million euro increase is mainly attributable to higher financial income from subsidiaries and equity investments.

Net profit was 496.1 million euros.

Management proposes that the Shareholders' Meeting allocate and appropriate the distributable profit for the fiscal year ended December 31, 2014 as follows:

Amount available for distribution *(EUR)*	
Net profit	496,084,259.57
Retained earnings	2,725,822,184.68
DISTRIBUTABLE EARNINGS	**3,221,906,444.25**
Proposed appropriation	
Retained earnings	3,221,906,444.25
TOTAL	3,221,906,444.25

Distribution of dividends

As required by law, the Board of Directors observes that the gross dividends per share paid out in respect of the past three fiscal years were as follows:

Fiscal year	Type	Payment date	Gross dividend [a] *(EUR)*	Tax deduction [b] *(EUR)*
2013	Interim	October 2, 2013	28.50	11.40
	TOTAL		**28.50**	**11.40**
2012	Interim	December 18, 2012	115.00	46.00
	TOTAL		**115.00**	**46.00**
2011	Interim	December 21, 2011	125.00	50.00
	TOTAL		**125.00**	**50.00**

(a) Excludes the impact of tax regulations applicable to the beneficiaries.
(b) For individuals with tax residence in France.

Information relating to payment terms

As of December 31, 2014, trade accounts payable amounted to 324 thousand euros (274 thousand euros as of December 31, 2013). They comprise accrued expenses in the amount of 245 thousand euros (208 thousand euros as of December 31, 2013) and invoices past due in the amount of 79 thousand euros (66 thousand euros as of December 31, 2013).

6. Information regarding the Company's share capital

As of December 31, 2014, the share capital was 50,773,632 euros, consisting of 3,173,352 shares with a par value of 16 euros each. As of this same date, 3,619 of these shares (0.11% of the share capital) were held by the Company, with a total market value of 448,396 euros.

Since 1996, the Company's shares have not been traded on a regulated market. As required by law, they therefore have the mandatory status of registered shares.

Financière Agache is happy to assist its shareholders with the procedures and formalities involved in the event they wish to trade their shares and, where applicable, to help them find a suitable counterparty.

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, we hereby inform you that no employee of the Company, or of any affiliated company, holds shares in the Company through the types of mutual funds referred to in this legislation.

7. Administrative matters

7.1. LIST OF POSITIONS AND OFFICES HELD BY DIRECTORS

The list of all positions and offices held by each Director is provided in Section 9 below.

7.2. MEMBERSHIP OF THE BOARD OF DIRECTORS

It is proposed that you renew the appointments of Messrs. Florian Ollivier, Denis Dalibot and Lord Charles Powell of Bayswater as Directors for the period specified in the Bylaws of three years.

7.3. STATUTORY AUDITORS

As the Statutory Auditors' appointments are set to expire, it is hereby proposed that the Shareholders' Meeting:

- renew the appointments of Ernst & Young et Autres and Mazars as Principal Statutory Auditors;
- renew the appointment of Auditex and appoint Mr. Gilles Rainaut as Alternate Statutory Auditors;

for a term of six fiscal years to expire at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2020.

8. Financial authorizations

8.1. STATUS OF CURRENT DELEGATIONS AND AUTHORIZATIONS

Share capital increases (L. 225-129, L. 225-129-2 and L. 228-92 of the French Commercial Code)

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of December 31, 2014
Through capitalization of reserves (L. 225-130)	May 29, 2013 (7th resolution)	July 28, 2015 (26 months)	32 million euros [a] 2,000,000 shares	Not applicable	None
With preferential subscription rights: ordinary shares and securities giving access to the share capital	May 29, 2013 (8th resolution)	July 28, 2015 (26 months)	32 million euros [a] 2,000,000 shares	Free	None

(a) Maximum nominal amount. The nominal amount of any capital increase decided under other delegations of authority would be offset against this amount (15th resolution).

8.2. AUTHORIZATIONS PROPOSED TO THE SHAREHOLDERS' MEETING

8.2.1. Share capital increases (L. 225-129, L. 225-129-2 and L. 228-92 of the French Commercial Code)

Type	Resolution	Duration	Amount authorized	Issue price determination method
Through capitalization of reserves (L. 225-130)	12th	26 months	32 million euros [a] 2,000,000 shares	Not applicable
With preferential subscription rights: ordinary shares and securities giving access to the share capital	13th	26 months	32 million euros [a] 2,000,000 shares	Free

(a) Maximum nominal amount. The nominal amount of any capital increase decided under other delegations of authority would be offset against this amount (15th resolution).

8.2.2. Employee share ownership

Type	Resolution	Duration	Amount authorized	Issue price determination method
Capital increase reserved for employees who are members of a company savings plan (L. 225-129-6)	14th	26 months	1% of the share capital [a] 31,733 shares	In accordance with applicable regulations

(a) Subject to not exceeding a total ceiling of 32 million euros set forth above in (a), against which this amount would be offset.

9. List of positions or offices exercised in all companies by company officers

Pursuant to Article L. 225-102-1 of the French Commercial Code, the following are all offices and positions exercised in all companies by each company officer of the Company.

9.1. DIRECTORS' APPOINTMENTS TO BE RENEWED

Mr. FLORIAN OLLIVIER, Chairman and Chief Executive Officer

Agache Développement SA	Chairman and Chief Executive Officer
Escorial Development SA	Director
Europatweb SA	Chairman and Chief Executive Officer
Europatweb Placements SAS	Legal representative of Europatweb, Chairman
Financière Agache SA	Chairman and Chief Executive Officer
Financière Jean Goujon SAS	Chairman
GA Placements SA	Permanent representative of Invry, Director
Grandville SA	Director
Groupe Arnault SAS	Chief Executive Officer
Invry SAS	Chairman
JGPG SAS	Chairman
Kléber Participations SARL	Managing Director
Le Jardin d'Acclimatation SA	Director
Montaigne Finance SAS	Chairman
Montaigne Services SNC	Managing Director
Semyrhamis SAS	Member of the Supervisory Committee
Sevrilux SNC	Legal Representative of Financière Agache, Managing Director

Mr. DENIS DALIBOT

Agache Développement SA	Director
Aurea Finance SA	Chairman
Belle Jardinière SA	Director
Cervinia SA	Director
Christian Dior SE	Director
Christian Dior Couture SA	Director
Courtinvest SA	Director
DYD Conseil	Managing Director
Europatweb SA	Director
Financière Agache SA	Director
Financière Jean Goujon SAS	Member of the Supervisory Committee
Franck & Fils SA	Permanent Representative of Le Bon Marché – Maison Aristide Boucicaut, Director
Giminvest SA	Director
GMPI SA	Director
Groupe Arnault SAS	Member of the Management Committee
Le Jardin d'Acclimatation SA	Permanent representative of Ufipar, Director
Le Peigné Invest SA	Director
Le Peigné SA	Director
Mercure Conseil	Managing Director
Semyrhamis SAS	Member of the Supervisory Committee
Willinvest SA	Director

Lord POWELL of BAYSWATER

Financière Agache SA	Director
Hong Kong Land Holdings	Director
LVMH Moët Hennessy - Louis Vuitton SE	Director
LVMH Services Limited	Chairman of the Board of Directors
Mandarin Oriental International Holdings	Director
Matheson & Co. Ltd	Director
Northern Trust Corporation (United States)	Director
Textron Corporation	Director

9.2. CURRENTLY SERVING DIRECTORS

GA PLACEMENTS SA

Financière Agache SA	Director

Mr. Pierre DEHEN, Permanent representative

Financière Agache SA	Permanent representative of GA Placements SA, Director
GA Placements SA	Chairman and Chief Executive Officer
Union +	Permanent representative of LVMH Moët Hennessy - Louis Vuitton SE, Director

GROUPE ARNAULT SAS

Europatweb SA	Director
Financière Agache SA	Director
GA Placements SA	Director

Mr. Nicolas BAZIRE, Permanent representative and Group Managing Director

Agache Développement SA	Director
Atos SE	Director
Carrefour SA	Director
Europatweb SA	Director
Financière Agache SA	Managing Director and Permanent Representative of Groupe Arnault SAS, Director
GA Placements SA	Permanent representative of Montaigne Finance SAS, Director
Groupe Arnault SAS	Chief Executive Officer
Groupe Les Echos SA	Director
Les Echos SAS	Vice-Chairman of the Supervisory Board
LVMH Moët Hennessy - Louis Vuitton SE	Director
Louis Vuitton Malletier SA	Permanent representative of Ufipar, Director
LV Group SA	Director
Montaigne Finance SAS	Member of the Supervisory Committee
Semyrhamis SAS	Member of the Supervisory Committee
Suez Environnement Company SA	Director

MONTAIGNE FINANCE SAS

Financière Agache SA	Director
GA Placements SA	Director

Mr. Pierre DE ANDREA, Permanent representative

Agache Développement SA	Permanent representative of Financière Agache SA, Director
CD Investissements SAS	Chairman
CPV Investissement SARL	Managing Director
Delcia SA	Director
Europimmo SNC	Managing Director
Fimeris SA	Director
Financière Agache SA	Permanent representative of Montaigne Finance SAS, Director
Foncière du Nord SCI	Managing Director
GA Placements SA	Permanent representative of Groupe Arnault SAS, Director
Goujon Holding SAS	Chairman
Goujon Participations SAS	Chairman
Mandarine SARL	Managing Director
Métropole 1850 SNC	Managing Director
Montaigne Finance SAS	Member of the Supervisory Committee
Sadifa SA	Chairman and Chief Executive Officer
Sanderson International SA	Director
Société de gestion financière et de patrimoine	Managing Director
Société en nom collectif Jardin Bleu	Managing Director
Sophiz SA	Director
Westley International SA	Director

10. Exceptional events and litigation

As part of its day-to-day management, the Group is party to various legal proceedings concerning trademark rights, the protection of intellectual property rights, the protection of selective retailing networks, licensing agreements, employee relations, tax audits, and any other matters inherent to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation proceedings and disputes that are in progress and any others of which it is aware at the fiscal year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

In 2006, Louis Vuitton Malletier, Christian Dior Couture and the French companies of the Perfumes and Cosmetics business group filed lawsuits against eBay in the Paris Commercial Court. Louis Vuitton Malletier and Christian Dior Couture demanded compensation for losses caused by eBay's participation in the commercialization of counterfeit products and its refusal to implement appropriate procedures to prevent the sale of such goods on its site. The Perfumes and Cosmetics brands sued eBay for undermining their selective retail networks. In a decision delivered on June 30, 2008, the Paris Commercial Court ruled in favor of the claims formulated, ordering eBay to pay 19.3 million euros to Louis Vuitton Malletier, 16.4 million euros to Christian Dior Couture and 3.2 million euros to the Group's Perfumes and Cosmetics companies. The court also barred eBay from running listings for Perfumes and Cosmetics under the Dior, Guerlain, Givenchy and Kenzo brands. eBay filed a petition with the Paris Court of Appeal. On July 11, 2008, the President of the Paris Court of Appeal denied eBay's petition to stay the provisional execution order delivered by the Paris Commercial Court. In September 2010, the Paris Court of Appeal confirmed the ruling against eBay handed down in 2008, classifying this company's business as that of a broker and not merely an Internet host. Asserting that it did not have jurisdiction to evaluate the extent of losses caused by some of eBay's sites outside France, the Court reduced the amount of punitive damages to 2.2 million euros for Louis Vuitton Malletier, 2.7 million euros for Christian Dior Couture and 0.7 million euros for the Group's Perfumes and Cosmetics companies, as the initial amount had been determined on the basis of eBay's worldwide operations. In response to the appeal filed by eBay, on May 3, 2012 the Cour de cassation confirmed the analysis carried out by the Paris Court of Appeal, which had held that eBay's activity was not merely that of a hosting service provider, but that it also acted as a broker. However, the Cour de cassation reversed the Paris Court of Appeal's decision with regard to its jurisdiction over eBay Inc. and referred the case back for retrial by the Paris Court of Appeal. On July 17, 2014, eBay and LVMH announced a cooperative effort to protect intellectual property rights and combat counterfeits in online commerce. Thanks to the cooperation measures put in place, all ongoing legal proceedings related to this matter were settled.

On September 2, 2014, under the aegis of the President of the Paris Commercial Court, LVMH and Hermès entered into a settlement agreement aimed at definitively ending the litigation to which LVMH's acquisition of an equity stake in Hermès had given rise, and at restoring a climate of positive relations between them. According to the terms of this agreement, (i) in December 2014, LVMH distributed to its shareholders all of the Hermès shares held by the LVMH group, and Christian Dior, which at that date held 40.9% of LVMH's share capital via Financière Jean Goujon, distributed the Hermès shares received from LVMH to its own shareholders, and (ii) LVMH and Hermès ceased all proceedings and actions undertaken against one another. See Note 8 for the impacts of this transaction on the consolidated financial statements as of December 31, 2014.

On December 17, 2012, the Mayor of Paris granted two distinct building permits authorizing the architectural project for the restructuring and reconstruction of the former La Samaritaine department stores 2 (Seine block) and 4 (Rivoli block). Both of these permits were the subject of an action for cancellation before the Paris Administrative Court (Tribunal administratif de Paris). On April 11, 2014, the Paris Administrative Court rejected the action for cancellation filed against the building permit authorizing the restructuring of former department store 2, which is registered as a Historic Monument (Seine block). On May 13, 2014, the Paris Administrative Court cancelled the building permit order authorizing the partial demolition of former department store 4 and the reconstruction of a contemporary building designed by the architectural firm SANAA (Rivoli block). The company Grands Magasins de La Samaritaine and the City of Paris filed an appeal and requested a stay of execution of this judgment. On October 16, 2014, the Paris Administrative Court of Appeal (Cour administrative d'appel de Paris) ordered the stay of execution of this judgment while awaiting the substantive decision. On January 5, 2015, with regard to the substantive merits of the case, the Paris Administrative Court of Appeal dismissed the appeal and ordered La Samaritaine to pay 1,500 euros under Article 761-1 of the Code of Administrative Justice (Code de justice administrative). The company Grands Magasins de La Samaritaine and the City of Paris decided to file a cassation appeal before the Council of State (Conseil d'État).

In the first half of 2011, Christian Dior Couture SA dismissed Mr. John Galliano and terminated the consulting agreement it had entered into with Cheyenne Freedom SARL, a company owned by Mr. Galliano. John Galliano SA, a subsidiary of Christian Dior Couture, also terminated Mr. Galliano's employment contract. Mr. Galliano brought legal proceedings against these two Group companies. In a judgment issued on March 26, 2013, the Paris Commercial Court dismissed all of the claims lodged by Cheyenne Freedom and ordered the latter to pay Christian Dior Couture the sums of 1 million euros for damage to the Company's image, 150,000 euros for non-pecuniary damage, and 20,000 euros under Article 700 of the French Code of Civil Procedure. Cheyenne Freedom appealed this judgment. Furthermore, on November 4, 2014, the Paris Labor Court (Conseil de Prud'hommes) dismissed all of the claims lodged by Mr. Galliano. Mr. Galliano has appealed this judgment.

To the best of the Company's knowledge, there are no pending or impending administrative, judicial or arbitration procedures that are likely to have, or have had over the twelve-month period under review, any significant impact on the financial position or profitability of the Company and/or the Group.

11. Subsequent events

No significant subsequent events occurred between December 31, 2014 and April 2, 2015, the date on which the financial statements were approved for publication by the Board of Directors.

12. Recent developments and prospects

Despite a climate of economic, currency and geopolitical uncertainties, the Financière Agache group is well-equipped to continue its growth momentum across all business groups in 2015. The Group will maintain a strategy focused on developing its brands by continuing to build on strong innovation and a constant quest for quality in their products and their distribution.

Driven by the agility of its organization, the balance of its different businesses and geographic diversity, the Financière Agache group enters 2015 with confidence and has, once again, set an objective of increasing its global leadership position in luxury goods.

Consolidated financial statements

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1. Consolidated income statement

(EUR millions, except for earnings per share)	*Notes*	2014	2013 (1)	2012 (1)
Revenue	*23-24*	**32,221**	**30,408**	**29,183**
Cost of sales		(11,226)	(10,367)	(10,194)
Gross margin		**20,995**	**20,041**	**18,989**
Marketing and selling expenses		(12,609)	(11,542)	(10,691)
General and administrative expenses		(2,495)	(2,332)	(2,262)
Income (loss) from commercial joint ventures and associates	*7*	5	(12)	(9)
Profit from recurring operations	*23-24*	**5,896**	**6,155**	**6,027**
Other operating income and expenses	*25*	(289)	(129)	(180)
Operating profit		**5,607**	**6,026**	**5,847**
Cost of net financial debt		(198)	(193)	(210)
Income (loss) from non-operating joint ventures and associates		63	9	35
Other financial income and expenses		1,910	(89)	141
Net financial income (expense)	*26*	**1,775**	**(273)**	**(34)**
Income taxes	*27*	(2,372)	(1,814)	(1,917)
Net profit before minority interests		**5,010**	**3,939**	**3,896**
Minority interests	*17*	4,389	2,901	2,861
Net profit, Group share		**621**	**1,038**	**1,035**
Basic Group share of net profit per share *(EUR)*	*28*	**195.92**	**327.47**	**326.53**
Diluted Group share of net profit per share *(EUR)*	*28*	**191.81**	**324.63**	**323.69**

(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. Consolidated statement of comprehensive gains and losses

(EUR millions)	**2014**	**2013** (1)	**2012** (1)
Net profit before minority interests	**5,010**	**3,939**	**3,896**
Translation adjustments	557	(346)	(99)
Tax impact	104	(46)	(18)
	661	**(392)**	**(117)**
Change in value of available for sale financial assets	758	987	136
Amounts transferred to income statement	(2,214)	(22)	(26)
Tax impact	175	(37)	(6)
	(1,281)	**928**	**104**
Change in value of future cash flow hedges	(22)	302	173
Amounts transferred to income statement	(158)	(257)	19
Tax impact	59	(18)	(50)
	(121)	**27**	**142**
Gains and losses recognized in equity, transferable to income statement	**(741)**	**563**	**129**
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 arising on actuarial gains and losses	(163)	80	(102)
Tax impact	52	(22)	29
	(111)	**58**	**(73)**
Gains and losses recognized in equity, not transferable to income statement	**(129)**	**300**	**(16)**
Gains and losses recognized in equity	**(870)**	**863**	**113**
Comprehensive income	**4,140**	**4,802**	**4,009**
Minority interests	2,863	3,490	2,835
COMPREHENSIVE INCOME, GROUP SHARE	**1,277**	**1,312**	**1,174**

(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.

3. Consolidated balance sheet

Assets

(EUR millions)	*Notes*	2014	2013 (1) (2)	2012 (1)
Brands and other intangible assets	*3*	15,553	15,102	13,808
Goodwill	*4*	9,809	10,056	8,708
Property, plant and equipment	*6*	11,038	10,179	9,144
Investments in joint ventures and associates	*7*	864	742	851
Non-current available for sale financial assets	*8*	3,575	7,416	6,321
Other non-current assets	*9*	551	486	631
Deferred tax	*27*	1,553	957	991
Non-current assets		**42,943**	**44,938**	**40,454**
Inventories and work in progress	*10*	9,910	8,871	8,336
Trade accounts receivable	*11*	2,356	2,231	2,030
Income taxes		366	244	217
Other current assets	*12*	2,775	2,865	3,736
Cash and cash equivalents	*14*	4,896	3,563	2,634
Current assets		**20,303**	**17,774**	**16,953**
TOTAL ASSETS		**63,246**	**62,712**	**57,407**

Liabilities and equity

(EUR millions)	*Notes*	2014	2013 (1) (2)	2012 (1)
Share capital	*15.1*	51	51	51
Share premium account		442	442	442
Treasury shares and related derivatives	*15.2*	(6)	(6)	(7)
Cumulative translation adjustment	*15.4*	164	(5)	101
Revaluation reserves		2,225	1,741	1,353
Other reserves		6,021	5,222	4,482
Net profit, Group share		621	1,038	1,035
Equity, Group share		9,518	8,483	7,457
Minority interests	*17*	17,776	21,146	19,513
Equity		**27,294**	**29,629**	**26,970**
Long-term borrowings	*18*	7,266	5,871	5,003
Non-current provisions	*19*	2,328	1,815	1,809
Deferred tax	*27*	5,244	5,122	4,731
Other non-current liabilities	*20*	6,503	6,420	5,477
Non-current liabilities		**21,341**	**19,228**	**17,020**
Short-term borrowings	*18*	6,091	6,549	5,776
Trade accounts payable		3,780	3,382	3,183
Income taxes		671	385	466
Current provisions	*19*	350	356	348
Other current liabilities	*21*	3,719	3,183	3,644
Current liabilities		**14,611**	**13,855**	**13,417**
TOTAL LIABILITIES AND EQUITY		**63,246**	**62,712**	**57,407**

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

4. Consolidated statement of changes in equity

						Revaluation reserves					Total equity		
(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and related derivatives	Cumulative translation adjustment	Available for sale financial assets	Future cash flow hedges	Vineyard land	Employee benefit commitments	Net profit and other reserves	Group share	Minority interests	Total
Notes		*15.1*		*15.2*	*15.4*							*17*	
As of December 31, 2011	**3,173,352**	**51**	**442**	**(12)**	**126**	**1,006**	**(24)**	**219**	**(9)**	**4,847**	**6,646**	**18,049**	**24,695**
Gains and losses recognized in equity					(26)	134	36	13	(18)	-	139	(26)	113
Net profit										1,035	1,035	2,861	3,896
Comprehensive income					**(26)**	**134**	**36**	**13**	**(18)**	**1,035**	**1,174**	**2,835**	**4,009**
Stock option plan and similar expenses										21	21	40	61
(Acquisition)/disposal of treasury shares and related derivatives				5						-	5	-	5
Capital increase in subsidiaries										-	-	8	8
Interim and final dividends paid										(365)	(365)	(1,362)	(1,727)
Changes in control of consolidated entities					-	-	-	-	-	(3)	(3)	(19)	(22)
Acquisition and disposal of minority interests' shares					1	(3)	-	(1)	-	(15)	(18)	67	49
Purchase commitments for minority interests' shares										(3)	(3)	(105)	(108)
As of December 31, 2012	**3,173,352**	**51**	**442**	**(7)**	**101**	**1,137**	**12**	**231**	**(27)**	**5,517**	**7,457**	**19,513**	**26,970**
Gains and losses recognized in equity					(107)	295	12	58	16	-	274	589	863
Net profit										1,038	1,038	2,901	3,939
Comprehensive income					**(107)**	**295**	**12**	**58**	**16**	**1,038**	**1,312**	**3,490**	**4,802**
Stock option plan and similar expenses										15	15	27	42
(Acquisition)/disposal of treasury shares and related derivatives				1						-	1	-	1
Capital increase in subsidiaries										-	-	10	10
Interim and final dividends paid										(90)	(90)	(1,181)	(1,271)
Acquisition of a controlling interest in Loro Piana [(1)]					-	-	-	-	-	-	-	235	235
Changes in control of consolidated entities					-	-	-	-	-	-	-	-	-
Acquisition and disposal of minority interests' shares					1	6	-	2	(1)	(153)	(145)	(269)	(414)
Purchase commitments for minority interests' shares [(1)]										(67)	(67)	(679)	(746)
As of December 31, 2013	**3,173,352**	**51**	**442**	**(6)**	**(5)**	**1,438**	**24**	**291**	**(12)**	**6,260**	**8,483**	**21,146**	**29,629**
Gains and losses recognized in equity					169	545	(24)	(4)	(30)	-	656	(1,526)	(870)
Net profit					-	-	-	-	-	621	621	4,389	5,010
Comprehensive income					**169**	**545**	**(24)**	**(4)**	**(30)**	**621**	**1,277**	**2,863**	**4,140**
Stock option plan and similar expenses										17	17	31	48
(Acquisition)/disposal of treasury shares and related derivatives				-						-	-	-	-
Capital increase in subsidiaries										-	-	4	4
Interim and final dividends paid										-	-	(1,393)	(1,393)
Distribution in kind of Hermès shares. See Note 8.										-	-	(4,718)	(4,718)
Changes in control of consolidated entities					-	-	-	-	-	(2)	(2)	7	5
Acquisition and disposal of minority interests' shares					-	(2)	1	(1)	(1)	7	4	63	67
Purchase commitments for minority interests' shares										(261)	(261)	(227)	(488)
As of December 31, 2014	**3,173,352**	**51**	**442**	**(6)**	**164**	**1,981**	**1**	**286**	**(43)**	**6,642**	**9,518**	**17,776**	**27,294**

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

5. Consolidated cash flow statement

(EUR millions)	*Notes*	2014	2013 [1]	2012 [1]
I – OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		5,607	6,026	5,847
Adjustment for income/(loss) and dividends from commercial joint ventures and associates [(a)]	7	16	38	27
Net increase in depreciation, amortization and provisions		2,011	1,533	1,363
Other computed expenses		(172)	(17)	(53)
Other adjustments		(91)	(66)	(54)
Cash from operations before changes in working capital		**7,371**	**7,514**	**7,130**
Cost of net financial debt: interest paid		(201)	(199)	(225)
Income taxes paid relating to operating activities [(a)]		(1,688)	(1,884)	(1,943)
Net cash from operating activities before changes in working capital		**5,482**	**5,431**	**4,962**
Total change in working capital	14.1	**(779)**	**(679)**	**(791)**
Net cash from operating activities		**4,703**	**4,752**	**4,171**
Operating investments	14.2	**(1,962)**	**(1,901)**	**(1,845)**
Net cash from operating activities and operating investments (free cash flow)		**2,741**	**2,851**	**2,326**
II – FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets		(384)	(223)	(148)
Proceeds from sale of non-current available for sale financial assets	8	211	64	61
Dividends received [(a)]		73	73	181
Income taxes paid relating to financial investments [(a)]		(240)	(13)	(24)
Impact of purchase and sale of consolidated investments	2.4	(168)	(2,161)	(122)
Net cash from (used in) financial investments		**(508)**	**(2,260)**	**(52)**
III – TRANSACTIONS RELATING TO EQUITY				
Capital increases of subsidiaries subscribed by minority interests		4	9	9
Interim and final dividends paid by Financière Agache SA	15.3	-	(90)	(365)
Income taxes paid related to interim and final dividends paid [(a)]		(96)	(159)	(79)
Interim and final dividends paid to minority interests in consolidated subsidiaries		(1,450) [(b)]	(1,235)	(1,289)
Purchase and proceeds from sale of minority interests	2.4	(294)	(427)	(95)
Net cash from (used in) transactions relating to equity		**(1,836)**	**(1,902)**	**(1,819)**
Change in cash before financing activities		**397**	**(1,311)**	**455**
IV – FINANCING ACTIVITIES				
Proceeds from borrowings		3,625	4,126	1,604
Repayment of borrowings		(2,849)	(2,322)	(2,394)
Non-Group financial current accounts		244	179	501
Purchase and proceeds from sale of current available for sale financial assets		(125)	88	(64)
Net cash from (used in) financing activities		**895**	**2,071**	**(353)**
V – EFFECT OF EXCHANGE RATE CHANGES		**43**	**63**	**(33)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**1,335**	**823**	**69**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14	**3,135**	**2,312**	**2,243**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	**4,470**	**3,135**	**2,312**
TOTAL INCOME TAXES PAID		**(2,024)**	**(2,056)**	**(2,046)**
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. See Note 1.4.
(b) The distributions in kind of Hermès shares by Christian Dior and LVMH 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.

Notes to the consolidated financial statements

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6. Notes to the consolidated financial statements

NOTE 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 April 2, 2015.

1.2. Changes in the accounting framework applicable to the Group

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

The standards, amendments and interpretations applicable to the Group as from January 1, 2014 are IFRS 10, IFRS 11 and IFRS 12 as they relate to consolidation. These IFRS redefine the concept of the control of entities (see Note 1.6), eliminate the possibility of using 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.

Concerning the entities in the Financière Agache group that are jointly controlled and fully integrated within the Group's operating activities, the Group discloses their net profit, as well as that of entities currently accounted for using the equity method (see Note 7), on a specific line within profit from recurring operations. Profit for equity-accounted entities whose activity is not part of operating activities will be disclosed on a specific line within net financial income (expense).

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)	**2012**	**2013**
Revenue	**(104)**	**(106)**
Cost of sales	44	47
Gross margin	**(60)**	**(59)**
Marketing and selling expenses	72	67
General and administrative expenses	10	9
Income (loss) from commercial joint ventures and associates	(9)	(12)
Profit from recurring operations	**13**	**5**
Other operating income and expenses	0	8
Operating profit	**13**	**13**
Cost of net financial debt	1	2
Income (loss) from non-operating joint ventures and associates	35	9
Other financial income and expenses	-	(1)
Net financial income (expense)	**36**	**10**
Income taxes	-	2
Income (loss) from joint ventures and associates	(49)	(25)
Net profit, Group share	**-**	**-**

Impacts on the balance sheet

ASSETS *(EUR millions)*	2012	2013
Tangible and intangible fixed assets	(25)	(21)
Investments in joint ventures and associates	71	80
Other non-current assets	(1)	(1)
Non-current assets	**45**	**58**
Inventories	(71)	(64)
Other current assets	(12)	(19)
Current assets	**(83)**	**(83)**
Total assets	**(38)**	**(25)**

LIABILITIES AND EQUITY *(EUR millions)*	2012	2013
Equity	-	-
Long-term borrowings	(11)	(10)
Non-current provisions and deferred tax	17	8
Equity and non-current liabilities	**6**	**(2)**
Short-term borrowings	(22)	(1)
Other current liabilities	(22)	(22)
Current liabilities	**(44)**	**(23)**
Total liabilities and equity	**(38)**	**(25)**

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

The standards, amendments and interpretations applicable to the Group with effect from January 1, 2015 are as follows:

- IFRIC Interpretation 21 on the accounting for levies;
- IAS 19 amendment on the accounting of 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 on how the Financière Agache group accounts for 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 Financière Agache group has retrospectively restated acquisitions made since 1988, the date of the initial consolidation of LVMH. IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of this date;
- measurement of property, plant and equipment and intangible assets: the option to measure these assets at fair value at the date of transition was not applied with the exception of the real estate holdings of Christian Dior Couture, Belle Jardinière and Le Bon Marché;
- 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 the 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 commercial

joint ventures and associates are presented in "Net cash from operating activities", while dividends from non-operating joint ventures and associates and 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 fiscal years 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 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 fiscal year-end. 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 fiscal year-end, 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 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 the fiscal year-end 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 fiscal year-end 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 at 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' shares

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 fiscal year-end 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 canceled 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 fiscal year-end. 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, such as 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 (with the exception of Christian Dior Couture whose business plans cover a three-year 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 include assessment of the risk factor associated with each 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), and may not exceed the net realizable value.

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, whiskey), 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 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 and other financial assets 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 fiscal year-end. 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. Financière Agache, Christian Dior and LVMH treasury shares and related derivatives

Financière Agache treasury shares

Financière Agache shares 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 using the FIFO method. Gains and losses on disposal are taken directly to equity.

Christian Dior and LVMH treasury shares and related derivatives

Purchases and sales by Christian Dior and LVMH of their own shares, resulting in changes in the percentage holdings of Financière Agache group in Christian Dior and LVMH, are accounted for in the consolidated financial statements of Financière Agache group as changes in the percentage interest in consolidated entities.

As from January 1, 2010, in accordance with the revised version of IFRS 3, changes in the percentage of the Financière Agache group's ownership interest in Christian Dior and LVMH have been taken to equity. As this standard is applied prospectively, goodwill recognized as of December 31, 2009 has been maintained as an asset on the balance sheet.

LVMH share-settled derivatives that are held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated 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 payments 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 fiscal year-end; the effect of changes in rates is recognized during the periods in which changes are enacted.

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

Deferred tax assets and liabilities are not discounted.

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

1.25. 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, Selective Retailing and Christian Dior Couture, 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, which provide specific rules for allocating the entities' income statement items and assets and liabilities between the Group and Diageo, 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, where applicable, based on the weighted average number of shares before dilution. Dilutive instruments issued by subsidiaries are also taken into consideration for the purposes of determining the Group's share of net profit after dilution.

NOTE 2 – CHANGES IN THE PERCENTAGE INTEREST IN CONSOLIDATED ENTITIES

2.1. Fiscal year 2014

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.

Selective Retailing

LVMH acquired an additional 30% stake in Sephora Brasil (formerly known as Sack's), bringing its percentage holding to 100%. The difference between the acquisition price and minority interests was deducted from equity.

2.2. Fiscal year 2013

2.2.1. Wines and Spirits

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

2.2.2. Fashion and Leather Goods

Loro Piana

In July 2013, LVMH signed a memorandum of understanding for the acquisition of an 80% stake in the 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 equity.

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
Tangible and intangible 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 at LVMH (20%)	(51)	(184)	(235)
Net assets, Group share at LVMH (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 fibers, 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 represented a total amount of 9 million euros as of December 31, 2013; see Note 25.

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

Nicholas Kirkwood

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

Marc Jacobs

In 2013, the Group raised its stake in Marc Jacobs to 80%. The difference between the acquisition price and minority interests was deducted from equity.

2.2.3. Other activities

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

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

2.3. Fiscal year 2012

Christian Dior Couture

The Group acquired the entire share capital of the Vermont embroidery workshops, founded in 1954 by Jean Guy Vermont. This investment was consolidated with effect from June 30, 2012.

Fashion and Leather Goods

In May 2012, the Group acquired the entire share capital of Les Tanneries Roux (France), a supplier of high quality leather. In June 2012, the Group acquired a 100% ownership interest in Arnys (France), a ready-to-wear and made-to-measure menswear label. These entities were consolidated with effect from June 2012.

Perfumes and Cosmetics

In October 2012, the Group acquired the 20% stake in the share capital of Benefit that it did not own; the price paid generated the recognition of a final goodwill in the amount of 133 million euros, previously recorded under "Goodwill arising on purchase commitments for minority interests".

2.4. Impact on cash and cash equivalents of changes in the percentage interest in consolidated entities

(EUR millions)	2014	2013 (1)	2012 (1)
Purchase price of consolidated investments and of minority interests' shares	(592)	(2,680)	(328)
Positive cash balance/(net overdraft) of companies acquired	8	10	-
Proceeds from sale of consolidated investments	127	82	111
(Positive cash balance)/net overdraft of companies sold	(5)	-	-
IMPACT OF CHANGES IN THE PERCENTAGE INTEREST IN CONSOLIDATED ENTITIES ON CASH AND CASH EQUIVALENTS	**(462)**	**(2,588)**	**(217)**
Of which:			
Purchase and sale of consolidated investments	(168)	(2,161)	(122)
Purchase and proceeds from sale of minority interests	(294)	(427)	(95)

In 2014, the impacts of changes in the percentage interest in consolidated entities were mainly related to the acquisition of Domaine du Clos des Lambrays and that of the 30% stake in Sephora Brasil, as well as acquisitions of additional Christian Dior shares.

In 2013, the impact on the Group's cash and cash equivalents of changes in the percentage interest in consolidated entities was related, for 1,982 million euros, to the acquisition of Loro Piana. The remainder is related to the acquisition of Hotel Saint-Barth Isle de France, the Cova patisserie business, Nicholas Kirkwood, and additional shareholdings in Château d'Yquem and Marc Jacobs.

In 2012, the impact on the Group's cash position of changes in the percentage interest in consolidated entities mainly included the effects of the acquisition of the 20% stake in Benefit not previously owned by the Group, as well as the acquisition of 100% stakes in Tanneries Roux and Arnys, and the capital increase of Le Peigné SA.

NOTE 3 – BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

	2014			2013 (1) (2)	2012 (1)
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Brands	12,868	(437)	12,431	12,341	11,111
Trade names	3,651	(1,496)	2,155	1,933	2,009
License rights	23	(22)	1	-	-
Leasehold rights	740	(343)	397	358	260
Software, websites	1,078	(793)	285	241	204
Other	623	(339)	284	229	224
TOTAL	**18,983**	**(3,430)**	**15,553**	**15,102**	**13,808**
Of which:					
Assets held under finance leases	14	(14)	-	-	-

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

3.1. Movements in the fiscal year

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)	**12,732**	**3,257**	**923**	**669**	**540**	**18,121**
Acquisitions	-	-	104	76	164	344
Disposals and retirements	-	-	(23)	(12)	(39)	(74)
Changes in the scope of consolidation	-	-	-	-	2	2
Translation adjustment	135	394	27	10	12	578
Reclassifications	1	-	47	(3)	(33)	12
AS OF DECEMBER 31, 2014	**12,868**	**3,651**	**1,078**	**740**	**646**	**18,983**

Accumulated amortization and impairment *(EUR millions)*	**Brands**	**Trade names**	**Software, websites**	**Leasehold rights**	**Other intangible assets**	**Total**
As of December 31, 2013 (1) (2)	**(391)**	**(1,324)**	**(682)**	**(311)**	**(311)**	**(3,019)**
Amortization expense	(22)	(1)	(119)	(41)	(81)	(264)
Impairment expense	(3)	-	-	(1)	(1)	(5)
Disposals and retirements	-	-	23	11	38	72
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	(20)	(171)	(17)	(1)	(6)	(215)
Reclassifications	(1)	-	2	-	-	1
AS OF DECEMBER 31, 2014	**(437)**	**(1,496)**	**(793)**	**(343)**	**(361)**	**(3,430)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2014	**12,431**	**2,155**	**285**	**397**	**285**	**15,553**

Translation adjustments arose mainly on property, plant and equipment 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 balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

3.2. Movements in prior fiscal years

Net carrying amount *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of December 31, 2011	**11,141**	**2,045**	**177**	**201**	**216**	**13,780**
Acquisitions	-	-	82	62	94	238
Disposals and retirements	-	-	-	(4)	(1)	(5)
Changes in the scope of consolidation	-	-	-	19	1	20
Amortization expense	(40)	(1)	(87)	(20)	(56)	(204)
Impairment expense	-	-	-	(1)	-	(1)
Translation adjustment	10	(35)	(1)	(1)	(1)	(28)
Reclassifications	-	-	33	4	(29)	8
As of December 31, 2012 (1)	**11,111**	**2,009**	**204**	**260**	**224**	**13,808**
Acquisitions	-	-	98	82	106	286
Disposals and retirements	-	-	-	(3)	(2)	(5)
Changes in the scope of consolidation	1,306	-	6	53	9	1,374
Amortization expense	(25)	(1)	(98)	(36)	(68)	(228)
Impairment expense	-	-	-	(1)	(1)	(2)
Translation adjustment	(51)	(75)	(4)	(4)	(2)	(136)
Reclassifications	-	-	35	7	(37)	5
AS OF DECEMBER 31, 2013 (1) (2)	**12,341**	**1,933**	**241**	**358**	**229**	**15,102**

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

3.3. Brands and trade names

The breakdown of brands and trade names by business group is as follows:

	2014			2013 (1) (2)	2012 (1)
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Christian Dior Couture	12	-	12	11	12
Wines and Spirits	2,838	(94)	2,744	2,726	2,751
Fashion and Leather Goods	4,946	(252)	4,694	4,652	3,366
Perfumes and Cosmetics	1,292	(24)	1,268	1,261	1,264
Watches and Jewelry	3,539	(6)	3,533	3,505	3,528
Selective Retailing	3,609	(1,450)	2,159	1,937	2,014
Other activities	283	(107)	176	182	185
BRANDS AND TRADE NAMES	**16,519**	**(1,933)**	**14,586**	**14,274**	**13,120**

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

The brands and trade names recognized are those that the Group has acquired. The principal acquired brands and trade names as of December 31, 2014 are:

- Wines and Spirits: Hennessy, Moët & Chandon, Veuve Clicquot, Krug, Château d'Yquem, Belvedere, Glenmorangie, Newton Vineyards and Numanthia Termes;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Donna Karan New York, Céline, Loewe, Givenchy, Kenzo, Thomas Pink, Berluti, Pucci and Loro Piana;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up For Ever, Benefit Cosmetics, Fresh and Acqua di Parma;
- Watches and Jewelry: Bvlgari, TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora, Le Bon Marché, Ile de Beauté and Ole Henriksen;
- Other activities: the publications of the media group Les Echos-Investir, the Royal Van Lent-Feadship brand and Cova.

These brands and trade names are recognized in the balance sheet at their value determined as of the date of their acquisition by the Group, which may be much less than their value in use or their net selling price as of the closing date for the Group's financial statements. This is notably the case for the brands Louis Vuitton, Christian Dior Couture, Veuve Clicquot, and Parfums Christian Dior, or the trade name Sephora, with the understanding that this list must not be considered exhaustive.

Brands developed by the Group, notably Dom Pérignon, Mercier and Ruinart, are not capitalized in the balance sheet.

Brands and trade names developed by the Group, in addition to Louis Vuitton, Moët & Chandon, Ruinart, Hennessy, Veuve Clicquot, Parfums Christian Dior and Sephora, represented 34% of total brands and trade names capitalized in the balance sheet and 58% of the Group's consolidated revenue.

Please refer also to Note 5 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

NOTE 4 – GOODWILL

	2014			2013 (1) (2)	2012 (1)
(EUR millions)	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	8,534	(1,416)	7,118	7,197	6,172
Goodwill arising on purchase commitments for minority interests	2,691	-	2,691	2,859	2,536
TOTAL	**11,225**	**(1,416)**	**9,809**	**10,056**	**8,708**

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

	2014			2013 (1) (2)	2012 (1)
(EUR millions)	Gross	Impairment	Net	Net	Net
As of January 1	**11,173**	**(1,117)**	**10,056**	**8,708**	**7,857**
Changes in the scope of consolidation (1)	82	-	82	1,142	45
Changes in purchase commitments for minority interests	(165)	3	(162)	294	836
Changes in impairment	-	(209)	(209)	(57)	(24)
Translation adjustment	135	(93)	42	(31)	(6)
AS OF DECEMBER 31	**11,225**	**(1,416)**	**9,809**	**10,056**	**8,708**

Changes in the scope of consolidation in fiscal year 2013 were mainly attributable to goodwill arising on the acquisition of Loro Piana for 1,047 million euros, and to the goodwill arising on the consolidation of Hotel Saint-Barth Isle de France, Nicholas Kirkwood and Cova for the remaining amount.

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

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

NOTE 5 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives, as well as goodwill, were subject to annual impairment testing. No significant impairment expense was recognized in respect of these items during the course of fiscal year 2014. As described in Note 1.14, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans drawn up over the course of each fiscal year.

The main assumptions retained for the determination of these forecast cash flows are as follows:

	2014			2013			2012		
Business group *(as %)*	Post-tax discount rate	Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Compound annual growth rate for revenue during the plan period	Growth rate for the period after the plan
Christian Dior Couture	9.4	9.1	2.0	8.6	11.1	2.0	8.6	11.7	2.0
Wines and Spirits	7.5 to 11.2	8.1	2.0	7.5 to 11.2	9.2	2.0	7.5 to 11.2	10.3	2.0
Fashion and Leather Goods	8.0 to 13.1	9.1	2.0	8.0 to 13.1	11.1	2.0	8.0 to 13.1	11.7	2.0
Perfumes and Cosmetics	8.0 to 8.5	8.7	2.0	8.0 to 9.4	9.5	2.0	8.0 to 8.4	9.2	2.0
Watches and Jewelry	9.2 to 9.6	8.7	2.0	9.2 to 9.6	9.7	2.0	9.2 to 9.6	9.8	2.0
Selective Retailing	8.4 to 9.6	9.4	2.0	8.4 to 9.6	10.1	2.0	8.4 to 9.6	9.6	2.0
Other	6.5 to 8.2	0.9	2.0	6.5 to 8.2	2.7	2.0	6.5 to 8.2	10.9	2.0

Plans generally cover a five-year period, with the exception of Christian Dior Couture where they cover a three-year period, but may be prolonged up to ten years for brands whose production cycle exceeds five years or brands undergoing strategic repositioning. The compound annual growth rate for revenue and the improvement in profit margins over plan periods are comparable to the growth achieved over the past four fiscal years, except for brands undergoing strategic repositioning, for which the improvements projected were greater than historical performance due to the expected effects of the repositioning measures implemented.

Discount rates are unchanged compared to 2013, as lower interest rates were offset by the rise in risk premiums. Annual growth rates applied for the period not covered by the plans are based on market estimates for the business groups concerned.

As of December 31, 2014, the intangible assets with indefinite useful lives that are the most significant in terms of their net carrying amounts and the criteria used for their impairment testing are as follows:

(EUR millions)	Brands and trade names	Goodwill	Total	Post-tax discount rate *(as %)*	Growth rate for the period after the plan *(as %)*	Period covered by the forecast cash flows
Louis Vuitton	2,058	422	2,480	8.0	2.0	5 years
Fendi	713	404	1,117	9.6	2.0	5 years
Bvlgari	2,100	1,547	3,647	9.2	2.0	10 years
TAG Heuer	1,032	196	1,228	9.2	2.0	5 years
DFS Galleria	1,885	18	1,903	9.6	2.0	5 years
Hennessy	1,067	47	1,114	7.5	2.0	5 years
Sephora	274	549	823	8.4	2.0	5 years

See Note 2.2.2 on Loro Piana's intangible assets with indefinite useful lives.

As of December 31, 2014, for the business segments listed above, a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, compared to rates used as of December 31, 2014, or a reduction of 2 points in the compound annual growth rate for revenue over the period covered by the plans would not result in the recognition of any impairment losses for these intangible assets. The Group considers that changes in excess of the limits mentioned above would entail assumptions at a level not deemed relevant, in view of the current economic environment and medium- to long-term growth prospects for the business segments concerned.

With respect to the other business segments, seven have disclosed intangible assets with a carrying amount close to their value in use. The carrying amount for each of these intangible assets as of December 31, 2014 as well as the impairment loss that would result from a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, or from a reduction of 2 points in the compound annual growth rate for revenue compared to rates used as of December 31, 2014, are indicated below:

		Amount of impairment if:		
(EUR millions)	**Amount of intangible assets concerned as of December 31, 2014**	**Post-tax discount rate increases by 0.5%**	**Compound annual growth rate for revenue decreases by 2%**	**Growth rate for the period after the plan decreases by 0.5%**
Fashion and Leather Goods	523	(33)	(51)	(21)
Other business groups	558	(56)	(30)	(45)
TOTAL	**1,081**	**(89)**	**(81)**	**(66)**

As of December 31, 2014, the gross and net values of brands, trade names and goodwill giving rise to amortization and/or impairment charges in 2014 were 1,202 million euros and 622 million euros, respectively (849 million euros and 559 million euros as of December 31, 2013). See Note 25 regarding the amortization and impairment expense recorded during the fiscal year.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

	2014			2013 (1) (2)	2012 (1)
(EUR millions)	Gross	Depreciation and impairment	Net	Net	Net
Land	1,373	(68)	1,305	1,236	1,310
Vineyard land and producing vineyards	2,455	(91)	2,364	2,294	1,930
Buildings	2,883	(1,378)	1,505	1,445	1,391
Investment property	682	(48)	634	607	509
Leasehold improvements, machinery and equipment	9,000	(5,725)	3,275	2,742	2,235
Assets in progress	743	(4)	739	814	737
Other tangible fixed assets	1,684	(468)	1,216	1,041	1,032
TOTAL	**18,820**	**(7,782)**	**11,038**	**10,179**	**9,144**
Of which:					
Assets held under finance leases	303	(203)	100	109	113
Historical cost of vineyard land and producing vineyards	722	(91)	631	537	535

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

6.1. Movements in the fiscal year

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: Stores	Production, logistics	Other	Assets in progress	Other tangible fixed assets	Total
As of December 31, 2013 (1) (2)	**2,378**	**4,073**	**650**	**4,431**	**1,904**	**1,057**	**814**	**1,622**	**16,929**
Acquisitions	3	135	16	547	103	105	599	175	1,683
Change in the market value of vineyard land	(17)	-	-	-	-	-	-	-	(17)
Disposals and retirements	(25)	(41)	(2)	(257)	(74)	(79)	(2)	(16)	(496)
Changes in the scope of consolidation	96	12	-	(3)	1	(1)	(6)	4	103
Translation adjustment	7	149	18	326	18	53	42	37	650
Other movements, including transfers	13	(72)	-	660	65	144	(704)	(138)	(32)
AS OF DECEMBER 31, 2014	**2,455**	**4,256**	**682**	**5,704**	**2,017**	**1,279**	**743**	**1,684**	**18,820**

Depreciation and impairment (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment: Stores	Production, logistics	Other	Assets in progress	Other tangible fixed assets	Total
As of December 31, 2013 (1) (2)	**(84)**	**(1,392)**	**(43)**	**(2,637)**	**(1,290)**	**(723)**	**-**	**(581)**	**(6,750)**
Depreciation expense	(6)	(127)	(5)	(693)	(142)	(124)	-	(68)	(1,165)
Impairment expense	-	(14)	(2)	14	-	1	(5)	(2)	(8)
Disposals and retirements	-	34	2	254	72	77	1	16	456
Changes in the scope of consolidation	-	(5)	-	2	(1)	1	-	(2)	(5)
Translation adjustment	(1)	(48)	-	(204)	(11)	(38)	-	(27)	(329)
Other movements, including transfers	-	106	-	(246)	3	(40)	-	196	19
AS OF DECEMBER 31, 2014	**(91)**	**(1,446)**	**(48)**	**(3,510)**	**(1,369)**	**(846)**	**(4)**	**(468)**	**(7,782)**
NET CARRYING AMOUNT AS OF DECEMBER 31, 2014	**2,364**	**2,810**	**634**	**2,194**	**648**	**433**	**739**	**1,216**	**11,038**

The impact of marking vineyard land to market was 1,733 million euros as of December 31, 2014 (1,757 million euros as of December 31, 2013; 1,396 million euros as of December 31, 2012). See Notes 1.9 and 1.13 on the measurement method of vineyard land.

The market value of investment property, according to appraisals by independent third parties, was 1 billion euros as of December 31, 2014 at the LVMH group level. The valuation methods used are based on market data.

Purchases of property, plant and equipment include investments by Louis Vuitton, Christian Dior Couture, Sephora, DFS and Bvlgari in their retail networks, investments by the champagne houses in their production equipment, and investments by Parfums Christian Dior in new counters, 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 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 balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

6.2. Movements in prior fiscal years

Net carrying amount (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, 2011	**1,826**	**2,533**	**537**	**1,258**	**514**	**189**	**518**	**913**	**8,288**
Acquisitions	14	157	73	515	109	93	645	162	1,768
Disposals and retirements	(1)	(16)	-	(4)	(1)	(1)	(3)	(5)	(31)
Depreciation expense	(6)	(151)	(5)	(401)	(113)	(94)	-	(95)	(865)
Impairment expense	-	(75)	-	1	(1)	1	-	(3)	(77)
Change in the market value of vineyard land	85	-	-	-	-	-	-	-	85
Changes in the scope of consolidation	-	8	-	6	-	1	-	8	23
Translation adjustment	(4)	(36)	(1)	(20)	(1)	(4)	(6)	(2)	(74)
Other movements, including transfers	16	281	(95)	65	54	69	(417)	54	27
As of December 31, 2012 (1)	**1,930**	**2,701**	**509**	**1,420**	**561**	**254**	**737**	**1,032**	**9,144**
Acquisitions	4	145	20	632	90	117	613	103	1,724
Disposals and retirements	-	(3)	-	(3)	(1)	(2)	(2)	(23)	(34)
Depreciation expense	(6)	(131)	(7)	(509)	(120)	(111)	-	(91)	(975)
Impairment expense	-	(1)	-	(2)	1	-	(8)	-	(10)
Change in the market value of vineyard land	369	-	-	-	-	-	-	-	369
Changes in the scope of consolidation	-	155	-	31	32	2	-	1	221
Translation adjustment	(11)	(91)	(13)	(81)	(8)	(10)	(18)	(19)	(251)
Other movements, including transfers	8	(94)	98	306	59	84	(508)	38	(9)
AS OF DECEMBER 31, 2013 (1) (2)	**2,294**	**2,681**	**607**	**1,794**	**614**	**334**	**814**	**1,041**	**10,179**

Purchases of property, plant and equipment in 2013 included investments by Louis Vuitton, Christian Dior Couture, Sephora, DFS, Bvlgari and Berluti in their retail networks, as well as those of the champagne houses in their production equipment, and those of Parfums Christian Dior in new counters. The effects of changes in the scope of consolidation were mainly related to the consolidation of Loro Piana.

Purchases of property, plant and equipment in 2012 reflected investments by Louis Vuitton, Christian Dior Couture, Sephora, DFS and Parfums Christian Dior in their retail networks, those of the champagne houses in their production equipment, and the effects of real estate investments dedicated to administrative, commercial or rental purposes.

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

NOTE 7 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)	2014 Gross	2014 Impairment	2014 Net	2014 Of which joint arrangements [a]	2013 [1] Net	2013 [1] Of which joint arrangements [a]	2012 [1] Net	2012 [1] Of which joint arrangements [a]
Share of net assets of joint ventures and associates as of January 1	**742**	**-**	**742**	**168**	**851**	**160**	**642**	**169**
Share of net profit (loss) for the period	68	-	68	(6)	(3)	(20)	26	(13)
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	74	13
Translation adjustment	8	-	8	4	(17)	(3)	(6)	(2)
Impact of revaluation adjustments	28	-	28	-	-	-	131	-
Other movements, including transfers	16	-	16	11	(107)	4	9	9
SHARE OF NET ASSETS OF JOINT VENTURES AND ASSOCIATES AS OF DECEMBER 31	**864**	**-**	**864**	**183**	**742**	**168**	**851**	**160**

(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;

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;
- a 46% equity stake in J.W.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;
- a 40% equity stake in Le Peigné SA, whose registered office is located in Brussels, Belgium.

(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.

NOTE 8 – NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

	2014			2013	2012
(EUR millions)	Gross	Impairment	Net	Net	Net
TOTAL	**3,833**	**(258)**	**3,575**	**7,416**	**6,321**

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

(EUR millions)	2014	2013	2012
As of January 1	**7,416**	**6,321**	**6,278**
Acquisitions	394	223	143
Disposals at net realized value	(226)	(64)	(61)
Distributions in kind of Hermès shares	(4,613)	-	-
Changes in market value	692	969	(6)
Changes in impairment	(43)	(14)	(7)
Changes in the scope of consolidation	-	1	-
Translation adjustment	36	(11)	(6)
Other reclassifications	(81)	(9)	(20)
AS OF DECEMBER 31	**3,575**	**7,416**	**6,321**

As of December 31, 2014, non-current available for sale assets mainly include an investment in Hermès International SCA ("Hermès") with a gross and net amount of 2,586 million euros (6,437 million euros as of December 31, 2013 and 5,409 million euros as of December 31, 2012). In fiscal year 2014, the stake in the share capital of Hermès decreased from 23.1% to 8.3% following the distributions in kind of Hermès shares held by LVMH and Christian Dior to their shareholders, according to the conditions described below.

On September 2, 2014, under the aegis of the President of the Paris Commercial Court, Hermès International on the one side and LVMH, Christian Dior and Financière Jean Goujon on the other 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. Christian Dior, which as of the date of the distribution held 40.9% of LVMH's share capital through its wholly owned subsidiary Financière Jean Goujon, also agreed to distribute the Hermès shares received from LVMH to its own shareholders;
- 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 and Christian Dior distributed the Hermès shares to their shareholders on December 17, 2014, in the form of exceptional distributions in kind. LVMH decided at its Combined Shareholders' Meeting of November 25, 2014 on a distribution in kind of 2 Hermès shares for every 41 LVMH shares. Christian Dior decided at its Combined Shareholders' Meeting of December 9, 2014 on a distribution in kind of one Hermès share for every 24 Christian Dior shares and at its Board of Directors meeting of December 11, 2014 on an interim dividend in kind of 3 Hermès shares for every 200 Christian Dior shares.

The amount of the distributions in kind carried out by the Group, 4.7 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.

Following the distributions of Hermès shares to the minority shareholders in LVMH and Christian Dior, the market value of the Group's stake in Hermès as of December 31, 2014 came to 2,659 million euros, which comprised:

- for 73 million euros, shares not distributed by LVMH and Christian Dior on account of the existence of remainders and fractional rights. Under the terms of the Agreement, these companies have undertaken to dispose of those shares by no later than September 2, 2015. The shares are presented in current available for sale financial assets as of December 31, 2014 (see Note 13).
- for 2,586 million euros, the value of the Group's stake in Hermès as of December 31, 2014 following the distributions in kind by LVMH and Christian Dior to the Financière Agache group and following the acquisitions of Hermès shares from companies affiliated with Groupe Arnault. The Hermès share price used to value the shareholding was 294.80 euros as of December 31, 2014 (263.50 euros as of December 31, 2013; 226.30 euros as of December 31, 2012).

The impact of the Hermès share distributions on equity as of December 17, 2014 is as follows:

	Revaluation reserves	Profit	Other reserves	Total	Group share	Minority interests
Distributions in kind of Hermès shares	(1,811)	2,056	(4,718)	(4,473)	-	(4,473)
Related tax	185	(565)	-	(380)	(137)	(243)
Net	**(1,626)**	**1,491**	**(4,718)**	**(4,853)**	**(137)**	**(4,716)**

The net impact on consolidated equity is a reduction of 4.9 billion euros, corresponding to the value of the Hermès stake as of December 31, 2013 distributed to the minority shareholders in LVMH and Christian Dior, plus the tax impacts resulting from this distribution.

The gain (excluding tax impacts) recorded in the income statement, 2.1 billion euros, is equal to the difference between the value of the stake distributed to minority interests as measured using the Hermès opening share price on December 17, 2014, i.e. 4.7 billion euros, and the total cost price of these shares for accounting purposes, which is 2.6 billion euros (corresponding to 2.0 billion euros in cash after deduction of the gain recognized in 2010 on the unwinding of equity-linked swaps covering 12.8 million shares).

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.9. See also Note 22.2 for the breakdown of these assets according to the measurement methods used. Impairment of non-current available for sale financial assets is determined in accordance with the accounting policies described in Note 1.15.

Non-current available for sale financial assets held by the Group as of December 31, 2014 include the following:

(EUR millions)	Percentage interest	Net value	Revaluation reserves	Dividends received	Equity	Net profit
Hermès International SCA (France) [a]	8.3%	2,586	1,260	66	3,449 [c]	859 [c]
Hengdeli Holdings Ltd (China) [a]	6.3%	47	22	1	794 [c]	62 [c]
Tod's SpA (Italy) [a]	3.5%	77	29	3	810 [c]	97 [c]
L Real Estate SCA (Luxembourg) [b] [e]	65.8%	374	221	-	585 [d]	218 [d]
L Capital 2 FCPR (France) [b]	18.5%	38	-	-	177 [d]	(3) [d]
Other investments		453	43	4		
TOTAL		**3,575**	**1,575**	**74**		

(a) Market value of securities as of the close of trading on December 31, 2014.
(b) Valuation at estimated net realizable value.
(c) Consolidated data.
(d) Company data.
(e) Given the legal form of L Real Estate, a "Société en Commandite par Actions", the investment stake held by the Group is not fully consolidated.

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

NOTE 9 – OTHER NON-CURRENT ASSETS

(EUR millions)	2014	2013 (1) (2)	2012 (1)
Warranty deposits	274	247	234
Derivatives (see Note 22)	93	73	179
Loans and receivables	162	150	201
Other	22	16	17
TOTAL	**551**	**486**	**631**

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

NOTE 10 – INVENTORIES AND WORK IN PROGRESS

	2014			2013 (1) (2)	2012 (1)
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
Wines and eaux-de-vie in the process of aging	4,018	(17)	4,001	3,717	3,465
Other raw materials and work in progress	1,667	(356)	1,311	1,195	1,082
	5,685	**(373)**	**5,312**	**4,912**	**4,547**
Goods purchased for resale	1,641	(153)	1,488	1,327	1,319
Finished products	3,874	(764)	3,110	2,632	2,470
	5,515	**(917)**	**4,598**	**3,959**	**3,789**
TOTAL	**11,200**	**(1,290)**	**9,910**	**8,871**	**8,336**

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

	2014			2013 (1) (2)	2012 (1)
(EUR millions)	**Gross**	**Impairment**	**Net**	**Net**	**Net**
As of January 1	**9,982**	**(1,111)**	**8,871**	**8,336**	**7,716**
Change in gross inventories (a)	1,011	-	1,011	821	867
Impact of fair value adjustment for the harvest of the period	(7)	-	(7)	2	(26)
Change in provision for impairment	-	(339)	(339)	(253)	(189)
Changes in the scope of consolidation	11	(1)	10	292	48
Translation adjustment	412	(53)	359	(305)	(80)
Other, including reclassifications	(209)	214	5	(22)	-
AS OF DECEMBER 31	**11,200**	**(1,290)**	**9,910**	**8,871**	**8,336**

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

Changes in the scope of consolidation in 2013 are 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 during the fiscal year	(31)	(35)	(38)
NET EFFECT ON COST OF SALES OF THE PERIOD	**(7)**	**2**	**(26)**
NET EFFECT ON VALUE OF INVENTORY AT END OF PERIOD	**166**	**173**	**171**

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

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

NOTE 11 – TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2014	2013 (1) (2)	2012 (1)
Trade accounts receivable, nominal amount	2,636	2,478	2,278
Provision for impairment	(73)	(72)	(68)
Provision for product returns	(207)	(175)	(180)
NET AMOUNT	**2,356**	**2,231**	**2,030**

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

	2014			2013 (1) (2)	2012 (1)
(EUR millions)	Gross	Impairment	Net	Net	Net
As of January 1	**2,478**	**(247)**	**2,231**	**2,030**	**1,942**
Change in gross receivables	52	-	52	292	128
Change in provision for impairment	-	(7)	(7)	(4)	1
Changes in provision for product returns	-	(26)	(26)	(1)	(5)
Changes in the scope of consolidation	5	-	5	50	(1)
Translation adjustment	71	(6)	65	(138)	(45)
Reclassifications	30	6	36	2	10
AS OF DECEMBER 31	**2,636**	**(280)**	**2,356**	**2,231**	**2,030**

The trade accounts receivable balance is comprised essentially 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, the majority of trade accounts receivable were covered by trade credit insurance provided by insurers.

As of December 31, 2014, the breakdown of the nominal amount of trade accounts receivable and of provisions for impairment by age was as follows:

(EUR millions)	Nominal amount of receivables	Impairment	Net amount of receivables
Not due:			
- less than 3 months	2,162	(14)	2,148
- more than 3 months	104	(7)	97
	2,266	**(21)**	**2,245**
Overdue:			
- less than 3 months	235	(6)	229
- more than 3 months	135	(46)	89
	370	**(52)**	**318**
TOTAL	**2,636**	**(73)**	**2,563**

For each of the fiscal years presented, no single customer represented revenue exceeding 10% of the Group's consolidated revenue.

There is no difference between the present value of trade accounts receivable and their carrying amount.

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

NOTE 12 – OTHER CURRENT ASSETS

(EUR millions)	2014	2013 [1] [2]	2012 [1]
Current available for sale financial assets	326	208	199
Derivatives (see Note 22)	305	500	1,242
Tax accounts receivable, excluding income taxes	479	389	402
Advances and payments on account to vendors	168	184	202
Prepaid expenses	331	301	295
Other receivables	1,166	1,283	1,396
TOTAL	**2,775**	**2,865**	**3,736**

There is no difference between the present value of other current assets and their carrying amount.

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

NOTE 13 – CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	2014	2013	2012
Unlisted securities, shares in non-money market SICAVs and funds	-	13	14
Listed securities	326	195	185
TOTAL	**326**	**208**	**199**
Of which: historical cost of current available for sale financial assets	243	168	200

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	**208**	**199**	**167**
Acquisitions	44	24	8
Disposals at net realized value	(38)	(38)	(14)
Changes in market value	41	24	13
Translation adjustment	1	(1)	-
Reclassifications [a]	70	-	25
AS OF DECEMBER 31	**326**	**208**	**199**

(a) In 2014, the impacts of the distributions of Hermès International shares. See Note 8.

The market value of current available for sale financial assets is determined using the methods described in Note 1.9. See also Note 1.15 for the method used to determine impairment losses on current available for sale financial assets, and Note 22.2 for the breakdown of financial investments according to the measurement methods used.

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

NOTE 14 – CASH AND CASH EQUIVALENTS

(EUR millions)	2014	2013 (1) (2)	2012 (1)
Fixed term deposits (less than 3 months)	1,605	939	677
SICAV and FCP money market funds	784	538	98
Ordinary bank accounts	2,507	2,086	1,859
CASH AND CASH EQUIVALENTS PER BALANCE SHEET	**4,896**	**3,563**	**2,634**

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	4,896	3,563	2,634
Bank overdrafts	(426)	(428)	(322)
NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	**4,470**	**3,135**	**2,312**

14.1. Change in working capital

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

(EUR millions)	*Notes*	2014	2013 (1) (2)	2012 (1)
Change in inventories and work in progress	*10*	(998)	(826)	(871)
Change in trade accounts receivable	*11*	(46)	(290)	(125)
Change in trade accounts payable		199	224	177
Change in other receivables and payables		66	213	28
CHANGE IN WORKING CAPITAL (a)		**(779)**	**(679)**	**(791)**

(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) (2)	2012 (1)
Purchases of intangible fixed assets	*3*	(344)	(286)	(238)
Purchases of tangible fixed assets	*6*	(1,683)	(1,724)	(1,768)
Changes in accounts payable related to fixed asset purchases		83	110	152
Net cash used in purchases of fixed assets (a)		**(1,944)**	**(1,900)**	**(1,854)**
Net cash from fixed assets disposals (a)		43	34	47
Guarantee deposits paid and other cash flows related to operating investments		(61)	(35)	(38)
OPERATING INVESTMENTS		**(1,962)**	**(1,901)**	**(1,845)**

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

NOTE 15 – EQUITY

15.1. Share capital

As of December 31, 2014, issued and fully paid-up shares totaled 3,173,352 (3,173,352 shares as of both December 31, 2013 and December 31, 2012), with a par value of 16 euros per share, including 3,169,203 shares with double voting rights.

Double voting rights are granted to registered shares held for more than two years (3,167,896 as of December 31, 2013 and 3,167,946 as of December 31, 2012).

15.2. Treasury shares and related derivatives

The impact on the net assets of the Group of Financière Agache shares and LVMH share-settled derivatives held under stock option plans breaks down as follows for the periods presented:

(EUR millions)	2014	2013	2012
Financière Agache treasury shares	6	6	5
Share in derivatives settled in LVMH shares attributable to Financière Agache [(a)]	-	-	2
TREASURY SHARES AND RELATED DERIVATIVES	**6**	**6**	**7**

(a) Given the short interval between the exercise of derivatives settled in LVMH shares and the delivery of the shares thus obtained to the beneficiaries of share purchase option plans, these transactions had no impact on the percentage of ownership.

15.3. Dividends paid by the parent company Financière Agache

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 4,260 million euros.

(EUR millions, except for data per share in EUR)	2014	2013	2012
Interim dividend for the current fiscal year (2013: 28.5 euros; 2012: 115 euros)	-	90	365
Impact of treasury shares	-	-	-
	-	**90**	**365**
Final dividend for the previous fiscal year	-	-	-
Impact of treasury shares	-	-	-
	-	**-**	**-**
TOTAL GROSS AMOUNT DISBURSED DURING THE FISCAL YEAR [(a)]	**-**	**90**	**365**

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

No dividend will be proposed to the Shareholders' Meeting of May 27, 2015.

15.4. Cumulative translation adjustment

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

(EUR millions)	2014	Change	2013	2012
US dollar	35	103	(68)	(38)
Swiss franc	138	14	124	136
Japanese yen	20	-	20	39
Hong Kong dollar	74	82	(8)	17
Pound sterling	1	16	(15)	(11)
Other currencies	(13)	6	(19)	22
Foreign currency net investment hedges	(91)	(52)	(39)	(64)
TOTAL, GROUP SHARE	**164**	**169**	**(5)**	**101**

15.5. Strategy relating to the Group's financial structure

The Group firmly believes that the management of its financial structure contributes, together with the development of the companies it owns and the management of its brand portfolio, to its objective of driving value creation for its shareholders. Maintaining a suitable quality credit rating and providing security to the Group's bondholders and bank creditors are core objectives for the Group, ensuring good access to markets and favorable conditions, allowing it both to seize opportunities and benefit from the resources that it needs to develop its business.

To this end, the Group monitors a certain number of financial ratios and aggregate measures of financial risk, including:

- net financial debt (see Note 18) to equity;
- cash from operations before changes in working capital to net financial debt;
- net cash from operations before changes in working capital;
- net cash from operating activities and operating investments (free cash flow);
- long-term resources to fixed assets;
- proportion of long-term debt in net financial debt.

Long-term resources are understood to correspond to the sum of equity and non-current liabilities.

Where applicable, these indicators are adjusted to reflect the Group's off-balance sheet financial commitments.

The Group also promotes financial flexibility by maintaining numerous and varied banking relationships, through the frequent recourse to several negotiable debt markets (both short and long-term), by holding a large amount of cash and cash equivalents, and through the existence of sizable amounts in undrawn confirmed credit lines, so as to largely exceed the outstanding portion of its commercial paper program, while continuing to represent a reasonable cost for the Group.

NOTE 16 – STOCK OPTION AND SIMILAR PLANS

As of December 31, 2014, there were no stock option or similar plans granted by Financière Agache.

Expense for the fiscal year

(EUR millions)	2014	2013	2012
Share purchase option and bonus share plans – Christian Dior	9	8	8
Share subscription option, purchase option and bonus share plans – LVMH	39	34	53
EXPENSE FOR THE FISCAL YEAR	**48**	**42**	**61**

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

LVMH

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

Christian Dior

The Christian Dior share price on the date preceding the allocation date of the plan dated October 16, 2014 was 129.25 euros.

The average unit value of non-vested bonus shares granted in the period was 116.48 euros for beneficiaries who are French residents for tax purposes and 112.87 euros for beneficiaries with tax residence outside France.

NOTE 17 – MINORITY INTERESTS

(EUR millions)	2014	2013 [1]	2012
As of January 1	**21,146**	**19,513**	**18,049**
Minority interests' share of net profit	4,389	2,901	2,861
Dividends paid to minority interests	(1,393)	(1,181)	(1,362)
Distributions in kind of Hermès shares	(4,718)	-	-
Impact of changes in control of consolidated entities:			
• consolidation of Loro Piana	-	235	-
• other movements	7	-	(19)
Impact of acquisition and disposal of minority interests' shares:			
• acquisition of minority interests in Château d'Yquem	-	(74)	-
• impact of subsidiaries' treasury shares	98	(112)	120
• other movements	(35)	(83)	(53)
Total impact of changes in the percentage interest in consolidated entities	70	(34)	48
Capital increases subscribed by minority interests	4	10	8
Minority interests' share in gains and losses recognized in equity	(1,526)	589	(26)
Minority interests' share in stock option plan expenses	31	27	40
Impact of changes in minority interests with purchase commitments	(227)	(679)	(105)
AS OF DECEMBER 31	**17,776**	**21,146**	**19,513**

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

The change in minority interests' share in gains and losses recognized in equity including the effect of tax is as follows:

(EUR millions)	Cumulative translation adjustment	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Revaluation adjustments of employee benefit commitments	Total share of minority interests
As of January 1, 2012	**291**	**1,381**	**(13)**	**643**	**(25)**	**2,277**
Changes for the fiscal year	(91)	(30)	106	44	(55)	(26)
Changes due to purchase and proceeds from sale of minority interests	1	3	-	1	-	5
As of December 31, 2012	**201**	**1,354**	**93**	**688**	**(80)**	**2,256**
Changes for the fiscal year	(285)	632	15	184	43	589
Changes due to purchase and proceeds from sale of minority interests	(1)	(6)	-	(2)	-	(9)
As of December 31, 2013	**(85)**	**1,980**	**108**	**870**	**(37)**	**2,836**
Changes for the fiscal year	491	(1,825)	(97)	(14)	(81)	(1,526)
Changes due to purchase and proceeds from sale of minority interests	-	2	(1)	1	1	3
AS OF DECEMBER 31, 2014	**406**	**157**	**10**	**857**	**(117)**	**1,313**

Minority interests are composed 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 Diageo in Moët Hennessy is subject to a purchase commitment, 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 Group's strategy for DFS.

NOTE 18 – BORROWINGS

18.1. Net financial debt

(EUR millions)	2014	2013 (1) (2)	2012 (1)
Long-term borrowings	7,266	5,871	5,003
Short-term borrowings	6,091	6,549	5,776
Gross borrowings	**13,357**	**12,420**	**10,779**
Interest rate risk derivatives	(76)	(106)	(155)
Gross borrowings after derivatives	**13,281**	**12,314**	**10,624**
Current available for sale financial assets	(326)	(208)	(199)
Other financial assets	-	-	(72)
Cash and cash equivalents	(4,896)	(3,563)	(2,634)
NET FINANCIAL DEBT	**8,059**	**8,543**	**7,719**

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

Net financial debt does not take into consideration purchase commitments for minority interests, which are classified as "Other non-current liabilities" (see Note 20).

Financière Agache renegotiated the maturity of a 500 million euro syndicated loan from July 2017 to December 2018.

The outstanding portion of Financière Agache's commercial paper program went from 732 million euros at year-end 2013 to 826 million euros at year-end 2014.

During the fiscal year, Christian Dior issued a 500 million euro bond, redeemable in June 2019.

Conversely, in September 2014, Christian Dior redeemed its 350 million euro bond issued in 2009.

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.

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

The outstanding portion of LVMH's commercial paper program went from 2,348 million euros at year-end 2013 to 2,004 million euros at year-end 2014.

18.2. Analysis of gross borrowings

(EUR millions)	**2014**	**2013 (1) (2)**	**2012 (1)**
Bonds and Euro Medium Term Notes (EMTNs)	5,864	4,664	4,483
Finance and other long-term leases	117	110	123
Bank borrowings	1,285	1,097	397
LONG-TERM BORROWINGS	**7,266**	**5,871**	**5,003**
Bonds and Euro Medium Term Notes (EMTNs)	1,151	1,363	696
Finance and other long-term leases	12	14	16
Bank borrowings	657	711	1,892
Commercial paper	2,830	3,080	1,935
Other borrowings and credit facilities	935	845	814
Bank overdrafts	426	428	322
Accrued interest	80	108	101
SHORT-TERM BORROWINGS	**6,091**	**6,549**	**5,776**
TOTAL GROSS BORROWINGS	**13,357**	**12,420**	**10,779**

The market value of gross borrowings was 13,547 million euros as of December 31, 2014 (12,555 million euros as of December 31, 2013 and 10,957 million euros as of December 31, 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 balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

18.3. Bonds and EMTNs

Nominal amount *(in local currency)*	Date of issuance	Maturity	Initial effective interest rate [a] *(as %)*	2014 *(EUR millions)*	2013 *(EUR millions)*	2012 *(EUR millions)*
AUD 150,000,000	2014	2019	3.68	101	-	-
EUR 300,000,000	2014	2019	floating	300	-	-
EUR 650,000,000	2014	2021	1.12	657	-	-
GBP 350,000,000	2014	2017	1.83	454	-	-
EUR 500,000,000	2014	2019	1.56	497	-	-
EUR 600,000,000	2013	2020	1.89	596	594	-
EUR 600,000,000 [b]	2013	2019	1.25	608	490	-
EUR 650,000,000 [c]	2013	2016	floating	650	500	-
EUR 275,000,000	2012	2017	3.27	275	274	274
USD 850,000,000	2012	2017	1.75	701	616	653
EUR 500,000,000	2011	2018	4.08	512	518	521
EUR 500,000,000	2011	2015	3.47	504	515	527
EUR 300,000,000	2011	2016	4.22	299	299	298
EUR 225,000,000	2010	2015	5.13	225	225	225
EUR 1,000,000,000	2009	2014	4.52	-	1,013	1,036
EUR 250,000,000	2009	2015	4.59	255	260	267
EUR 150,000,000	2009	2017	4.81	161	162	167
CHF 200,000,000	2008	2015	4.04	166	163	166
EUR 350,000,000	2009	2014	4.02	-	350	349
CHF 300,000,000	2007	2013	3.46	-	-	253
Private placements in foreign currencies				54	48	443
TOTAL BONDS AND EMTNS				**7,015**	**6,027**	**5,179**

(a) Before the impact of interest-rate hedges implemented when or after the bonds were issued.
(b) Cumulative amounts and weighted average initial effective interest rate based on a 500 million euro bond issued in 2013 at an initial effective interest rate of 1.38% plus an additional amount of 100 million euros when the issue was reopened in 2014 at an effective interest rate of 0.62%.
(c) Cumulative amounts based on a 500 million euro floating-rate bond issued in 2013 plus an additional floating-rate amount of 150 million euros issued in 2014.

18.4. Finance and other long-term leases

The amount of the Group's debt resulting from finance and other long-term lease agreements, which corresponds to the present value of future payments, breaks down as follows, by maturity:

	2014		2013		2012	
(EUR millions)	Minimum future payments	Present value of payments	Minimum future payments	Present value of payments	Minimum future payments	Present value of payments
Less than one year	19	18	21	19	23	22
One to five years	57	40	58	44	68	49
More than five years	320	71	294	61	329	69
TOTAL MINIMUM FUTURE PAYMENTS	**396**		**373**		**420**	
Impact of discounting	(267)		(249)		(280)	
TOTAL DEBT UNDER FINANCE AND OTHER LONG-TERM LEASE AGREEMENTS	**129**	**129**	**124**	**124**	**140**	**140**

Assets financed or refinanced under finance or other long-term leases relate mainly to property assets or industrial machinery.

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

	Gross borrowings			Effects of derivatives			Gross borrowings after derivatives		
(EUR millions)	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:									
2015	3,947	2,144	6,091	(593)	583	(10)	3,354	2,727	6,081
2016	317	1,061	1,378	130	(129)	1	447	932	1,379
2017	1,662	350	2,012	(1,574)	1,537	(37)	88	1,887	1,975
2018	518	305	823	-	(5)	(5)	518	300	818
2019	1,210	469	1,679	(351)	340	(11)	859	809	1,668
2020	598	-	598	-	-	-	598	-	598
Thereafter	764	12	776	(651)	637	(14)	113	649	762
TOTAL	**9,016**	**4,341**	**13,357**	**(3,039)**	**2,963**	**(76)**	**5,977**	**7,304**	**13,281**

See Note 22.4 regarding 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	3,851
Second quarter	1,635
Third quarter	107
Fourth quarter	498
TOTAL	**6,091**

18.6. Analysis of gross borrowings by currency after derivatives

(EUR millions)	2014	2013 [(1)]	2012 [(1)]
Euro	10,511	9,952	8,274
US dollar	495	295	356
Swiss franc	1,015	988	994
Japanese yen	342	311	362
Other currencies	918	768	638
TOTAL	**13,281**	**12,314**	**10,624**

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.

18.7. Sensitivity

On the basis of debt as of December 31, 2014:

- an instantaneous increase of 1% in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 70 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 112 million euros after hedging;
- an instantaneous decline of 1% in these same yield curves would lower the cost of net financial debt by 70 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 112 million euros after hedging.

18.8. Covenants

As is normal practice for syndicated loans, the Financière Agache group has made commitments with respect to ownership interests and voting rights regarding certain of its subsidiaries, and has undertaken to maintain a customary financial ratio in this regard ("assets to net financial debt").

The current level of this ratio gives the Group considerable financial flexibility with regard to this commitment.

18.9. Undrawn confirmed credit lines

As of December 31, 2014, unused confirmed credit lines totaled 6.8 billion euros.

18.10. Guarantees and collateral

As of December 31, 2014, borrowings secured by collateral were less than 850 million euros.

NOTE 19 – PROVISIONS

(EUR millions)	2014	2013 [(1) (2)]	2012 [(1)]
Provisions for pensions, medical costs and similar commitments	653	461	528
Provisions for contingencies and losses	1,642	1,341	1,263
Provisions for reorganization	33	13	18
Non-current provisions	**2,328**	**1,815**	**1,809**
Provisions for pensions, medical costs and similar commitments	3	6	14
Provisions for contingencies and losses	330	320	293
Provisions for reorganization	17	30	41
Current provisions	**350**	**356**	**348**
TOTAL	**2,678**	**2,171**	**2,157**

(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 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)	December 31, 2013 (1) (2)	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustment)	December 31, 2014
Provisions for pensions, medical costs and similar commitments	467	92	(89)	-	-	186	656
Provisions for contingencies and losses	1,661	492	(145)	(74)	-	38	1,972
Provisions for reorganization	43	30	(13)	(2)	-	(8)	50
TOTAL	**2,171**	**614**	**(247)**	**(76)**	**-**	**216**	**2,678**
Of which:							
Profit from recurring operations		274	(210)	(45)			
Net financial income (expense)		6	-	-			
Other		334	(37)	(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.

Provisions for pensions, contribution to medical costs and similar commitments are analyzed in Note 29.

NOTE 20 – OTHER NON-CURRENT LIABILITIES

(EUR millions)	2014	2013 (1) (2)	2012 (1)
Purchase commitments for minority interests' shares	6,043	6,035	5,022
Derivatives (see Note 22)	33	71	66
Employee profit sharing	88	85	93
Other liabilities	339	229	296
TOTAL	**6,503**	**6,420**	**5,477**

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

NOTE 21 – OTHER CURRENT LIABILITIES

(EUR millions)	2014	2013 (1) (2)	2012 (1)
Derivatives (see Note 22)	330	78	835
Employees and social institutions	1,174	1,067	985
Employee profit sharing	75	84	95
Taxes other than income taxes	476	416	374
Advances and payments on account from customers	202	169	126
Deferred payment for tangible and financial non-current assets	458	424	390
Deferred income	190	156	116
Other liabilities	814	789	723
TOTAL	**3,719**	**3,183**	**3,644**

The present value of the other current liabilities is identical to their carrying amount.

NOTE 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 at each level.

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 hedging (front office), administration (back office) and financial control.

The backbone of this organization is information systems that allow hedging transactions to be monitored quickly.

Hedging decisions are made according to a clearly established process that includes regular presentations to the management bodies concerned and detailed supporting 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 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. Presentation of financial assets and liabilities in the balance sheet

Breakdown and fair value of financial assets and liabilities according to the measurement categories defined by IAS 39

		2014		2013 [1] [2]		2012 [1]	
(EUR millions)	*Notes*	**Balance sheet value**	**Fair value [d]**	**Balance sheet value**	**Fair value [d]**	**Balance sheet value**	**Fair value [d]**
Non-current available for sale financial assets	*8*	3,575	3,575	7,416	7,416	6,321	6,321
Current available for sale financial assets	*13*	326	326	208	208	199	199
Available for sale financial assets (see Note 1.15)		**3,901**	**3,901**	**7,624**	**7,624**	**6,520**	**6,520**
Other non-current assets, excluding derivatives	*9*	458	458	413	413	452	452
Trade accounts receivable	*11*	2,356	2,356	2,231	2,231	2,030	2,030
Other current assets [a]	*12*	1,813	1,813	1,856	1,856	2,000	2,000
Loans and receivables (see Note 1.17)		**4,627**	**4,627**	**4,500**	**4,500**	**4,482**	**4,482**
Cash and cash equivalents (see Note 1.18)	*14*	4,896	4,896	3,563	3,563	2,634	2,634
Financial assets, excluding derivatives		**13,424**	**13,424**	**15,687**	**15,687**	**13,636**	**13,636**
Long-term borrowings	*18*	7,266	7,453	5,871	5,998	5,003	5,179
Short-term borrowings	*18*	6,091	6,094	6,549	6,557	5,776	5,778
Trade accounts payable		3,780	3,780	3,382	3,382	3,183	3,183
Other non-current liabilities [b]	*20*	427	427	314	314	389	389
Other current liabilities [c]	*21*	3,199	3,199	2,949	2,949	2,693	2,693
Financial liabilities, excluding derivatives (see Note 1.20)		**20,763**	**20,953**	**19,065**	**19,200**	**17,044**	**17,222**
Derivatives (see Note 1.21)	*22.3*	**35**	**35**	**424**	**424**	**520**	**520**

(a) Excluding derivatives, available for sale financial assets and prepaid expenses.
(b) Excluding derivatives and purchase commitments for minority interests.
(c) Excluding derivatives and deferred income.
(d) See Note 1.9 on fair value measurement methods.

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

Breakdown of financial assets and liabilities measured at fair value by measurement method

	2014			2013			2012		
(EUR millions)	Available for sale financial assets	Derivatives	Cash and cash equivalents	Available for sale financial assets	Derivatives	Cash and cash equivalents	Available for sale financial assets	Derivatives	Cash and cash equivalents
Valuation [(a)] based on:									
Published price quotations	3,064	-	4,896	6,834	-	3,563	5,784	-	2,634
Formula based on market data	397	398	-	254	573	-	242	1,421	-
Private quotations	440	-	-	536	-	-	494	-	-
ASSETS	**3,901**	**398**	**4,896**	**7,624**	**573**	**3,563**	**6,520**	**1,421**	**2,634**
Valuation [(a)] based on:									
Published price quotations									
Formula based on market data		363			149			901	
Private quotations									
LIABILITIES		**363**			**149**			**901**	

(a) See Note 1.9 on the valuation approaches used.

Derivatives used by the Group are measured at fair value according to generally accepted models and on the basis of observable market data. The counterparty risk associated with these derivatives (i.e. the credit valuation adjustment) is assessed on the basis of credit spreads from observable market data, as well as on the basis of the derivatives' market value adjusted by flat-rate add-ons depending on the type of underlying and the maturity of the derivative.

The amount of financial assets valued on the basis of private quotations changed as follows in 2014:

(EUR millions)	2014
As of January 1	**536**
Acquisitions	54
Disposals (at net realized value)	(177)
Gains and losses recognized in income statement	(24)
Gains and losses recognized in equity	70
Other	(19)
AS OF DECEMBER 31	**440**

22.3. 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		66	67	134
	current		42	74	57
Liabilities:	non-current		(7)	(24)	(26)
	current		(25)	(11)	(10)
		22.4	**76**	**106**	**155**
Foreign exchange risk					
Assets:	non-current		14	1	17
	current		217	389	373
Liabilities:	non-current		(13)	(42)	(40)
	current		(268)	(60)	(10)
		22.5	**(50)**	**288**	**340**
Other risks					
Assets:	non-current		13	5	28
	current		46	37	812
Liabilities:	non-current		(13)	(5)	-
	current		(37)	(7)	(815)
			9	**30**	**25**
TOTAL					
Assets:	non-current	*9*	93	73	179
	current	*12*	305	500	1,242
Liabilities:	non-current	*20*	(33)	(71)	(66)
	current	*21*	(330)	(78)	(835)
			35	**424**	**520**

22.4. 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:

	Nominal amounts by maturity				Market value [(a)] [(b)]		
(EUR millions)	Less than 1 year	From 1 to 5 years	Thereafter	Total	Fair value hedges	Not allocated	Total
Interest rate swaps in euros:							
- fixed rate payer	350	125	-	475	(10)	-	(10)
- floating rate payer	750	675	650	2,075	86	-	86
Foreign currency swaps	342	2,773	-	3,115	-	-	-
Other interest rate derivatives	-	500	-	500	-	-	-
TOTAL					**76**	**-**	**76**

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

22.5. 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:

	Nominal amounts by fiscal year of allocation				Market value (a) (b)				
(EUR millions)	2014	2015	There-after	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).

The impact on the income statement of gains and losses on hedges of future cash flows as well as the future cash flows hedged, using these instruments, will be recognized in 2015; the amount will depend on exchange rates at this date.

The impacts on the net profit for fiscal year 2014 and equity (excluding net profit) of a 10% change in the value of the US dollar, the Japanese yen, the Swiss franc and the Hong Kong dollar against the euro, including impact of foreign currency hedges outstanding during the period, compared with the rates in 2014, would be as follows:

	US dollar		Japanese yen		Swiss franc		HK dollar	
(EUR millions)	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Net profit	115	22	5	(21)	19	(19)	35	(34)
Equity, excluding net profit	(66)	(83)	(2)	30	133	(154)	115	(132)

The data presented in the table above should be assessed on the basis of the characteristics of the hedging instruments outstanding in fiscal year 2014, mainly comprising options and collars for the US dollar and Japanese yen.

As of December 31, 2014, at Group level, forecast cash collections for 2015 in US dollars and Japanese yen are hedged to 79%.

22.6. 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 fiscal year-end. 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 positive market value of 8 million euros.

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.

22.7. Liquidity risk

In addition to local liquidity risks, which are generally immaterial, the Group's exposure to liquidity risk can be assessed in relation to the amount of its short-term borrowings excluding derivatives, net of cash and cash equivalents, i.e. 1.2 billion euros as of December 31, 2014, or through the outstanding amount of its commercial paper programs, i.e. 2.8 billion euros. Should any of these instruments not be renewed, the Group has access to undrawn confirmed credit lines totaling 6.8 billion euros.

The Group's liquidity is based on the amount of its investments, its capacity to raise long-term borrowings, the diversity of its investor base (short-term paper and bonds), and the quality of its banking relationships, whether evidenced or not by confirmed lines of credit.

The following table presents the contractual schedule of disbursements for financial liabilities (excluding derivatives) recognized as of December 31, 2014, at nominal value and with interest, excluding discounting effects:

(EUR millions)	**2015**	**2016**	**2017**	**2018**	**2019**	**Over 5 years**	**Total**
Bonds and EMTNs	1,268	907	1,656	541	1,535	1,281	7,188
Bank borrowings	682	383	425	311	172	12	1,985
Other borrowings and credit facilities	946	-	-	-	-	12	958
Finance and other long-term leases	19	15	15	13	13	320	395
Commercial paper	2,830	-	-	-	-	-	2,830
Bank overdrafts	426	-	-	-	-	-	426
Gross borrowings	**6,171**	**1,305**	**2,096**	**865**	**1,720**	**1,625**	**13,782**
Other liabilities, current and non-current [(a)]	3,199	265	-	-	-	-	3,464
Trade accounts payable	3,780	-	-	-	-	-	3,780
Other financial liabilities	**6,979**	**265**	**-**	**-**	**-**	**-**	**7,244**
TOTAL FINANCIAL LIABILITIES	**13,150**	**1,570**	**2,096**	**865**	**1,720**	**1,625**	**21,026**

(a) Corresponds to “Other current liabilities” (excluding derivatives and deferred income) for 3,199 million euros and to “Other non-current liabilities” (excluding derivatives, purchase commitments for minority interests’ shares and deferred income in the amount of 163 million euros as of December 31, 2014) for 264 million euros. See Note 22.2.

See Note 30.3 regarding contractual maturity dates of collateral and other guarantees commitments. See Notes 18.6 and 22.5 regarding foreign exchange derivatives and Note 22.4 regarding interest rate risk derivatives.

NOTE 23 – SEGMENT INFORMATION

The Group's brands and trade names are organized into seven business groups. Five business groups – Christian Dior Couture, 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, in addition to a specific management team. 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)	Christian Dior Couture	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	1,597	3,945	10,796	3,365	2,715	9,509	294	-	32,221
Intra-group sales	5	28	32	551	67	25	53	(761)	-
TOTAL REVENUE	**1,602**	**3,973**	**10,828**	**3,916**	**2,782**	**9,534**	**347**	**(761)**	**32,221**
Profit from recurring operations	203	1,147	3,189	415	283	882	(184)	(39)	5,896
Other operating income and expenses	3	(34)	(110)	(14)	1	(74)	(61)	-	(289)
Depreciation and amortization expense	(98)	(119)	(555)	(149)	(171)	(296)	(41)	-	(1,429)
Impairment expense	-	(22)	(71)	(9)	(1)	(85)	(34)	-	(222)
Intangible assets and goodwill [(b)]	119	5,789	7,193	1,900	5,642	3,161	1,558	-	25,362
Property, plant and equipment	622	2,339	2,165	477	425	1,415	3,595	-	11,038
Inventories	279	4,567	1,561	398	1,240	1,668	392	(195)	9,910
Other operating assets	210	1,340	781	659	632	668	600	12,046 [(c)]	16,936
TOTAL ASSETS	**1,230**	**14,035**	**11,700**	**3,434**	**7,939**	**6,912**	**6,145**	**11,851**	**63,246**
Equity								27,294	27,294
Liabilities	368	1,461	2,265	1,310	741	2,053	976	26,778 [(d)]	35,952
TOTAL LIABILITIES AND EQUITY	**368**	**1,461**	**2,265**	**1,310**	**741**	**2,053**	**976**	**54,072**	**63,246**
Operating investments [(e)]	(183)	(152)	(588)	(221)	(191)	(389)	(238)	-	(1,962)

Fiscal year 2013

(EUR millions)	Christian Dior Couture	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	1,409	4,146	9,833	3,227	2,630	8,872	291	-	30,408
Intra-group sales	4	27	50	490	67	31	21	(690)	-
TOTAL REVENUE [(1)]	**1,413**	**4,173**	**9,883**	**3,717**	**2,697**	**8,903**	**312**	**(690)**	**30,408**
Profit from recurring operations [(1)]	165	1,367	3,135	414	367	908	(199)	(2)	6,155
Other operating income and expenses [(1)]	1	(4)	(63)	(6)	2	(5)	(54)	-	(129)
Depreciation and amortization expense [(1)]	(81)	(109)	(448)	(128)	(139)	(261)	(39)	-	(1,205)
Impairment expense [(1)]	-	1	(50)	(1)	-	(7)	(13)	-	(70)
Intangible assets and goodwill [(b)] [(1)] [(2)]	97	5,979	7,161	1,785	5,570	2,989	1,577	-	25,158
Property, plant and equipment [(1)] [(2)]	529	2,182	2,031	404	390	1,313	3,330	-	10,179
Inventories [(1)] [(2)]	235	4,242	1,371	356	1,079	1,438	315	(165)	8,871
Other operating assets [(1)] [(2)]	166	1,384	738	590	650	552	1,073	13,351 [(c)]	18,504
TOTAL ASSETS	**1,027**	**13,787**	**11,301**	**3,135**	**7,689**	**6,292**	**6,295**	**13,186**	**62,712**
Equity [(2)]	-	-	-	-	-	-	-	29,629	29,629
Liabilities [(1)] [(2)]	312	1,296	2,128	1,130	713	1,814	726	24,964 [(d)]	33,083
TOTAL LIABILITIES AND EQUITY	**312**	**1,296**	**2,128**	**1,130**	**713**	**1,814**	**726**	**54,593**	**62,712**
Operating investments [(e)] [(1)]	(177)	(187)	(693)	(229)	(187)	(389)	(39)	-	(1,901)

(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 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)	Christian Dior Couture	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	1,223	4,102	9,871	3,167	2,680	7,812	328	-	29,183
Intra-group sales	6	20	55	446	70	31	22	(650)	-
TOTAL REVENUE [(1)]	**1,229**	**4,122**	**9,926**	**3,613**	**2,750**	**7,843**	**350**	**(650)**	**29,183**
Profit from recurring operations [(1)]	131	1,256	3,257	408	336	860	(191)	(30)	6,027
Other operating income and expenses [(1)]	1	(13)	(108)	(7)	(8)	(19)	(26)	-	(180)
Depreciation and amortization expense [(1)]	(60)	(99)	(414)	(111)	(117)	(227)	(41)	-	(1,069)
Impairment expense [(1)]	-	(1)	(81)	(1)	-	(3)	(14)	-	(100)
Intangible assets and goodwill [(b)] [(1)]	80	6,001	4,838	1,779	5,564	3,078	1,176	-	22,516
Property, plant and equipment [(1)]	426	1,881	1,767	312	369	1,243	3,146	-	9,144
Inventories [(1)]	199	3,998	1,158	339	1,147	1,411	253	(169)	8,336
Other operating assets [(1)]	123	1,303	650	578	676	531	681	12,869 [(c)]	17,411
TOTAL ASSETS	**828**	**13,183**	**8,413**	**3,008**	**7,756**	**6,263**	**5,256**	**12,700**	**57,407**
Equity								26,970	26,970
Liabilities [(1)]	290	1,249	1,870	1,098	723	1,779	849	22,579 [(d)]	30,437
TOTAL LIABILITIES AND EQUITY	**290**	**1,249**	**1,870**	**1,098**	**723**	**1,779**	**849**	**49,549**	**57,407**
Operating investments [(e)] [(1)]	(150)	(180)	(580)	(196)	(132)	(330)	(277)	-	(1,845)

(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 in Notes 3 and 4.
(c) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables.
As of December 31, 2014, they include the 8.3% shareholding in Hermès International, representing an amount of 2,586 million euros: see Note 8 (6,437 million euros as of December 31, 2013 and 5,409 million euros as of December 31, 2012); as well as 73 million euros in current available for sale financial assets of Hermès shares not distributed as of December 31, 2014 by LVMH and Christian Dior on account of the existence of remainders and fractional rights.
(d) Liabilities not allocated include financial debt and both current and deferred tax liabilities.
(e) 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.

23.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2014	2013	2012
France	3,442	3,329	3,261
Europe (excluding France)	6,182	5,775	5,707
United States	7,430	6,778	6,483
Japan	2,180	2,127	2,426
Asia (excluding Japan)	9,318	9,151	8,308
Other countries	3,669	3,248	2,998
REVENUE	**32,221**	**30,408**	**29,183**

Operating investments by geographic region are as follows:

(EUR millions)	2014	2013	2012
France	694	627	667
Europe (excluding France)	365	425	312
United States	273	246	297
Japan	59	72	79
Asia (excluding Japan)	455	408	399
Other countries	116	123	91
OPERATING INVESTMENTS	**1,962**	**1,901**	**1,845**

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)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	357	888	2,639	941	607	2,222	84	(181)	7,557
Second quarter	390	789	2,391	898	659	2,160	84	(184)	7,187
Third quarter	417	948	2,647	961	706	2,234	78	(188)	7,803
Fourth quarter	438	1,348	3,151	1,116	810	2,918	101	(208)	9,674
2014 TOTAL	**1,602**	**3,973**	**10,828**	**3,916**	**2,782**	**9,534**	**347**	**(761)**	**32,221**
First quarter	315	967	2,383	932	608	2,113	74	(168)	7,224
Second quarter	342	828	2,328	872	667	2,085	100	(165)	7,057
Third quarter	368	1,032	2,428	879	655	2,093	63	(164)	7,354
Fourth quarter	388	1,346	2,744	1,034	767	2,612	75	(193)	8,773
2013 TOTAL (1)	**1,413**	**4,173**	**9,883**	**3,717**	**2,697**	**8,903**	**312**	**(690)**	**30,408**
First quarter	282	918	2,375	899	615	1,813	86	(157)	6,831
Second quarter	286	831	2,282	829	690	1,759	104	(148)	6,633
Third quarter	323	1,006	2,523	898	669	1,855	73	(154)	7,193
Fourth quarter	338	1,367	2,746	987	776	2,416	87	(191)	8,526
2012 TOTAL (1)	**1,229**	**4,122**	**9,926**	**3,613**	**2,750**	**7,843**	**350**	**(650)**	**29,183**

NOTE 24 – REVENUE AND EXPENSES BY NATURE

24.1. Analysis of revenue

Revenue consists of the following:

(EUR millions)	2014	2013 (1)	2012 (1)
Revenue generated by brands and trade names	31,729	29,938	28,709
Royalties and license revenue	154	187	189
Income from investment property	24	16	30
Other revenue	314	267	255
TOTAL	**32,221**	**30,408**	**29,183**

The portion of total revenue generated by the Group at its own stores was approximately 65% in 2014 (64% in 2013 and 61% in 2012), i.e. 21,021 million euros in 2014 (19,530 million euros in 2013 and 17,995 million euros 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.

24.2. Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	2014	2013 [(1)]	2012 [(1)]
Advertising and promotion expenses	3,717	3,527	3,444
Commercial lease expenses	2,934	2,632	2,072
Personnel costs	5,911	5,272	5,014
Research and development expenses	79	71	68

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 3,905 stores were operated by the Group worldwide (3,577 in 2013, 3,409 in 2012), particularly by Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores are contingent on the payment of minimum amounts in addition to a variable amount, 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	1,388	1,130	905
Variable portion of indexed leases	500	518	499
Airport concession fees – fixed portion or minimum amount	557	541	219
Airport concession fees – variable portion	489	443	449
COMMERCIAL LEASE EXPENSES	**2,934**	**2,632**	**2,072**

Personnel costs consist of the following elements:

(EUR millions)	2014	2013 [(1)]	2012 [(1)]
Salaries and social charges	5,769	5,139	4,869
Pensions, contribution to medical costs and expenses in respect of defined benefit plans	94	91	83
Stock option plan and related expenses	48	42	62
PERSONNEL COSTS	**5,911**	**5,272**	**5,014**

NOTE 25 – OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2014	2013 [(1)]	2012 [(1)]
Net gains (losses) on disposals	1	(2)	(4)
Restructuring costs	(44)	(14)	(28)
Transaction costs relating to the acquisition of consolidated companies	(8)	(22)	(3)
Impairment or amortization of brands, trade names, goodwill and other property	(246)	(83)	(139)
Other items, net	8	(8)	(6)
OTHER OPERATING INCOME AND EXPENSES	**(289)**	**(129)**	**(180)**

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.

NOTE 26 – NET FINANCIAL INCOME (EXPENSE)

(EUR millions)	2014	2013 [1]	2012 [1]
Borrowing costs	(259)	(255)	(285)
Income from cash, cash equivalents and current available for sale financial assets	62	55	77
Fair value adjustment of borrowings and interest rate hedges	(1)	7	(2)
Cost of net financial debt	**(198)**	**(193)**	**(210)**
Income (loss) from non-operating joint ventures and associates	63	9	35
Dividends received from non-current available for sale financial assets	78	75	176
Ineffective portion of foreign exchange derivatives	(251)	(156)	(45)
Net gain/(loss) related to available for sale financial assets and other financial instruments	2,087	28	42
Other items, net	(4)	(36)	(32)
Other financial income and expenses	**1,910**	**(89)**	**141**
NET FINANCIAL INCOME (EXPENSE)	**1,775**	**(273)**	**(34)**

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

(EUR millions)	2014	2013 [1]	2012 [1]
Income from cash and cash equivalents	20	22	20
Interest from current available for sale financial assets	42	33	57
INCOME FROM CASH, CASH EQUIVALENTS AND CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS	**62**	**55**	**77**

The revaluation effects of financial debt and interest rate derivatives are attributable to the following items:

(EUR millions)	2014	2013 [1]	2012 [1]
Hedged financial debt	(7)	65	(22)
Hedging instruments	7	(61)	16
Unallocated derivatives	(1)	3	4
FAIR VALUE ADJUSTMENT OF BORROWINGS AND INTEREST RATE HEDGES	**(1)**	**7**	**(2)**

The ineffective portion of exchange rate derivatives breaks down as follows:

(EUR millions)	2014	2013 [1]	2012 [1]
Financial cost of commercial foreign exchange hedges	(226)	(149)	(48)
Financial cost of foreign-currency denominated net investment hedges	7	(6)	11
Change in the market value and financial cost of financial derivatives and unallocated derivatives	(32)	(1)	(8)
INEFFECTIVE PORTION OF FOREIGN EXCHANGE DERIVATIVES	**(251)**	**(156)**	**(45)**

In 2014, income from available for sale financial assets and other financial instruments consisted mainly of the 2,056 million euro capital gain recognized following the exceptional distributions in kind of Hermès International shares. 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.

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 in the amount of 120 million euros (5 euros per share).

NOTE 27 – INCOME TAXES

27.1. Analysis of the income tax expense

(EUR millions)	2014	2013 (1)	2012 (1)
Current income taxes for the fiscal year	(2,623)	(2,028)	(2,112)
Current income taxes relating to previous fiscal years	30	13	20
Current income taxes	**(2,593)**	**(2,015)**	**(2,092)**
Change in deferred tax	219	194	175
Impact of changes in tax rates on deferred tax	2	7	-
Deferred tax	**221**	**201**	**175**
TOTAL TAX EXPENSE PER INCOME STATEMENT	**(2,372)**	**(1,814)**	**(1,917)**
TAX ON ITEMS RECOGNIZED IN EQUITY	**399**	**(250)**	**(73)**

In 2014, the current income tax expense included 565 million euros in taxes relating to the in-kind dividend distributions of Hermès shares. See Note 8.

Total income tax expense for the fiscal year includes 59 million euros (43 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).

27.2. Analysis of net deferred tax on the balance sheet

Net deferred taxes on the balance sheet include the following assets and liabilities:

(EUR millions)	2014	2013 (1)	2012 (1)
Deferred tax assets	1,553	957	991
Deferred tax liabilities	(5,244)	(5,122)	(4,731)
NET DEFERRED TAX ASSET (LIABILITY)	**(3,691)**	**(4,165)**	**(3,740)**

27.3. Analysis of the difference between the theoretical and effective income tax rates

The effective tax rate is as follows:

(EUR millions)	2014	2013 (1)	2012 (1)
Profit before tax	7,382	5,753	5,813
Total income tax expense	(2,372)	(1,814)	(1,917)
EFFECTIVE TAX RATE	**32.1%**	**31.5%**	**33.0%**

(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 theoretical income tax rate, defined as the rate applicable in law to the Group's French companies, including social contribution of 3.3%, may be reconciled as follows to the effective income tax rate disclosed in the consolidated financial statements:

(as % of income before tax)	2014	2013 [(1)]	2012 [(1)]
French statutory tax rate	**34.4**	**34.4**	**34.4**
Changes in tax rates	-	(0.1)	-
Differences in tax rates for foreign companies	(6.6)	(6.1)	(6.2)
Tax losses and tax loss carryforwards, and other changes in deferred tax	(0.4)	(0.9)	-
Differences between consolidated and taxable income, and income taxable at reduced rates, excluding the effect of the distribution of Hermès shares	3.6	2.3	3.1
Impacts of the distributions of Hermès shares	(1.6)	-	-
Tax on distribution [(a)]	2.7	1.9	1.7
EFFECTIVE TAX RATE OF THE GROUP	**32.1**	**31.5**	**33.0**

(a) Tax on distribution is mainly related to intra-group dividends. As of 2012, it includes the 3% tax on dividends paid by LVMH and Christian Dior.

27.4. Sources of deferred taxes

In the income statement [(a)]:

(EUR millions)	2014	2013 [(1)]	2012 [(1)]
Valuation of brands	(5)	24	8
Other revaluation adjustments	(3)	2	6
Gains and losses on available for sale financial assets	46	4	(2)
Gains and losses on hedges of future foreign currency cash flows	45	6	(16)
Provisions for contingencies and losses [(b)]	104	74	-
Intercompany margin included in inventories	61	38	153
Other consolidation adjustments [(b)]	(3)	45	81
Losses carried forward	(24)	8	(55)
TOTAL	**221**	**201**	**175**

(a) Income/(Expenses).
(b) Mainly regulated provisions, accelerated tax depreciation and finance leases.

In changes in equity during the fiscal year [(a)]:

(EUR millions)	2014	2013 [(1)]	2012 [(1)]
Fair value adjustment of vineyard land	5	(127)	(28)
Gains and losses on available for sale financial assets	180	(65)	(5)
Gains and losses on hedges of future foreign currency cash flows	56	(18)	(50)
Gains and losses on employee benefit commitments	52	(22)	29
TOTAL	**293**	**(232)**	**(54)**

(a) Gains/(Losses).

(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 the balance sheet [a]**:**

(EUR millions)	2014	2013 [1] [2]	2012 [1] [2]
Valuation of brands	(4,404)	(4,316)	(3,961)
Fair value adjustment of vineyard land	(735)	(720)	(595)
Other revaluation adjustments	(365)	(373)	(368)
Gains and losses on available for sale financial assets	16	(207)	(150)
Gains and losses on hedges of future foreign currency cash flows	34	(33)	(24)
Provisions for contingencies and losses [b]	449	311	293
Intercompany margin included in inventories	756	677	597
Other consolidation adjustments [b]	530	439	420
Losses carried forward	28	57	48
TOTAL	**(3,691)**	**(4,165)**	**(3,740)**

(a) Asset/(Liability).
(b) Mainly regulated provisions, accelerated tax depreciation and finance leases.

27.5. Losses carried forward

As of December 31, 2014, at the level of the tax group whose lead company is LVMH, unused tax loss carryforwards and tax credits, for which no deferred tax assets were recognized, had a potential positive impact on the future tax expense of 282 million euros (249 million euros in 2013).

For the fiscal years ended June 30, 2014 and June 30, 2013, at the level of the tax group whose lead company is Christian Dior, there were no unused tax loss carryforwards.

27.6. Tax consolidation

Tax consolidation agreements in France allow virtually all French companies of the Group to combine their taxable profits to calculate the overall tax expense for which only the parent company is liable.

With effect from January 1, 2004, the entire Financière Agache tax consolidation group has been included in the tax consolidation group of Groupe Arnault SAS.

The accounting estimate of the decrease in the Group's current tax expense came to 258 million euros in 2014 (84 million euros in 2013). These amounts are (i) realized with respect to the LVMH tax consolidation group and (ii) out of necessity estimated with respect to the Christian Dior tax consolidation group, whose fiscal year does not match Financière Agache's fiscal year.

The application of other tax consolidation agreements, notably in the United States, led to current tax savings of 33 million euros in 2014 (16 million euros in 2013, 34 million euros 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 balance sheet as of December 31, 2013 has been restated to reflect the finalized purchase price allocation for Loro Piana. See Note 2.

NOTE 28 – EARNINGS PER SHARE

	2014	2013	2012
Net profit, Group share *(EUR millions)*	**621**	**1,038**	**1,035**
Impact of diluting instruments on the subsidiaries *(EUR millions)*	(17)	(9)	(9)
NET PROFIT, DILUTED GROUP SHARE *(EUR millions)*	**604**	**1,029**	**1,026**
Average number of shares in circulation during the fiscal year	3,173,352	3,173,352	3,173,352
Average number of Financière Agache treasury shares owned during the fiscal year	(3,619)	(3,619)	(3,619)
Average number of shares on which the calculation before dilution is based	**3,169,733**	**3,169,733**	**3,169,733**
BASIC GROUP SHARE OF NET PROFIT PER SHARE *(EUR)*	**195.92**	**327.47**	**326.53**
Average number of shares in circulation on which the above calculation is based	3,169,733	3,169,733	3,169,733
Dilution effect of stock option plans	-	-	-
AVERAGE NUMBER OF SHARES ON WHICH THE CALCULATION AFTER DILUTION IS BASED	**3,169,733**	**3,169,733**	**3,169,733**
DILUTED GROUP SHARE OF NET PROFIT PER SHARE *(EUR)*	**191.81**	**324.63**	**323.69**

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.

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

29.1. Expense for the fiscal year

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

(EUR millions)	2014	2013 [(1)]	2012 [(1)]
Service cost	77	80	64
Net interest cost	13	15	11
Actuarial gains and losses	4	2	9
Past service cost	-	-	1
Changes in plans	-	(8)	(2)
TOTAL EXPENSE FOR THE PERIOD FOR DEFINED BENEFIT PLANS	**94**	**89**	**83**

(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.

29.2. Net recognized commitment

(EUR millions)	2014	2013 [1]	2012 [1]
Benefits covered by plan assets	1,265	975	1,023
Benefits not covered by plan assets	173	154	147
Defined benefit obligation	**1,438**	**1,129**	**1,170**
Market value of plan assets	**(805)**	**(680)**	**(649)**
NET RECOGNIZED COMMITMENT	**633**	**449**	**521**
Of which:			
Non-current provisions	653	461	528
Current provisions	3	6	14
Other assets	(23)	(18)	(21)
TOTAL	**633**	**449**	**521**

29.3. Breakdown of the change in net recognized commitment

(EUR millions)	Defined benefit obligation	Market value of plan assets	Net recognized commitment [a]
As of December 31, 2013 [1]	**1,129**	**(680)**	**449**
Service cost	77	-	77
Net interest cost	37	(24)	13
Payments to beneficiaries	(55)	38	(17)
Contributions to plan assets	-	(72)	(72)
Contributions of employees	9	(9)	-
Changes in scope and reclassifications	(2)	-	(2)
Actuarial gains and losses: experience adjustments [a]	4	(28)	(24)
Actuarial gains and losses: changes in demographic assumptions [a]	5	-	5
Actuarial gains and losses: changes in financial assumptions [a]	186	-	186
Translation adjustment	48	(30)	18
AS OF DECEMBER 31, 2014	**1,438**	**(805)**	**633**

(a) Gains/(Losses).

Actuarial gains and losses resulting from changes in financial assumptions related mainly to the decrease in discount rates.

(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.

Actuarial gains and losses resulting from experience adjustments related to the fiscal years 2010 to 2013 amounted to:

(EUR millions)	2010	2011	2012	2013
Experience adjustments on the defined benefit obligation	(14)	(9)	13	1
Experience adjustments on the market value of plan assets	(4)	(34)	(31)	(35)
ACTUARIAL GAINS AND LOSSES RESULTING FROM EXPERIENCE ADJUSTMENTS [(a)]	**(18)**	**(43)**	**(18)**	**(34)**

(a) Gains/(Losses).

The actuarial assumptions applied to estimate commitments as of December 31, 2014 in the main countries where such commitments have been undertaken, were as follows:

	2014					2013					2012				
(as %)	France	United States	United Kingdom	Japan	Switzer-land	France	United States	United Kingdom	Japan	Switzer-land	France	United States	United Kingdom	Japan	Switzer-land
Discount rate [(a)]	2.0	3.96	3.68	1.0	1.70	3.50	5.0	4.40	1.25	2.30	3.0	3.20	4.30	1.50	2.0
Future rate of increase of salaries	3.0	5.0	4.0	2.0	2.25	3.0	4.50	4.10	2.0	2.25	3.0	4.0	3.80	2.0	2.50

(a) Discount rates were determined with reference to market yields of AA-rated corporate bonds at the year-end in the countries concerned. Bonds with maturities comparable to those of the commitments were used.

The assumed rate of increase of medical expenses in the United States is 7.0% for 2015, after which it is assumed to decline progressively to reach a rate of 4.5% in 2029.

A rise of 0.5% in the discount rate would result in a reduction of 87 million euros in the amount of the defined benefit obligation as of December 31, 2014; a decrease of 0.5% in the discount rate would result in a rise of 99 million euros.

29.4. Analysis of benefits

The breakdown of the defined benefit obligation by type of benefit plan is as follows:

(EUR millions)	2014	2013 [(1)] [(2)]	2012 [(1)]
Supplementary pensions	1,114	857	909
Retirement and other indemnities	251	205	188
Medical costs of retirees	49	44	51
Jubilee awards	21	20	18
Other	3	3	4
DEFINED BENEFIT OBLIGATION	**1,438**	**1,129**	**1,170**

The geographic breakdown of the defined benefit obligation is as follows:

(EUR millions)	2014	2013 [(1)] [(2)]	2012 [(1)]
France	508	374	380
Europe (excluding France)	510	444	439
United States	274	184	210
Japan	91	84	107
Asia (excluding Japan)	50	40	31
Other countries	5	3	3
DEFINED BENEFIT OBLIGATION	**1,438**	**1,129**	**1,170**

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

The main components of the Group's net commitment for retirement and other defined benefit obligations as of December 31, 2014 are as follows:

- in France, these commitments include the commitment to members of the Group's management bodies who are covered by a supplementary pension plan after a certain number of years of service, the amount of which is determined based on the average of their three highest amounts of annual remuneration; they also include retirement indemnities and jubilee awards, the payment of which is determined by French law and collective bargaining agreements, respectively upon retirement or after a certain number of years of service;
- in Europe (excluding France), the main commitments concern pension plans, set up in the United Kingdom by certain Group companies; in Switzerland, participation by Group companies in the mandatory Swiss occupational pension plan, the LPP (Loi pour la Prévoyance Professionnelle); and the TFR (Trattamento di Fine Rapporto) in Italy, a legally required end-of-service allowance, paid regardless of the reason for the employee's departure from the company;
- in the United States, the commitment relates to defined benefit pension plans or systems for the reimbursement of medical expenses of retirees set up by certain Group companies.

29.5. Analysis of related plan assets

The breakdown of market value of plan assets by type of investment is as follows:

(as % of market value of related plan assets)	2014	2013	2012
Shares	30	35	35
Bonds:			
- private issues	35	29	29
- public issues	13	15	18
Cash, investment funds, real estate and other assets	22	21	18
TOTAL	**100**	**100**	**100**

These assets do not include any real estate assets belonging to the Group or any LVMH or Christian Dior shares for significant amounts.

The Group plans to increase the related plan assets in 2015 by paying in approximately 80 million euros.

NOTE 30 – OFF-BALANCE SHEET COMMITMENTS

30.1. Purchase commitments

(EUR millions)	2014	2013	2012
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	178	194	108

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 fiscal year-end prices and estimated production yields. The increase in those commitments as of December, 31, 2014 is related to the renewal, during the fiscal year, of a significant portion of purchase commitments in the Champagne region.

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	19	43	116	178

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.

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	2012
Less than one year	1,855	1,629	1,354
One to five years	4,288	3,834	3,380
More than five years	2,164	1,982	1,614
COMMITMENTS GIVEN FOR OPERATING LEASES AND CONCESSIONS	**8,307**	**7,445**	**6,348**
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, these fees amounted to approximately 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	540	878	797
GUARANTEES GIVEN	**906**	**1,290**	**1,092**
GUARANTEES RECEIVED	**27**	**14**	**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	50	480	10	540
GUARANTEES GIVEN	**242**	**643**	**21**	**906**
GUARANTEES RECEIVED	**7**	**8**	**12**	**27**

Since fiscal year 2011, in connection with the overall management of the Group's financing and cash, two companies of the Arnault family group have authorized Financière Agache to acquire a total of 6,300,000 LVMH shares and 2,500,000 Christian Dior shares, at a unit price that will correspond, in the event of exercise of that authorization, to the market price of the shares in question upon their acquisition by Financière Agache.

30.4. Other commitments

The Group is not aware of any material 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.

NOTE 31 – RELATED PARTY TRANSACTIONS

31.1. Relations of the Financière Agache group with the Arnault group

The Financière Agache group is consolidated in the accounts of Groupe Arnault SAS.

Groupe Arnault SAS provides assistance to the Financière Agache group in the areas of development, engineering, and corporate and real estate law. In addition, Groupe Arnault leases office premises to the Financière Agache group.

Groupe Arnault leases office space from the Financière Agache group and the latter also provides Groupe Arnault with various forms of administrative assistance.

Transactions between the Financière Agache group and the Arnault group may be summarized as follows:

(EUR millions)	2014	2013	2012
• Services billed by Groupe Arnault to the Financière Agache group	(11)	(10)	(10)
Amount payable outstanding as of December 31	(2)	(2)	(2)
• Financial interest billed by the Arnault group to the Financière Agache group	(8)	(8)	(10)
Balance of the Financière Agache group's current account liabilities	(288)	(259)	(352)
• Tax consolidation expense	(40)	(9)	(14)
Balance of tax consolidation accounts	(31)	5	(3)
• Services billed by the Financière Agache group to the Arnault group	1	2	2
Amount receivable outstanding as of December 31	-	-	-
• Financial interest billed by the Financière Agache group to the Arnault group	30	20	44
Balance of the Financière Agache group's current account assets	708	923	1,197

31.2. Relations of the Financière Agache group with Diageo

Moët Hennessy SNC and Moët Hennessy International SAS (hereafter referred to as "Moët Hennessy") are the holding companies for LVMH's Wines and Spirits businesses, with the exception of Château d'Yquem, Château Cheval Blanc, Domaine du Clos des Lambrays and certain champagne vineyards. Diageo holds a 34% stake in Moët Hennessy. When that holding was acquired in 1994, an agreement was entered into between Diageo and LVMH for the apportionment of common holding company expenses between Moët Hennessy and the other holding companies of the LVMH group.

Under this agreement, Moët Hennessy assumed 17% of shared expenses in 2014 (19% in 2013 and 2012) and billed the related excess costs to LVMH SE, after which the amount of the costs assumed by Moët Hennessy was 14 million euros in 2014 (15 million euros in 2013; 14 million euros in 2012).

31.3. Relations with Fondation Louis Vuitton

In October 2014, the Fondation Louis Vuitton opened a modern and contemporary art museum in Paris. The Group finances the Fondation as part of its cultural sponsorship initiatives. Its net contributions to this project are included in "Property, plant and equipment" and are depreciated from the time the museum opened (October 2014) over the remaining duration of the public property use agreement awarded by the City of Paris.

Moreover, the Fondation Louis Vuitton has recourse to external financing guaranteed by the Group. These guarantees are presented as off-balance sheet commitments (see Note 30.3).

31.4. Executive bodies

The total compensation paid to the members of the Board of Directors, in respect of their functions within the Group, breaks down as follows:

(EUR millions)	**2014**	**2013**	**2012**
Gross compensation, employers' charges and benefits in kind	7	7	11
Post-employment benefits	2	2	1
Other long-term benefits	-	-	-
End of contract indemnities	-	-	-
Cost of bonus share plans	3	3	5
TOTAL	**12**	**12**	**17**

The commitment recognized as of December 31, 2014 for post-employment benefits, net of related financial assets, was 15 million euros (8 million euros as of December 31, 2013 and 6 million euros as of December 31, 2012).

NOTE 32 – SUBSEQUENT EVENTS

No significant subsequent events occurred between December 31, 2014 and April 2, 2015, the date on which the financial statements were approved for publication by the Board of Directors.

Consolidated companies

Companies	Registered office	Percentage interest
Financière Agache SA	**Paris, France**	**Parent company**
Christian Dior SE and its wholly owned subsidiaries	Paris, France	70%
LVMH SE and its wholly owned subsidiaries	Paris, France	31%
Semyrhamis SAS	Paris, France	100%
Coromandel SAS	Paris, France	100%
Montaigne Services SNC	Paris, France	100%
Agache Développement SA	Paris, France	100%
Transept SAS	Paris, France	100%
Markas Holding BV	Naarden, Netherlands	100%
Westley International SA and its subsidiaries	Luxembourg	100%
Le Peigné SA [(a)] and its subsidiaries	Brussels, Belgium	40%

(a) Accounted for using the equity method.

7. Statutory Auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholder's Meeting, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of Financière Agache,
- the justification of our assessments,
- the specific verification required by law.

These consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and material estimates made, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2014, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to:

- Note 1.2 detailing the change in the presentation of income/loss from joint ventures and associates, now presented within profit from recurring operations for entities integrated within the Group's operating activities, and within net financial income/expense for other entities;
- Note 1.4 detailing the change in presentation within the cash flow statement of dividends received, now presented according to the nature of the underlying investments, and of taxes paid, now presented according to the nature of the transactions from which they arise.

2. Justification of our assessments

In accordance with Article L. 823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring the following matters to your attention:

- The valuation of brands and goodwill has been tested under the method described in Note 1.14 to the consolidated financial statements. Based on the aforementioned, we have assessed the appropriateness of the methodology applied based on certain estimates and have reviewed the data and assumptions used by the Group to perform these valuations.
- We have verified that Note 1.12 provides an appropriate disclosure on the accounting treatment of commitments to purchase minority interests, as such treatment is not specifically provided for by the IFRS framework as adopted by the European Union.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified the information presented in the Group's Management Report, in accordance with professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, April 27, 2015

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Denis GRISON	Jeanne BOILLET

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

Parent company financial statements

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1. Balance sheet

Assets

		2014			2013
(EUR thousands)	*Notes*	**Gross**	**Depreciation, amortization and provisions**	**Net**	**Net**
Other intangible assets		-	-	-	-
Intangible assets	*2.1/2.2*				
Land		889	-	889	921
Buildings		684	458	226	264
Other tangible fixed assets		-	-	-	-
Property, plant and equipment	*2.1/2.2*	**1,573**	**458**	**1,115**	**1,185**
Subsidiaries and equity investments	*2.5*	4,453,928	88,621	4,365,307	4,365,357
Receivables from subsidiaries and equity investments	*2.5*	-	-	-	-
Long-term investments		8	-	8	8
Loans	*2.3*	9	-	9	9
Other non-current financial assets	*2.3*	448	-	448	448
Non-current financial assets	*2.1/2.2/2.8*	**4,454,393**	**88,621**	**4,365,772**	**4,365,822**
NON-CURRENT ASSETS	*2.1/2.2*	**4,455,966**	**89,079**	**4,366,887**	**4,367,007**
Trade accounts receivable	*2.3/2.5*	43	26	17	23
Financial accounts receivable	*2.3/2.5*	906,407	92,662	813,745	1,029,567
Other receivables	*2.3/2.5/2.7*	574	45	529	3,228
Short-term investments	*2.5/2.7*	391,890	1,391	390,499	166,367
Cash and cash equivalents		221,426	-	221,426	46,755
CURRENT ASSETS	*2.8*	**1,520,340**	**94,124**	**1,426,216**	**1,245,940**
Prepaid expenses	*2.3*	1,041	-	1,041	1,195
Bond redemption premiums		1	-	1	-
TOTAL ASSETS		**5,977,348**	**183,203**	**5,794,145**	**5,614,142**

Liabilities and equity

(EUR thousands)	*Notes*	2014	2013
Share capital	*2.4*	50,774	50,774
Share premium, merger and contribution accounts		441,946	441,946
Legal reserve		5,077	5,077
Regulated reserves		55,695	55,695
Other reserves		540,432	540,432
Retained earnings		2,725,822	2,503,484
Profit for the year		**496,084**	**312,675**
Regulated provisions		-	-
Interim dividends		-	(90,441)
EQUITY	*2.4*	**4,315,830**	**3,819,642**
PROVISIONS FOR CONTINGENCIES AND LOSSES	*2.5*	**48,800**	**12,201**
Bonds		512,718	512,718
Bank loans and borrowings	*2.6*	67,745	69,762
Miscellaneous loans and borrowings		827,237	1,196,991
Borrowings		**1,407,700**	**1,779,471**
Trade accounts payable	*2.6*	324	274
Tax and social security liabilities		40	57
Operating liabilities		**364**	**331**
Other liabilities	*2.6*	21,448	2,403
LIABILITIES	*2.6/2.8*	**1,429,512**	**1,782,205**
Prepaid income	*2.6*	3	94
TOTAL LIABILITIES AND EQUITY		**5,794,145**	**5,614,142**

2. Income statement

(EUR thousands)	**2014**	**2013**
Net revenue	**-**	**-**
Reversals of provisions, depreciation and amortization	-	-
Expense transfers	2	-
Other income	186	194
Operating income	**188**	**194**
Other purchases and external expenses	717	699
Taxes, duties and similar levies	28	135
Wages and salaries	8	43
Social security expenses	21	30
Depreciation and amortization	24	24
Current asset provision allocations	-	-
Other expenses	90	84
Operating expenses	**888**	**1,015**
OPERATING PROFIT (LOSS)	**(700)**	**(821)**

(EUR thousands)	*Notes*	2014	2013
Income from subsidiaries and equity investments		527,472	345,128
Income from other securities and non-current investments		-	-
Other interest and similar income		68,113	33,477
Reversals of provisions and expenses transferred	2.5	97	55,687
Net foreign exchange gains		24,739	-
Net gains on sales of short-term investments		232	3,002
Financial income		**620,653**	**437,294**
Depreciation, amortization and provisions	2.5	50,764	65,522
Interest and similar expenses		51,445	53,363
Net foreign exchange losses		-	3,153
Net losses on sales of short-term investments		-	-
Financial expenses		**102,209**	**122,038**
NET FINANCIAL INCOME (EXPENSE)	2.9	**518,444**	**315,256**
RECURRING PROFIT		**517,744**	**314,435**
Exceptional income from management transactions		-	-
Exceptional income from capital transactions		350	-
Reversals of provisions and expenses transferred	2.5	511	1,571
Exceptional income		**861**	**1,571**
Exceptional expenses on management transactions		-	3
Exceptional expenses on capital transactions		46	-
Provision allocations		-	-
Exceptional expenses		**46**	**3**
EXCEPTIONAL INCOME (EXPENSE)	2.10	**815**	**1,568**
Income taxes	2.11	**22,475**	**3,328**
NET PROFIT		**496,084**	**312,675**

3. Company results over the last five fiscal years

(EUR thousands)	2010	2011	2012	2013	2014
1. Share capital at fiscal year-end					
Share capital	50,774	50,774	50,774	50,774	50,774
Number of ordinary shares outstanding	3,173,352	3,173,352	3,173,352	3,173,352	3,173,352
Maximum number of future shares to be created through exercise of share subscription options	-	-	-	-	-
2. Operations and profit for the fiscal year					
Revenue before taxes	-	-	-	-	-
Profit before taxes, depreciation, amortization and movements in provisions	189,524	508,596	417,598	324,291	568,739
Income taxes	-	2,418	6,279	3,328	22,475
Profit after taxes, depreciation, amortization and movements in provisions	195,013	469,618	406,282	312,675	496,084
Profit distributed as dividends [(a)]	79,334	396,669	364,935	90,441	-
3. Earnings per share *(EUR)*					
Earnings per share before taxes, depreciation, amortization and movements in provisions	59.72	160.27	131.60	102.19	179.22
Earnings per share after taxes, depreciation, amortization and movements in provisions	61.45	147.99	128.03	98.53	156.33
Gross dividend distributed per share	**25.00**	**125.00**	**115.00**	**28.50**	**-**
4. Employees					
Average number of employees	1	1	1	1	-
Total payroll	40	43	39	43	9
Amount paid in respect of social security for the fiscal year	32	32	39	30	21

(a) Excluding the impact of tax regulations applicable to the beneficiaries.

4. Notes to the parent company financial statements

Key events during the fiscal year

On September 2, 2014, under the aegis of the President of the Paris Commercial Court, LVMH Moët Hennessy-Louis Vuitton ("LVMH") and Hermès International ("Hermès") entered into a settlement agreement aimed at definitively ending the litigation to which LVMH's acquisition of an equity stake in Hermès had given rise, and at restoring a climate of positive relations between them. According to the terms of this agreement, (i) in December 2014, LVMH distributed to its shareholders all of the Hermès shares held by the LVMH group, and Christian Dior, which at that date held 40.9% of LVMH's share capital via Financière Jean Goujon, distributed the Hermès shares received from LVMH (indirectly via Financière Jean Goujon) to its own shareholders, and (ii) LVMH and Hermès ceased all proceedings and actions undertaken against one another.

In 2014, the total amount of dividends that Financière Agache received from its subsidiaries and equity investments was 527.5 million euros, compared with 345.1 million euros in 2013. This 182.4 million euro increase arose from the distributions in kind of Hermès International shares carried out by LVMH and Christian Dior.

Net financial income was 518.4 million euros, compared to 315.3 million euros in 2013.

Net profit was 496.1 million euros, compared to 312.7 million euros in 2013.

1. ACCOUNTING POLICIES AND METHODS

The parent company financial statements have been prepared in accordance with Regulation 2014-03 dated June 5, 2014 of the Autorité des Normes Comptables, France's accounting standards authority.

General accounting conventions have been applied observing the principle of prudence in conformity with the basic assumptions of going concern, consistency of accounting methods and accrual basis, and in conformity with the general rules for preparation and presentation of parent company financial statements.

The accounting items recorded have been evaluated using the historical cost method, with the exception of property, plant and equipment subject to revaluation in accordance with legal provisions.

1.1. Property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

- buildings: 20 to 50 years;
- general installations, fixtures and fittings: 4 to 10 years;
- transport equipment: 4 years;
- office furniture and equipment: 3 to 10 years.

1.2. Non-current financial assets

Equity investments as well as other long-term investments are recorded at the lower of their acquisition cost or their value in use. Impairment is recorded if their value in use is lower than their acquisition cost.

The value in use of directly and indirectly held subsidiaries and equity investments in listed companies is based on an overall position of majority control, stock market valuation, and the portion of the equity of these companies within consolidated equity, once restated to take into account the Group's accounting policies.

The value in use of other equity investments in unlisted companies is generally determined on the basis of the portion of the equity of these companies within consolidated equity, once restated to take into account the Group's accounting policies.

Gains or losses on partial sales of equity investments are recognized in net financial income/expense and calculated according to the weighted average cost method.

Loans, deposits and other long-term receivables are measured at their face value. Where applicable, these items are reviewed for impairment and provisions are recognized to write them down to their net realizable value at the fiscal year-end.

1.3. Accounts receivable and liabilities

Accounts receivable and liabilities are recognized at their face value. An impairment provision is recorded if their net realizable value, based on the probability of their collection, is lower than their carrying amount.

1.4. Short-term investments

Short-term investments are valued at their acquisition cost. An impairment provision is recorded if their acquisition value is greater than their market value determined as follows:

- listed securities: average listed share price during the last month of the year;
- other securities: estimated realizable value or liquidation value.

Gains or losses on the disposal of short-term investments are determined using the FIFO method.

1.5. Provisions for contingencies and losses

The Company establishes a provision for definite and likely contingencies and losses at the end of each fiscal year, observing the principle of prudence.

1.6. Foreign currency transactions

During the period, foreign currency transactions are recorded at the rates of exchange in euros prevailing on the transaction dates.

Liabilities, accounts receivable, liquid funds and short-term investments in foreign currencies are revalued on the balance sheet at fiscal year-end exchange rates.

Gains or losses on transactions regarded as elements of the same overall foreign exchange position by currency (realized or resulting from the revaluation of positions at the fiscal year-end) are recorded in the income statement as a single net amount.

The difference resulting from the revaluation of liabilities and accounts receivable in foreign currencies at the fiscal year-end that cannot be regarded as elements of the same overall foreign exchange position is recorded in the "Translation adjustment". Provisions are recorded for unrealized foreign exchange losses unless they are hedged.

1.7. Net financial income (expense)

Due to its type of business, the Company applies the following policies:

- gains or losses on partial sales of equity investments are recognized in net financial income/expense and calculated according to the weighted average cost method;
- net gains and losses on sales of short-term investments comprise expenses and income associated with sales.

1.8. Gains and losses on options and futures contracts

a) on hedges
Gains and losses are recorded in the income statement and matched against the income and expenses arising from the hedged item.

b) on other transactions
A provision for contingencies is recorded if the market value of the instrument results in the calculation of an unrealized loss for the Company compared to the initial value of the instrument. Unrealized gains are not recognized.

1.9. Equity

In conformity with the recommendations of the Compagnie Nationale des Commissaires aux Comptes (National Board of Auditors), interim dividends are recorded as a deduction from equity.

2. ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT

2.1. Non-current assets

		Increases	Decreases	
(EUR thousands)	Gross value as of 01/01/2014	Acquisitions, creations, transfers	Disposals, transfers	Gross value as of 12/31/2014
Intangible assets				
Land	921	-	32	889
Buildings, fixtures and fittings	726	-	42	684
Miscellaneous general installations, fixtures and fittings	-	-	-	-
Transport equipment	-	-	-	-
Office furniture and equipment	-	-	-	-
Property, plant and equipment	**1,647**	**-**	**74**	**1,573**
Subsidiaries and equity investments	4,453,935	373,779	373,786	4,453,928
Receivables from subsidiaries and equity investments	-	-	-	-
Long-term investments	8	-	-	8
Loans	9	-	-	9
Other non-current financial assets	448	-	-	448
Non-current financial assets	**4,454,400**	**373,779**	**373,786**	**4,454,393**
TOTAL	**4,456,047**	**373,779**	**373,860**	**4,455,966**

The increase of 373.8 million euros in "Subsidiaries and equity investments" and the equivalent decrease in that item correspond almost exclusively to (i) the value of the Hermès International shares received in the form of dividends in kind on December 17, 2014 and recognized on the basis of a share price of 280.10 euros per share; and (ii) the simultaneous sale of those Hermès shares to a subsidiary of the Company on December 17, 2014, on the basis of an identical share price of 280.10 per share.

2.2. Depreciation, amortization and impairment of fixed assets

	Position and changes in the period			
(EUR thousands)	Depreciation, amortization and impairment as of 01/01/2014	Increases, charges	Decreases, reversals	Depreciation, amortization and impairment as of 12/31/2014
Intangible assets	**-**	**-**	**-**	**-**
Buildings, fixtures and fittings	462	24	28	458
Miscellaneous general installations, fixtures and fittings	-	-	-	-
Office furniture and equipment	-	-	-	-
Property, plant and equipment	**462**	**24**	**28**	**458**
Subsidiaries and equity investments	88,578	50	7	88,621
Receivables from subsidiaries and equity investments	-	-	-	-
Long-term investments and loans	-	-	-	-
Non-current financial assets	**88,578**	**50**	**7**	**88,621**
TOTAL	**89,040**	**74**	**35**	**89,079**

Charges and reversals to provisions of non-current financial assets reflect the level of net assets of the subsidiaries concerned.

2.3. Loans and accounts receivable by maturity

(EUR thousands)	Gross amount	Up to 1 year	More than 1 year
Receivables from subsidiaries and equity investments	-	-	-
Loans and other non-current financial assets	457	3	454
Trade accounts receivable	43	43	-
Financial accounts receivable	906,407	906,407	-
Other receivables	574	574	-
Prepaid expenses	1,041	1,041	-
TOTAL	**908,522**	**908,068**	**454**

Financial accounts receivable

Financial accounts receivable include cash advances made to Group companies in connection with the cash pooling system or under bilateral agreements.

As of the fiscal year-end, accrued interest on financial accounts receivable was 3.1 million euros.

Other receivables

Other receivables include in particular miscellaneous receivables and interest receivable on swaps related to borrowings.

Prepaid expenses and deferred income

As of December 31, 2014, prepaid expenses mainly concern interest deducted on commercial paper and commissions for banking commitments.

2.4. Equity

Share capital

The share capital comprises 3,173,352 shares, each with a par value of 16 euros, of which 3,169,203 shares carry double voting rights.

Change in equity

(EUR thousands)	
Equity as of 12/31/2013 (prior to appropriation of net profit)	**3,819,642**
Net profit	496,084
Dividends paid	-
Interim dividends	-
Change in regulated reserves	-
Change in retained earnings	104
Equity as of 12/31/2014 (prior to appropriation of net profit)	**4,315,830**

2.5. Impairment and provisions

(EUR thousands)	Amount 01/01/2014	Increases	Decreases	Amount 12/31/2014
Impairment expense				
Subsidiaries and equity investments	88,578	50	7	88,621
Receivables from subsidiaries and equity investments	-	-	-	-
Trade accounts receivable	26	-	-	26
Financial and other receivables	79,291	13,416	-	92,707
Other short-term investments	1,206	185	-	1,391
Subtotal	**169,101**	**13,651**	**7**	**182,745**
Provisions for contingencies and losses				
Litigation and miscellaneous risks	12,201	37,110	511	48,800
Subtotal	**12,201**	**37,110**	**511**	**48,800**
TOTAL	**181,302**	**50,761**	**518**	**231,545**
Amortization of the bond redemption premium	-	3	90	-
Of which:				
Financial	-	50,764	97	-
Exceptional	-	-	511	-

Charges for "Litigation and miscellaneous risks" (37.1 million euros) mainly reflect the level of net assets of the subsidiaries concerned (for 21.8 million euros) and unrealized losses on forward sales in foreign currencies as of December 31, 2014 (for 13.9 million euros).

2.6. Liabilities by maturity

Liabilities *(EUR thousands)*	Gross amount	Up to 1 year	From 1 to 5 years	More than 5 years
Bonds	512,718	237,718	275,000	-
Bank loans and borrowings	67,745	65,168	2,577	-
Miscellaneous loans and borrowings	827,237	827,237	-	-
Trade accounts payable	324	324	-	-
Tax and social security liabilities	40	40	-	-
Other liabilities	21,448	21,448	-	-
Deferred income	3	3	-	-
TOTAL	**1,429,515**	**1,151,938**	**277,577**	**-**

The 225 million euro bond fell due on January 15, 2015, and the 275 million euro bond falls due on October 25, 2017.

Bank loans and borrowings comprise medium-term borrowings in the amount of 3 million euros and short-term borrowings in the amount of 65 million euros.

Miscellaneous loans and borrowings mainly include negotiable debt securities outstanding in the amount of 826 million euros.

As is normal practice for credit facilities, Financière Agache has signed commitments to maintain a specific percentage interest and voting rights for certain of its subsidiaries and to maintain a specific ratio of "assets to net financial debt". The current level of this ratio ensures that the Company has considerable financial flexibility with regard to this commitment.

2.7. Accruals and prepayments by asset/liability line

(EUR thousands)	Accrued expenses Deferred income	Accrued income Prepaid expenses
Current assets		
Short-term investments	-	6
Other receivables	-	528
Prepaid expenses	-	1,041
Liabilities		
Borrowings	12,762	-
Trade accounts payable	245	-
Tax and social security liabilities	11	-
Other liabilities	1,997	-
Deferred income	3	-

2.8. Items involving related companies

	Items involving companies	
(EUR thousands)	related [(a)]	other [(b)]
Non-current assets		
Subsidiaries and equity investments	4,453,928	-
Receivables from subsidiaries and equity investments	-	-
Current assets		
Trade accounts receivable	-	-
Financial accounts receivable	906,407	-
Other receivables	-	-
Short-term investments	25,433	-
Prepaid expenses	-	-
Liabilities		
Borrowings	1,175	-
Trade accounts payable	-	-
Other liabilities	19,243	-
Deferred income	-	-

(a) Companies that can be fully consolidated into one consolidated unit (e.g. parent company, subsidiaries, consolidated affiliates).
(b) Percentage control between 10% and 50%.

In the income statement

Expenses and income involving related companies or companies with which the Company has an ownership connection break down as follows:

(EUR thousands)	Income	Expenses
Income from subsidiaries and equity investments	527,472	-
Interest and other	64,979	10,265

2.9. Financial income and expenses

Net financial income was 518.4 million euros. This item mainly includes:

- dividend income of 555.4 million euros;
- an overall foreign exchange gain of 24.7 million euros;
- net provision charges of 50.5 million euros;
- net financial expenses related to borrowings of 11.7 million euros.

2.10. Exceptional income and expenses

Exceptional income *(EUR thousands)*	**2014**	**2013**
Miscellaneous revenue from management transactions	-	-
Income from capital transactions	350	-
Reversals of provisions and expenses transferred	511	1,571
EXCEPTIONAL INCOME	**861**	**1,571**

Exceptional expenses *(EUR thousands)*	**2014**	**2013**
Exceptional expenses on management transactions	-	3
Expenses on capital transactions	46	-
Provision allocations	-	-
EXCEPTIONAL EXPENSES	**46**	**3**
EXCEPTIONAL INCOME (EXPENSE)	**815**	**1,568**

2.11. Income taxes

	2014			**2013**		
(EUR thousands)	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Recurring profit	517,744	-	517,744	314,435	-	314,435
Exceptional income/(expense)	815	(22,475)	(21,660)	1,568	(3,328)	(1,760)
TOTAL	**518,559**	**(22,475)**	**496,084**	**316,003**	**(3,328)**	**312,675**

2.12. Tax position

Since 2004, Financière Agache has been a member of the tax group of which Groupe Arnault is the parent company.

Financière Agache calculates and recognizes its tax expense as if it were individually subject to tax, and remits this amount to the parent company.

3. OTHER INFORMATION

3.1. Financial commitments

Commitments relating to forward financial instruments

Hedging instruments

Financière Agache uses various interest rate hedging instruments on its own behalf that comply with its investment policy. The aim of this policy is to hedge against possible changes in interest rates on existing debt, while ensuring that speculative positions are not taken.

The types of instruments outstanding as of December 31, 2014 and the underlying amounts (excluding short-term instruments) break down as follows:

	Amount of underlying/ Maturity			Market value
(EUR thousands)	2015	2016	2017	12/31/2014
Swaps	125,000	75,000	275,000	1,402

Foreign exchange hedging

In connection with its financing and foreign exchange hedging policy, Financière Agache carried out foreign exchange transactions for a total amount of 327.5 million dollars.

Commitments given

Financière Agache served as guarantor for financing granted to some of its subsidiaries in the total amount of 455 million euros.

Commitments received

Since fiscal year 2011, in connection with the overall management of the Group's financing and to enhance the efficiency of its cash management, two companies of the Arnault family group have authorized Financière Agache to acquire a total of 6,300,000 LVMH shares and 2,500,000 Christian Dior shares, at a unit price that will correspond, upon the exercise of this right, to the market price of the shares in question upon their acquisition by Financière Agache.

3.2. Compensation of management bodies

The gross amount of compensation of management bodies paid in 2015 to members of the management bodies for the 2014 fiscal year was 82.3 thousand euros.

3.3. Statutory Auditors' fees

	Ernst & Young et Autres		Mazars	
	2014	2013	2014	2013
(EUR thousands)	Amount	Amount	Amount	Amount
Statutory audit	99	99	99	99
Other services relating directly to the statutory audit assignment	-	5	-	2
TOTAL	**99**	**104**	**99**	**101**

3.4. Identity of the company consolidating the accounts of Financière Agache

Registered office

Groupe Arnault SAS: 41 avenue Montaigne - 75008 PARIS, France.

3.5. Additional information relating to equity investments and short-term investments

List of subsidiaries and investments

(EUR thousands)	Equity	% of share capital held	Profit/ loss as of 12/31/2014
A. Shares whose gross value exceeds 1% of the share capital			
1. Subsidiaries (at least 50% of the share capital held by the Company)			
Agache Développement	35	100.00%	(9)
Coromandel	19,881	100.00%	(811)
Montaigne Services	22	99.90%	6
Semyrhamis	5,934,586	100.00%	2,081,779
Markas Holding	1,544	100.00%	(38)
Westley International	(22,054)	100.00%	(21,767)
2. Investments (between 10% and 50% of the share capital held by the Company)			
3. Other			
Christian Dior (a) (b)	3,186,240	9.16%	575,576
LVMH (a)	9,729,116	1.58%	7,160,463
Foreign subsidiary	368,607	40.36%	174,260
B. Other (securities whose gross value does not exceed 1% of the share capital)			
French subsidiaries	(535)		(828)

(a) Excluding securities categorized under short-term investments.
(b) Given the difference in the fiscal year-end date with Christian Dior, the accounting data provided are those of the 12-month fiscal year ended June 30, 2014.

Information concerning non-current investments of the "TIAP" portfolio

Not significant.

Information on short-term investments

(EUR thousands)	Net value 12/31/2014
Shares	28,433
SICAV, FCP and FCPR funds	
Certificates of deposit, commercial paper, treasury bills	30,000
Hedge funds and private equity funds	677
Term deposits	331,389
SHORT-TERM INVESTMENTS	**390,499**

5. Statutory Auditors' report on the parent company financial statements

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your Shareholders' Meeting, we hereby report to you, for the fiscal year ended December 31, 2014, on:

- the audit of the accompanying parent company financial statements of Financière Agache,
- the justification of our assessments,
- the specific procedures and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

1. Opinion on the parent company financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2014 and of the results of its operations for the fiscal year then ended, in accordance with French accounting regulations.

2. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring the following matters to your attention:

Note 1.2 to the financial statements sets out the accounting principles and methods applicable to non-current financial assets. As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting methods described in this note and that of the disclosures in the notes to the financial statements, and have ascertained that they were properly applied.

These assessments were performed as part of our audit approach to the financial statements taken as a whole and therefore contributed to the opinion expressed in the first part of this report.

3. Specific procedures and disclosures

We have also performed the other specific procedures required by law in accordance with professional practice standards applicable in France.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the parent company financial statements.

Paris-La Défense, April 27, 2015

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Denis GRISON	Jeanne BOILLET

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

Fees paid in 2014 to the Statutory Auditors

	Ernst & Young et Autres				Mazars			
	2014		2013		2014		2013	
(EUR thousands, excluding VAT)	Amount	%	Amount	%	Amount	%	Amount	%
Audit								
Statutory audit, certification, audit of the individual company and consolidated financial statements:								
• Financière Agache	99	1	99	1	99	2	99	2
• Consolidated subsidiaries [(a)]	13,433	-	15,269	71	4,089	90	4,300	96
Other services relating directly to the statutory audit engagement:								
• Financière Agache	-	-	5	-	-	-	2	-
• Consolidated subsidiaries [(b)]	1,243	6	2,295 [(b)]	11	251	6	44	1
Subtotal	**14,775**	**78**	**17,668**	**83**	**4,439**	**98**	**4,445**	**99**
Other services provided by the firms to consolidated subsidiaries								
• Legal, tax, employee-related [(c)]	3,738	20	3,474	16	38	1	-	-
• Other	378	2	268	1	34	1	25	1
Subtotal	**4,116**	**22**	**3,742**	**17**	**72**	**2**	**25**	**1**
TOTAL	**18,891**	**100**	**21,410**	**100**	**4,511**	**100**	**4,470**	**100**

(a) Of which, for 2014 and 2013 respectively, 3,010 thousand euros and 4,999 thousand euros (Ernst & Young et Autres) and 411 thousand euros and 646 thousand euros (Mazars) related to the change in fiscal year-end date of Christian Dior and some of its subsidiaries.
(b) These amounts include work carried out in relation with the acquisition and integration of Loro Piana.
(c) Mainly tax advisory services performed outside France, to ensure that the Group's subsidiaries and expatriates meet their local tax declaration obligations.

Statement of the Company Officer responsible for the Annual Financial Report

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the Management report presented on page 5 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, April 29, 2015

Florian OLLIVIER

Chairman and Chief Executive Officer

Design and production: Agence Marc Praquin

FINANCIERE AGACHE

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