LVMH

MOËT HENNESSY • LOUIS VUITTON

TRANSLATION OF THE FRENCH

FINANCIAL DOCUMENTS

FISCAL YEAR ENDED DECEMBER 31, 2020

CONTENTS

This document is a free translation into English of the original French “Documents financiers – 31 décembre 2020”, hereafter referred to as the “Financial Documents”. 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 AND SUPERVISORY BODIES; STATUTORY AUDITORS AS OF DECEMBER 31, 2020

Board of Directors

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Antoine Arnault

Delphine Arnault

Dominique Aumont
Director representing the employees

Nicolas Bazire

Marie-Véronique Belloeil-Melkin
Director representing the employees

Sophie Chassat [a]

Charles de Croisset [a]
Lead Director

Diego Della Valle [a]

Clara Gaymard [a]

Iris Knobloch [a]

Marie-Josée Kravis [a]

Marie-Laure Sauty de Chalon [a]

Yves-Thibault de Silguy [a]

Natacha Valla [a]

Hubert Védrine [a]

Advisory Board members

Yann Arthus-Bertrand

Lord Powell of Bayswater

Executive Committee

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Delphine Arnault
Louis Vuitton Products

Nicolas Bazire
Development and Acquisitions

Pietro Beccari
Christian Dior Couture

Michael Burke
Louis Vuitton & Tiffany

Chantal Gaemperle
Human Resources and Synergies

Andrea Guerra
LVMH Hospitality Excellence

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Selective Retailing & Beauty

Philippe Schaus
Wines and Spirits

Sidney Toledano
Fashion Group

Jean-Baptiste Voisin
Strategy

General Secretary

Marc-Antoine Jamet

Performance Audit Committee

Yves-Thibault de Silguy [a]
Chairman

Charles de Croisset [a]

Clara Gaymard [a]

Nomination and Compensation Committee

Charles de Croisset [a]
Chairman

Marie-Josée Kravis [a]

Yves-Thibault de Silguy [a]

Ethics and Sustainable Development Committee

Yves-Thibault de Silguy [a]
Chairman

Delphine Arnault

Marie-Laure Sauty de Chalon [a]

Hubert Védrine [a]

Statutory Auditors

ERNST & YOUNG Audit
represented by Gilles Cohen and Patrick Vincent-Genod

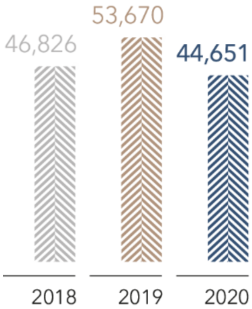
MAZARS
represented by Isabelle Sapet and Loïc Wallaert

(a) Independent Director

FINANCIAL HIGHLIGHTS

Revenue

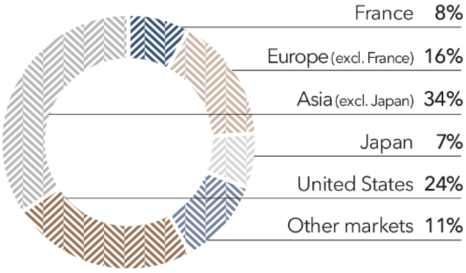
(EUR millions)



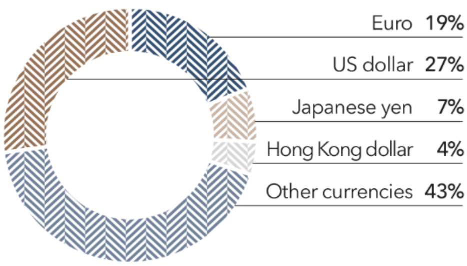
Revenue by business group *(EUR millions and percentage)*	2020	2019	2020/2019 Change Published	2020/2019 Change Organic[a]	2018
Wines and Spirits	4,755	5,576	-15%	-14%	5,143
Fashion and Leather Goods	21,207	22,237	-5%	-3%	18,455
Perfumes and Cosmetics	5,248	6,835	-23%	-22%	6,092
Watches and Jewelry	3,356	4,405	-24%	-23%	4,123
Selective Retailing	10,155	14,791	-31%	-30%	13,646
Other activities and eliminations	(70)	(174)	-	-	(633)
Total	**44,651**	**53,670**	**-17%**	**-16%**	**46,826**

(a) On a constant consolidation scope and currency basis. The net impact of exchange rate fluctuations on Group revenue was -2% and the net impact of changes in the scope of consolidation was nil. The principles used to determine the net impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the net impact of changes in the scope of consolidation are described on page 11.

Revenue by geographic region of delivery

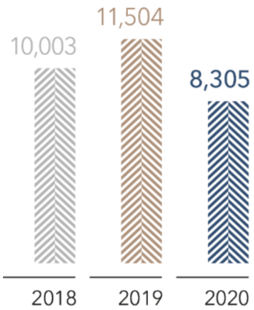


Revenue by invoicing currency



Profit from recurring operations

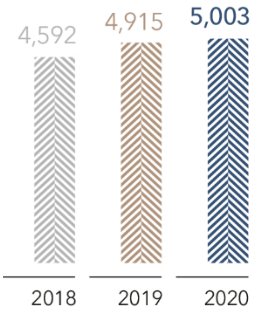
(EUR millions)



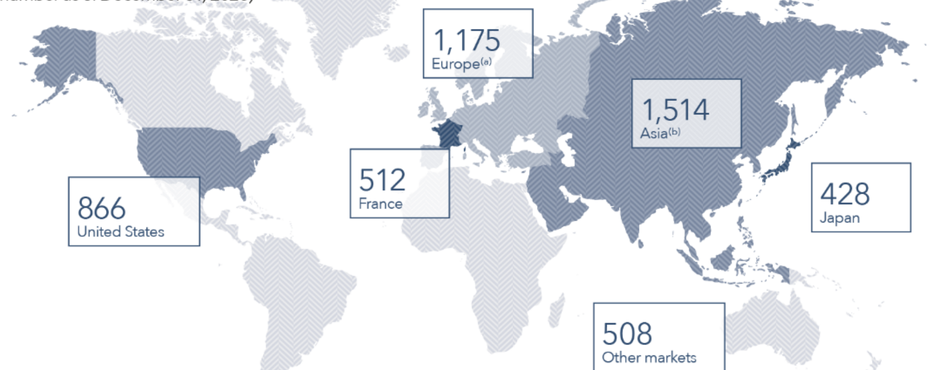
Profit from recurring operations by business group *(EUR millions)*	2020	2019	2018
Wines and Spirits	1,388	1,729	1,629
Fashion and Leather Goods	7,188	7,344	5,943
Perfumes and Cosmetics	80	683	676
Watches and Jewelry	302	736	703
Selective Retailing	(203)	1,395	1,382
Other activities and eliminations	(450)	(383)	(330)
Total	**8,305**	**11,504**	**10,003**

Stores

(number)

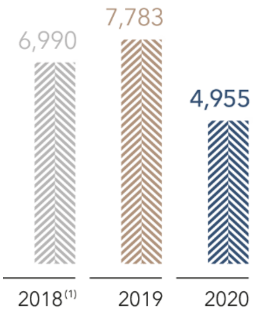


Stores by geographic region
(number as of December 31, 2020)

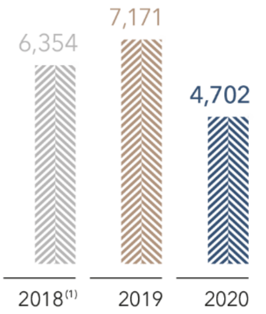


(a) Excluding France. (b) Excluding Japan.

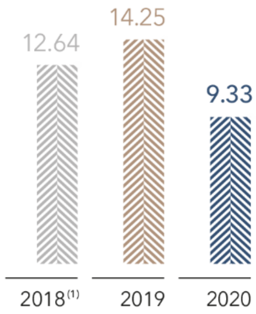
Net profit
(EUR millions)



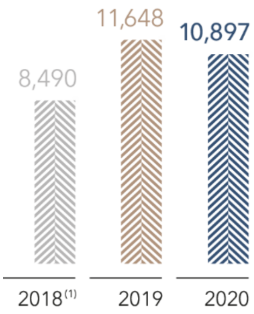
Net profit, Group share
(EUR millions)



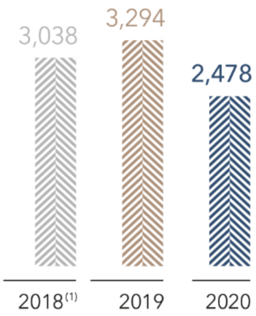
Basic Group share of net earnings per share
(EUR)



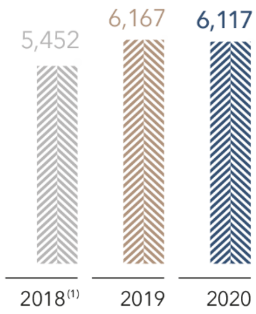
Net cash from operating activities
(EUR millions)



Operating investments
(EUR millions)

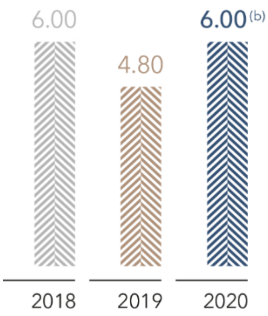


Operating free cash flow(a)
(EUR millions)



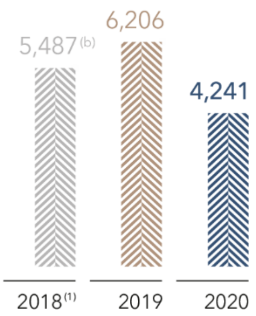
(a) See p. 28 for definition of Operating free cash flow.

Dividend per share(a)
(EUR)



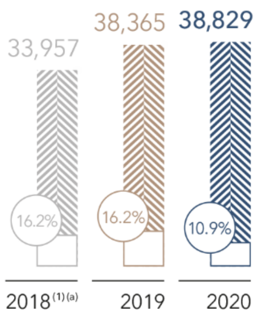
(a) Gross amount paid for fiscal year, excluding the impact of tax regulations applicable to the recipient.
(b) Amount proposed at the Shareholders' Meeting of April 15, 2021.

Net financial debt(a)
(EUR millions)



(a) Excluding Lease liabilities and Purchase commitments for minority interests. See Note 19.1 to the condensed consolidated financial statements for definition of net financial debt.
(b) Excluding the acquisition of Belmond shares. See Note 18.1 to the 2018 consolidated financial statements.

Equity and Net financial debt/Equity ratio
(EUR millions and percentage)



(a) Excluding the acquisition of Belmond shares. See Note 18.1 to the 2018 consolidated financial statements.

(1) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

HIGHLIGHTS

Key highlights from 2020 include:

- Highest priority given to the health and safety of our employees and our customers,
- Direct support in the fight against the pandemic,
- Good resilience, notably from the major brands, in an economic environment disrupted by the health crisis,
- Impact of the crisis on revenue trends around the world, with however, a second half marked by a strong recovery in Asia, which saw double-digit growth, and a significant improvement in trends in the United States and Japan,
- Double-digit organic revenue growth at Louis Vuitton and Christian Dior over the last two quarters of 2020,
- Success of both iconic and new products at Louis Vuitton, whose profitability remains at an exceptional level,
- Remarkable resilience of Cognac,
- Sharp acceleration in online sales, partially offsetting the effect on revenue caused by the closure of the Group's stores for several months,
- Suspension of international travel, severely penalizing hotel and travel retail activities,
- Operating free cash flow equivalent to that of 2019,
- The completion of the agreement with the iconic American jewelry Maison Tiffany

SHARE CAPITAL AND VOTING RIGHTS

	Number of shares	Number of voting rights [a]	% of share capital	% of voting rights
Arnault Family Group	239,637,391	467,370,849	47.48	63.46
Other [b]	265,119,948	269,063,945	52.52	36.54
Total	**504,757,339**	**736,434,794**	**100.00**	**100.00**

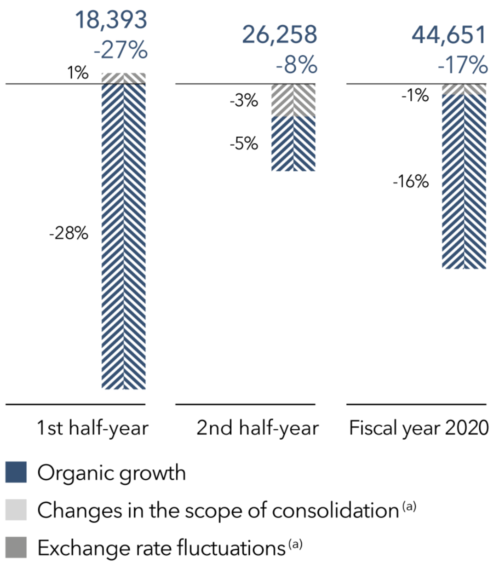
(a) Total number of voting rights that may be exercised at Shareholders' Meetings.
(b) Including 861,456 treasury shares, i.e. 0.17% of the share capital.

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

1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

1.1. Breakdown of revenue

Change in revenue per half-year period
(EUR millions and as %)



(a) The principles used to determine the impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 11.

The Covid-19 pandemic and the measures taken by various governments to fight it severely disrupted LVMH's operations during the year and significantly affected the financial statements. The closure of stores and production facilities in most countries for several months, along with the halt in international travel, were responsible for the reduction in revenue and, consequently, the deterioration in profitability across all the business groups.

Consolidated revenue for the fiscal year ended December 31, 2020 was 44,651 million euros, down 17% from the previous fiscal year. It fell by 1 point as a result of many of the Group's invoicing currencies weakening on average against the euro, in particular the US dollar..

The main changes to the Group's consolidation scope since January 1, 2019 were as follows: in "Other activities", the consolidation of the Belmond hotel group as of April 2019; in the Wines and Spirits business group, the consolidation of Château d'Esclans as of January 1, 2020. These changes in the scope of consolidation did not have a significant impact on the change in revenue for the fiscal year.

On a constant consolidation scope and currency basis, revenue decreased by 16%.

Revenue by invoicing currency

(as %)	2020	2019	2018
Euro	19	22	22
US dollar	27	29	29
Japanese yen	7	7	7
Hong Kong dollar	4	5	6
Other currencies	43	37	36
Total	**100**	**100**	**100**

The breakdown of revenue by invoicing currency changed appreciably with respect to the previous fiscal year: the contributions of the euro, the US dollar and the Hong Kong dollar fell by 3 points, 2 points and 1 point, respectively, to 19%, 27% and 4%, while that of "Other currencies" rose by 6 points to 43%. The contribution of the Japanese yen remained stable at 7%.

Revenue by geographic region of delivery

(as %)	2020	2019	2018
France	8	9	10
Europe (excl. France)	16	19	19
United States	24	24	24
Japan	7	7	7
Asia (excl. Japan)	34	30	29
Other markets	11	11	11
Total	**100**	**100**	**100**

By geographic region of delivery, the relative contribution of Europe (excluding France) to Group revenue fell from 19% to 16%, while that of France fell from 9% to 8%, due to the significant reduction in tourist travel to these regions, in the wake of widespread lockdowns in the first half of the year and the varying impact of partial lockdowns in certain countries in the second half. The relative contributions of the United States, Japan and "Other markets" remained stable at 24%, 7% and 11%, respectively, while that of Asia (excluding Japan) was boosted by the carryover of consumer demand among its local clientele who canceled their travel plans, with this region's contribution growing by 4 points to 34%.

Revenue by business group

(EUR millions)	2020	2019	2018
Wines and Spirits	4,755	5,576	5,143
Fashion and Leather Goods	21,207	22,237	18,455
Perfumes and Cosmetics	5,248	6,835	6,092
Watches and Jewelry	3,356	4,405	4,123
Selective Retailing	10,155	14,791	13,646
Other activities and eliminations	(70)	(174)	(633)
Total	**44,651**	**53,670**	**46,826**

By business group, the breakdown of Group revenue changed appreciably. The contributions of Wines and Spirits, and Fashion and Leather Goods increased by 1 point and 6 points, respectively, to 11% and 47%, while the contributions of Perfumes and Cosmetics, and Watches and Jewelry decreased by 1 point each to 12% and 7%, respectively, and that of Selective Retailing fell by 5 points to 23%.

Revenue for Wines and Spirits decreased by 15% based on published figures. Affected by a negative 2-point exchange rate impact and boosted by a positive 1-point scope impact following the consolidation of Château d'Esclans, revenue for this business group was down 14% on a constant consolidation scope and currency basis. Champagnes and wines were down 15% based on published figures and 16% on a constant consolidation scope and currency basis, after taking into account the positive 3-point impact of the consolidation of Château d'Esclans. Cognac and spirits were down 14% based on published figures and 12% on a constant consolidation scope and currency basis. The impact of the global health crisis related to the Covid-19 pandemic was felt across all geographic areas, especially Asia (including Japan) and Europe. Only the United States recorded positive revenue growth.

Revenue for Fashion and Leather Goods was down 3% in terms of organic growth and 5% based on published figures. Online sales grew rapidly. Europe and Japan were the most affected regions, while the United States and Asia recorded positive performances; in this context, Christian Dior Couture achieved an exceptional performance, while Louis Vuitton showed remarkable resilience.

Revenue for Perfumes and Cosmetics decreased by 22% in terms of organic growth and by 23% based on published figures. Guerlain and Fresh proved highly resilient despite the public health crisis, showing more limited declines. Asia was the region where revenue decreased the least.

Revenue for Watches and Jewelry decreased by 23% in terms of organic growth and by 24% based on published figures. All the business group's brands felt the impact of the public health crisis. The United States, Japan and Europe were the most heavily affected areas.

Revenue for Selective Retailing decreased by 30% on a constant consolidation scope and currency basis, and by 31% based on published figures. The halt in international travel and the closure of the store network for many months in 2020 led the business group to record major revenue declines across all its geographic areas, especially in the United States and Asia.

1.2. Profit from recurring operations

(EUR millions)	2020	2019	2018 [a]
Revenue	44,651	53,670	46,826
Cost of sales	(15,871)	(18,123)	(15,625)
Gross margin	28,780	35,547	31,201
Marketing and selling expenses	(16,792)	(20,207)	(17,755)
General and administrative expenses	(3,641)	(3,864)	(3,466)
Income/(loss) from joint ventures and associates	(42)	28	23
Profit from recurring operations	**8,305**	**11,504**	**10,003**
Operating margin *(%)*	**18.6**	**21.4**	**21.4**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

The Group's gross margin came to 28,780 million euros, down 19% compared to the previous fiscal year; as a percentage of revenue, the gross margin was 65%, down 1 point. The Group incurred the negative impact of the closure of a number of production sites and a higher level of inventory impairment, especially in Fashion and Leather Goods, due to the public health crisis. These two effects had a negative 1-point impact on the margin.

Marketing and selling expenses totaled 16,792 million euros, down 17% based on published figures and 16% on a constant consolidation scope and currency basis. Efforts made to reduce marketing and selling expenses partly offset the decrease in the gross margin. The level of these expenses expressed as a percentage of revenue amounted to 38%, remaining stable with respect to 2019. Among these marketing and selling expenses, advertising and promotion costs amounted to 11% of revenue, decreasing by 21% on a constant consolidation scope and currency basis.

The geographic breakdown of stores is as follows:

(number)	2020	2019	2018
France	512	535	514
Europe (excl. France)	1,175	1,177	1,153
United States	866	829	783
Japan	428	427	422
Asia (excl. Japan)	1,514	1,453	1,289
Other markets	508	494	431
Total	**5,003**	**4,915**	4,592

General and administrative expenses totaled 3,641 million euros, down 6% based on published figures and 5% on a constant consolidation scope and currency basis. They amounted to 8% of revenue, remaining stable with respect to December 31, 2019.

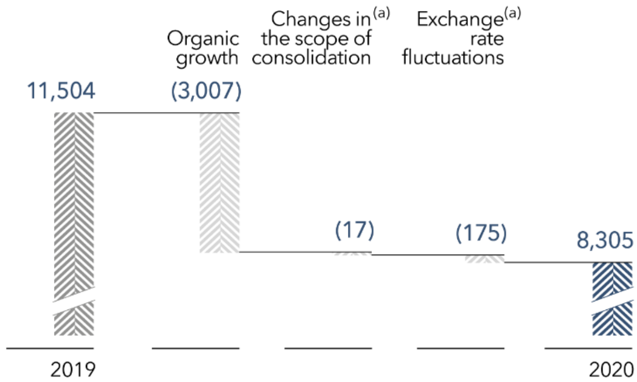
Profit from recurring operations by business group

(EUR millions)	2020	2019	2018
Wines and Spirits	1,388	1,729	1,629
Fashion and Leather Goods	7,188	7,344	5,943
Perfumes and Cosmetics	80	683	676
Watches and Jewelry	302	736	703
Selective Retailing	(203)	1,395	1,382
Other activities and eliminations	(450)	(383)	(330)
Total	**8,305**	**11,504**	**10,003**

The Group's profit from recurring operations was 8,305 million euros, down 28%. The Group's operating margin as a percentage of revenue was 18.6%, down 2.8 points with respect to the previous fiscal year.

Change in profit from recurring operations

(EUR millions)



(a) The principles used to determine the impact of exchange rate fluctuations on the revenue of entities reporting in foreign currencies and the impact of changes in the scope of consolidation are described on page 11.

Exchange rate fluctuations had a negative overall impact of 175 million euros on profit from recurring operations compared to the previous fiscal year. This total comprises the following three items: the impact of exchange rate fluctuations on export and import sales and purchases by Group companies, the change in the net impact of the Group's policy of hedging its commercial exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the eurozone.

Wines and Spirits

	2020	2019	2018
Revenue *(EUR millions)*	4,755	5,576	5,143
Profit from recurring operations *(EUR millions)*	1,388	1,729	1,629
Operating margin *(%)*	29.2	31.0	31.7

Profit from recurring operations for Wines and Spirits was 1,388 million euros, down 20% relative to December 31, 2019. Champagne and wines contributed 488 million euros, while cognacs and spirits accounted for 900 million euros. Cost control and targeted advertising and promotional investments helped partly offset the negative impact of the decrease in volumes. The business group's operating margin as a percentage of revenue fell by 1.8 points to 29.2%.

Fashion and Leather Goods

	2020	2019	2018
Revenue *(EUR millions)*	21,207	22,237	18,455
Profit from recurring operations *(EUR millions)*	7,188	7,344	5,943
Operating margin *(%)*	33.9	33.0	32.2

Fashion and Leather Goods posted profit from recurring operations of 7,188 million euros, down 2% compared with the previous fiscal year. Amidst the Covid-19 pandemic, efforts to control costs and adapt to new requirements enabled Louis Vuitton to maintain its exceptional level of profitability, while Christian Dior Couture further increased its profitability. All the brands strengthened their management measures to limit the impact of store closures in most regions, carefully targeting their investments. The business group's operating margin as a percentage of revenue grew by 0.9 points to 33.9%.

Perfumes and Cosmetics

	2020	2019	2018
Revenue *(EUR millions)*	5,248	6,835	6,092
Profit from recurring operations *(EUR millions)*	80	683	676
Operating margin *(%)*	1.5	10.0	11.1

Profit from recurring operations for Perfumes and Cosmetics was 80 million euros, down 603 million euros compared to the previous fiscal year. Special attention paid to the cost price of finished products and careful management of operating costs enabled the business group to limit the deterioration in gross margin. The business group's operating margin as a percentage of revenue fell by 8.5 points to 1.5%.

Watches and Jewelry

	2020	2019	2018
Revenue *(EUR millions)*	3,356	4,405	4,123
Profit from recurring operations *(EUR millions)*	302	736	703
Operating margin *(%)*	9.0	16.7	17.1

Profit from recurring operations for Watches and Jewelry came to 302 million euros, down 434 million euros compared to the previous fiscal year. In a challenging environment for the watches and jewelry industry, the business group's brands actively pursued the operating levers at their disposal in order to limit the negative impact of the public health crisis. The operating margin as a percentage of revenue for the Watches and Jewelry business group fell by 7.7 points to 9%.

Selective Retailing

	2020	2019	2018
Revenue *(EUR millions)*	155	14,791	13,646
Profit from recurring operations *(EUR millions)*	(203)	1,395	1,382
Operating margin *(%)*	(2.0)	9.4	10.1

Profit from recurring operations for Selective Retailing was a loss of 203 million euros, down 1,598 million euros compared to 2019. The halt in tourism and store closures around the world led to a very sharp decline in results. The business group's operating margin as a percentage of revenue fell by 11.4 points to -2%.

Other activities

The loss from recurring operations of "Other activities and eliminations" increased with respect to the previous fiscal year, totaling 450 million euros. In addition to headquarters expenses, this heading includes the results of the hotel and media divisions, Royal Van Lent yachts, and the Group's real estate activities.

1.3. Other income statement items

(EUR millions)	**2020**	**2019**	**2018** [(a)]
Profit from recurring operations	8,305	11,504	10,003
Other operating income and expenses	(333)	(231)	(126)
Operating profit	7,972	11,273	9,877
Net financial income/(expense)	(608)	(559)	(388)
Income taxes	(2,409)	(2,932)	(2,499)
Net profit before minority interests	**4,955**	**7,782**	**6,990**
Minority interests	(253)	(611)	(636)
Net profit, Group share	**4,702**	**7,171**	**6,354**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

"Other operating income and expenses" amounted to a net expense of 333 million euros, compared with a net expense of 231 million euros in 2019. For fiscal year 2020, "Other operating income and expenses" included 35 million euros in donations related to the public health crisis; 35 million euros in transaction costs relating to the acquisition of consolidated companies; 235 million euros in depreciation, amortization and impairment charges for brands, goodwill and real estate assets; and 22 million euros in net losses on disposals.

The Group's operating profit was 7,972 million euros, down 29% compared to 2019.

The net financial expense was 608 million euros, compared with a net financial expense of 559 million euros in 2019. This item comprised the following:

– the aggregate cost of net financial debt, which totaled 35 million euros, versus a cost of 107 million euros in 2019, representing a reduction of 72 million euros; interest on lease liabilities recognized under IFRS 16, which amounted to an expense of 281 million euros, compared with an expense of 290 million euros in the previous year;

– other financial income and expenses, which amounted to a net expense of 291 million euros, compared to a net expense of 162 million euros in 2019. The expense related to the cost of foreign exchange derivatives was 262 million euros, versus an expense of 230 million euros a year earlier. Lastly, fair value adjustments of available for sale financial assets amounted to a net expense of 4 million euros, compared to net income of 82 million euros for 2019.

The Group's effective tax rate was 32.7%. It diverged from the Group's normal rate given its geographic footprint as a result of recurring and non-recurring items. Recurring items that raised the tax rate mainly included the impact of tax on dividends and the impact of non-deductible expenses. The main impacts of non-recurring items related to the impact on inventories of deferred tax of the change in certain corporate income tax rates and the impact on losses of certain Maisons which could not be offset against taxable profits, or which did not give rise to the recognition of deferred tax assets.

Profit attributable to minority interests was 253 million euros, compared to 611 million euros as of December 31, 2019; this total mainly includes profit attributable to minority interests in Moët Hennessy and DFS.

The Group's share of net profit was 4,702 million euros, compared with 7,171 million euros in 2019. This represented 10% of revenue as of December 31, 2020, compared to 13% in 2019. The Group's share of net profit for fiscal year 2020 was down 34% compared to 2019.

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

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

The impact of changes in the scope of consolidation is determined as follows:

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

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

2. WINES AND SPIRITS

	2020	2019	2018 [(a)]
Revenue *(EUR millions)*	**4,755**	**5,576**	**5,143**
Of which: Champagne and wines	*2,119*	*2,507*	*2,369*
Cognac and spirits	*2,636*	*3,069*	*2,774*
Sales volume *(millions of bottles)*			
Champagne	52.4	64.7	64.9
Cognac	94.6	98.7	93.3
Other spirits	16.1	19.6	19.1
Still and sparkling wines	41.8	39.3	38.5
Revenue by geographic region of delivery *(%)*			
France	5	5	6
Europe (excl. France)	18	18	19
United States	41	33	32
Japan	6	7	6
Asia (excl. Japan)	19	24	23
Other markets	11	13	14
Total	**100**	**100**	**100**
Profit from recurring operations [(a)] *(EUR millions)*	**1,388**	**1,729**	**1,629**
Operating margin *(%)*	**29.2**	**31.0**	**31.7**
Operating investments of the period *(EUR millions)*	**320**	**325**	**298**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

The Wines and Spirits business group drew on the strength of its portfolio of prestigious, powerful brands to maintain its robust innovative momentum and constantly enhance its customers' experiences while protecting the safety of its employees and actively supporting its partners throughout the crisis. LVMH's Maisons had to contend with the near-total disappearance of business in airports and on cruise ships; intermittent closures of restaurants, bars and night clubs; and serious difficulties faced by some of their distributors and partners. Amid this exceptionally challenging context, all of the business group's activities demonstrated great resilience and gained market share, with a decline in organic revenue limited to 14%. Additionally, strong commitments to expand sustainable winegrowing practices were made at the Vinexpo Paris trade fair in early 2020.

The champagne houses, synonymous with celebration, were hit particularly hard: organic revenue was down 17%, with volumes down 19%. Buoyed by its leading international position, **Moët & Chandon** demonstrated its resilience and recorded growth in the United States, its largest market. Markets in Europe saw a rebound at the end of the year, thanks to the success of the limited-edition "Specially Yours" series. **Dom Pérignon** was hit by the shutdown of its main distribution channels, namely fine restaurants, hotels and nightlife venues, as well as the cancellation of major iconic events of which the Maison is a partner. The second half of 2020 saw the launch of *Dom Pérignon Vintage 2010*, the first vintage crafted by Vincent Chaperon, the Maison's new Cellar Master. **Veuve Clicquot** showed good resilience, especially in the United States. Since 1972, the Maison has showcased exceptional women entrepreneurs through the Bold Woman Award. The 2020 award ceremony – held virtually for the first time – recognized female business leaders who have inspired and encouraged generations of women to be bold. The iconic Japanese artist Yayoi Kusama designed a unique bottle and gift box for the Maison's latest vintage, *La Grande Dame 2012*, as an homage to the emblematic "Grande Dame of Champagne", Madame Clicquot. **Ruinart** confirmed its very strong resilience and significantly increased its market share, particularly in Europe. The Maison reaffirmed its commitment to the environment through the highly acclaimed launch of its new 100% paper "second skin" case, which is sustainably designed and plastic-free. It also demonstrated its social commitment with a range of initiatives, including its support for healthcare workers through a partnership with the "À table, les soignants!" initiative, and its new creative collaboration with British artist David Shrigley focused on protecting the planet. **Krug** confirmed its value-enhancing strategy and presented two new editions: *Krug Grande Cuvée 168e Edition* and *Krug Rosé 24e Edition*. The Maison strengthened ties with the Krug Lovers community through its "Krug Connect" immersive virtual experiences. Through its "Fonds K pour la Musique" endowment fund, the Maison continued to support a range of musical initiatives.

2020 marked the first full year of integration for **Château d'Esclans** and **Château du Galoupet**, acquired in 2019, which have strengthened Moët Hennessy's position in the growing market for high-end rosé wines. The year also saw the devastating Glass Fire in California's Napa Valley, which caused irreparable damage to the Newton Estate winery and vineyards. **Chandon** continued its expansion in its main markets and prepared for its relaunch in 2021.

Hennessy, the world's leading premium spirits brand by value for the second year in a row, emerged from the public health crisis in a strong position relative to its competitors, with volumes down only 4% and revenue down 12% at constant consolidation scope and exchange rates. The Maison saw remarkable growth in the United States, driven mainly by its *V.S* quality, but also by *V.S.O.P* and *Black*. Hennessy launched an initiative called "Unfinished Business" to support African-American, Latino and Asian family-owned businesses in the United States, hit particularly hard by the crisis. After the slowdown in demand observed at the beginning of the year due to the pandemic and the timing of the Chinese New Year, China showed very encouraging signs of a rebound in the second half, mainly driven by the Maison's *X.O* quality and sales to consumers, both online and in stores. Hennessy strengthened ties with its customers by opening new points of sale, such as "BLENDS by Hennessy", a concept bar on the Bund in Shanghai and a store in Sanya on the island of Hainan. A global partnership was signed with the NBA, an iconic league with which Hennessy shares the value of surpassing oneself. In 2020, the Maison also stepped up its commitment to sustainable winegrowing and transportation.

Glenmorangie and **Ardbeg** whiskies saw strong growth in retail sales. Their reputations in the single malt category were further cemented by winning several prestigious awards. New creations like *Ardbeg Wee Beastie* met with great success. Their distilleries continued work on expanding their production capacities, which is expected to be completed in 2021.

While **Belvedere** vodka was heavily affected by the closure of night clubs, **Woodinville Whiskey Company** and **Volcán de mi Tierra** continued their development, buoyed by favorable trends in the US market.

Moët Hennessy expanded its portfolio of spirits with the launch of **Eminente**, an exceptional Cuban rum aimed at the European market.

Online sales for all the Maisons saw strong growth during the lockdowns, as did those for the **Clos 19** platform, which is currently available in Germany and the United Kingdom, with access to be extended to other countries in 2021.

Outlook

In the current volatile and uncertain context, Moët Hennessy is cautiously optimistic with respect to the start of 2021 but remains confident regarding the Maisons' medium-term development prospects. Grounded in their heritage and expertise, stretching back centuries in most cases, LVMH's Wines and Spirits brands will steadfastly focus on excellence, authenticity and sustainability, which give them solid advantages in a rapidly changing business environment. In order to provide ever more varied experiences and adapt to new consumer behavior, their strong appeal will be celebrated through inspiring new collaborations with big names, bold innovations, inventive packaging and fresh marketing strategies. Moët Hennessy will continue to develop its portfolio while focusing on supporting and strengthening the transformation of its distribution, with the acceleration in e-commerce, and through targeted investments in the most promising markets. True to their long-term vision, all the Maisons aim to accentuate their sustainability commitments to protect the environment and pursue the development of innovative solutions through the "Living Soils – Living Together" program.

3. FASHION AND LEATHER GOODS

	2020	2019	2018 [(a)]
Revenue *(EUR millions)*	**21,207**	**22,237**	**18,455**
Revenue by geographic region of delivery *(%)*			
France	5	8	9
Europe (excl. France)	18	23	23
United States	19	18	18
Japan	10	11	11
Asia (excl. Japan)	39	31	31
Other markets	9	9	8
Total	**100**	**100**	**100**
Type of revenue as a percentage of total revenue *(excluding Louis Vuitton and Christian Dior Couture)*			
Retail	74	71	67
Wholesale	25	28	32
Licenses	1	1	1
Total	**100**	**100**	**100**
Profit from recurring operations [(a)] *(EUR millions)*	**7,188**	**7,344**	**5,943**
Operating margin *(%)*	**33.9**	**33.0**	**32.2**
Operating investments of the period *(EUR millions)*	**827**	**1,199**	**827**
Number of stores	**2,007**	**2,002**	**1,852**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

Amid the challenging conditions of a year marked by the closure of stores for several months, thanks to their highly committed staff all of our Maisons were able to continue mobilizing their creative resources, enriching their collections and building up their digital presence. While tightening their management in response to the impact of the public health crisis, the flagship brands benefited from their solid positions and exceptional appeal. The second half of the year saw a strong upturn in activity, with double-digit organic revenue growth. Several initiatives contributed to the collective effort to combat the pandemic.

Louis Vuitton continued to be driven by its exceptional momentum and creativity, with the art of innovating in all its businesses and offering its customers a unique experience. During this unprecedented period, Louis Vuitton was able to very quickly transform and boost its customer relationships with a high-quality and highly effective digital service strategy. Numerous innovations were unveiled throughout the year: in leather goods, the contemporary yet timeless *Pont 9* leather model; the summery, colorful *Escale* collection; the *Since 1854* Jacquard canvas, inspired by the Maison's heritage; and the iconic *Capucines* bag, reinterpreted by six major contemporary artists. The new collections were presented at fashion shows featuring novel formats: inside the freshly renovated, mythical building of La Samaritaine in Paris for Nicolas Ghesquière's Spring/Summer Women's show; and on a roving journey from Paris to Tokyo via Shanghai and Miami for Virgil Abloh's Men's show. The year also saw the launch of the *Stellar Times* line in high jewelry and *LV Volt* in fine jewelry, as well as the discovery of two exceptionally rare diamonds, called Sewelô and Sethunya. Flagship store openings included the Louis Vuitton Maison Osaka Midosuji, the result of a collaboration between architects Jun Aoki and Peter Marino, reflecting the atmosphere of the city of Osaka and reaffirming Louis Vuitton's ties with Japan. True to the Maison's values, the new "Towards a Dream" marketing campaign was launched, inviting travelers to discover Iceland. During the public health crisis, thanks to its highly committed craftspeople who stepped forward and volunteered, Louis Vuitton mobilized a number of its workshops in France to make protective masks and gowns for healthcare providers. Louis Vuitton also further expanded its production capacity by opening a new workshop in Vendôme, France, and maintained its commitment to high-quality, sustainable craftsmanship dedicated to responsible design.

Christian Dior Couture showed remarkable momentum and gained market share in all regions thanks to its exceptional appeal. Sales to local customers rose sharply. The iconic *Lady Dior* bag was revisited by ten artists from around the world, and the first women's loungewear line, Dior Chez Moi, was very well received. Limited editions designed through a number of creative collaborations were launched, including the *Air Dior* sneaker, which was an immense success. A number of fashion shows featuring inspiring decor paid tribute to figures from the world of art and fashion. A host of events and cultural activities were held during the second half of the year: Kim Jones teamed up with Ghanaian artist Amoako Boafo for his Spring/Summer Men's collection, followed by a colorful and joyful collaboration with American artist Kenny Scharf for his Fall collection, unveiled simultaneously in December in Beijing and around the world; in

Lecce, Italy, the ancestral skills of local craftspeople and artists were honored in Maria Grazia Chiuri's 2021 Cruise show; and a poetic film was released, following the mythical voyage of a trunk filled with haute couture dresses inspired by the post-war era. A new flagship store was inaugurated on Rue Saint-Honoré in Paris and two major stores opened in China. On the heels of its success in Paris and London, the *Christian Dior: Designer of Dreams* exhibition made a stopover in Osaka before heading to Shanghai, attracting more than 200,000 visitors. Dior launched its "Dior Talks" podcasts in 2020, featuring conversations with inspiring individuals on art, culture and society. In response to the public health emergency, Maison employees volunteered using the Baby Dior workshop in Redon to produce masks for front-line workers, and workshops in Italy made gowns for hospital staff.

Fendi demonstrated great resilience. Following the major impact of the pandemic at the beginning of the year, in the second half of the year the Maison saw exceptional growth in China and in online sales, and continued to gain market share in South Korea and North America. The Fendi Roma holiday capsule collection, inspired by the Maison's iconic packaging, was a major success. Active support was provided in the fight against the pandemic through donations, particularly to the Lombardy region, but also by activating its network of suppliers to produce protective masks and gowns for the Tuscany and Lazio regions, and for hospitals in Bergamo. Launched in Rome in June as a celebration of summer, Fendi continued its collaboration with the music world through the Anima Mundi project, featuring performances by renowned artists in Shanghai, Tokyo, Seoul and, soon, New York. The Hand in Hand project, in collaboration with 20 craftspeople in each of Italy's 20 regions, showcased local expertise and traditional skills by reinterpreting the iconic *Baguette* bag.

Loro Piana opened its new flagship store in Tokyo's Ginza district, where an immersive sensory journey called "An Odyssey of Touch" took its customers on a tour of the Maison's history, the excellence of its raw materials and the quality of its products. The new "Somewhere in Loro Piana" marketing campaign was rolled out, targeting an increasingly young clientele. A customization service was expanded to include new product categories.

Celine saw a strong recovery in the fourth quarter, buoyed by its clientele in Asia. The Maison continued to develop its Women's Ready-to-Wear collections, which enjoyed growing success. In leather goods, the *Triomphe* line received an excellent welcome. The year was marked by rapid advances in digital, including the launch of an e-commerce mini-program on the WeChat platform in China, and the rollout of its e-commerce site in some twenty countries.

Loewe showed good resilience and high adaptability. Under the impetus of its Creative Director Jonathan W. Anderson, the Maison continued to pursue its sustained pace of innovation and an active marketing strategy. Its highly original "Show-in-a-Box" and "Show-on-the-Wall" fashion show concepts received unanimous praise from the press and the Maison's customers. The fourth edition of the *Paula's Ibiza* collection was launched, enhanced by a fragrance and a *Loewe x Smiley* capsule collection. A new flagship store opened on Rue Saint-Honoré in Paris.

Givenchy announced the arrival of the Maison's new Creative Director Matthew M. Williams, a 2016 finalist for the LVMH Prize for Young Fashion Designers. Hardware – the designer's signature – featured prominently in his first collections, and the iconic *Antigona* bag celebrated its 10th anniversary.

A highlight for **Kenzo** was the first Men's and Women's shows by Felipe Oliveira Baptista, which received unanimous acclaim from the fashion world. These collections marked a new chapter in the interpretation of the Maison's values and the legacy of its visionary founder, Kenzo Takada, who passed away in 2020, a beacon of creativity, color and freedom.

Berluti expanded its offering with the new *Signature* canvas, featuring the Scritto motif, inspired by an 18th-century manuscript. To commemorate its 125th anniversary, the Maison reinterpreted the iconic *Andy* model in a Penny Loafer version designed in collaboration with the Monnaie de Paris (Paris Mint). Its New York flagship store's move to 57th Street marked the end of the year. Its online store, launched in Europe, the United States and Japan, saw rapid growth.

Amidst the closure of its three production sites for several months and the suspension of international travel, **Rimowa** illustrated its drive for innovation and its spirit of resilience by reimagining travel. The new *Personal* line of cross-body cases was launched in several colors, and the *Never Still* collection of multi-use soft bags was unveiled.

Marc Jacobs continued to develop its core *Snapshot* and *Traveler* lines. A new *Heaven* collection was launched, offering a highly diverse ensemble of designs. The Maison reinforced its online presence, particularly in China.

Outlook

In an environment that remains uncertain, LVMH's Maisons can count on their highly committed, responsive staff to unleash their creativity and build on their values of quality and sustainability, while maintaining their efforts to adapt to the economic situation. Focusing on their priorities, they will be well positioned to take advantage of a solid recovery, when it arrives, and regain strong momentum in the medium term. Driven by its talented designers and craftspeople, **Louis Vuitton** will continue to enrich its offering and invest in its distribution network. Future developments will fit within the Maison's steadfast aim of infusing its exceptional heritage with the best of modernity, providing each customer with an exceptional experience in its stores and online. **Christian Dior Couture** aims to continue its sustained growth. Among the highlights of the year, the House of Dior's historic location at 30 Avenue Montaigne is set to reopen its doors with a completely exceptional and innovative layout. **Fendi** will present the first Women's Couture and Ready-to-Wear collections under the leadership of its new Creative Director Kim Jones. The success of its iconic *Peekaboo* and *Baguette* bags will be a key growth driver for the Maison. The store network will continue to grow, with openings slated in Sydney, Milan and Doha, along with numerous plans under way in several cities in China. **Loro Piana** will add to its leather goods lines and launch a collaboration on a capsule collection. The e-commerce site will expand to new markets.

4. PERFUMES AND COSMETICS

	2020	2019	2018 [(a)]
Revenue *(EUR millions)*	**5,248**	**6,835**	**6,092**
Revenue by geographic region of delivery *(%)*			
France	9	10	11
Europe (excl. France)	18	20	22
United States	14	15	16
Japan	5	5	5
Asia (excl. Japan)	45	40	35
Other markets	9	10	11
Total	100	100	100
Profit from recurring operations [(a)] *(EUR millions)*	**80**	**683**	**676**
Operating margin *(%)*	**1.5**	**10.0**	**11.1**
Operating investments of the period *(EUR millions)*	**280**	**378**	**330**
Number of stores	**434**	**426**	**354**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

LVMH's major Perfumes and Cosmetics brands demonstrated their resilience in a sector affected by the decline in spending by international travelers and in makeup sales overall, partially offset by stronger results for skincare products. All of the Maisons saw rapid growth in online sales. Combining rigorous management with their strong drive for innovation, they also showed their support in the collective fight against the pandemic. In France in particular, thanks to a large number of employee volunteers, Parfums Christian Dior, Guerlain and Parfums Givenchy were able to adapt the operations of their production units to manufacture large quantities of hand sanitizer for hospitals.

Parfums Christian Dior showed good resilience, buoyed by its flagship lines and the strength of its innovations, amidst shutdowns and significant slowdowns in its manufacturing and sales activity for part of the first half of the year. Business improved gradually in the second half, with a notable acceleration in the fourth quarter, especially in China, the United States, Japan and the Middle East. The successful worldwide launches of *Miss Dior Roses N'Roses*, the new *Infinissime* version of *J'adore* and the new *Dior Homme*, as well as the launch in China of the new *Rouge Dior* lipstick, all attest to the Maison's excellence and creativity. The *Maison Christian Dior* collection of exceptional fragrances performed very well. Other lines built further momentum, particularly the men's fragrance *Sauvage* as well as the *Forever* foundation and its new concealer. Major breakthroughs in skincare included the January launch of *Capture*, which epitomizes the scientific rigor of LVMH's research and innovation center as well as the sensory expertise that characterizes its formulas, while *Dior Prestige*, *Micro-Lotion de Rose* and *Micro-Huile de Rose* continued their strong development, particularly in Asia. The Maison saw a considerable uptick in online sales, especially in China. A number of digital initiatives were pursued, expanding its customer base and offering a unique brand experience. The expansion of its network of stores in Asia and the Middle East helped drive growth in direct sales to customers.

Guerlain demonstrated good resilience and strong responsiveness. Skincare turned in excellent results, notably in China, the Maison's largest market, where it ramped up its development and gained market share. The *Abeille Royale* and *Orchidée Impériale* lines – firmly backed by Guerlain's commitment to biodiversity and sustainable innovation – continued to see exceptional growth. In fragrances, the *Aqua Allegoria* collection achieved solid gains, as did the Maison's *Haute Parfumerie* collections, illustrating the excellence and creative virtuosity that have built its renown. In makeup, the exceptional rejuvenating foundation *Parure Gold* held its positions, particularly in Asia. The year also saw a number of breathtaking displays and installations at stores paying tribute to the Maison, in connection with its Bee Garden pop-ups and the year-end holidays. Guerlain's long-standing "In the Name of Beauty" sustainability program was reaffirmed with the introduction of an sustainable design approach and a number of bee protection initiatives, including Women for Bees, a partnership with UNESCO aimed at training women to become beekeepers and developing new beekeeping supply chains at UNESCO's biosphere reserves around the world.

Parfums Givenchy delivered a strong performance in China, thanks in particular to its iconic *Prisme Libre* line. Its fragrance *L'Interdit* continued to gain market share in Europe, and especially in France. **Benefit** was hampered by the limited availability of its services due to closures of its points of sale. Nevertheless, the Maison saw strong momentum in its online sales and the successful addition of the *Microfilling Pen* to its brow collection, an area in which the brand further consolidated its global leadership position. **Fresh** actively developed its digital marketing campaigns and its online sales, particularly in China. Its premium *Crème Ancienne* line proved extremely popular and its *Kombucha Facial Treatment Essence* continued to enchant customers. **Make Up For Ever** successfully launched its new *Rouge Artist* lipstick, co-designed with the Maison's star makeup artists. Its innovative formula and unique look made it one of the brand's new icons. **Fenty Beauty** maintained its appeal as a premier makeup brand. **Fenty Skin**, which launched exclusively online, generated unprecedented buzz during the pandemic. At **Parfums Kenzo**, the *Flower by Kenzo* line celebrated its 20th anniversary with the launch of *Poppy Bouquet*. The Maison has partnered with the Louvre to create floral compositions in the Tuileries Gardens in Paris each spring and summer until 2023. **Maison Francis Kurkdjian** saw its growth accelerate, due in particular to the success of its new fragrance *l'Homme À la rose*, which upends received notions of masculinity. **Perfumes Loewe**'s performance was driven by solid momentum in China, the success of its *Paula's Ibiza* fragrance and the launch of *Home Scents*, a collection of home fragrances created with Jonathan Anderson. **Acqua di Parma** opened new stores in China and launched its first eau de cologne made with 99% natural ingredients, *Colonia Futura*. The Maison actively supported the fight against Covid-19 in Italy through its #StayHome campaign. **Ole Henricksen** expanded its footprint in Europe and the Middle East and added a serum to its flagship *Banana Bright* line.

Outlook

In an environment that remains uncertain, LVMH's Maisons will remain vigilant in light of the economic situation, reaffirm their fundamentals and focus their efforts on their strategic development priorities: innovation, utmost quality in their products, the constant pursuit of excellence and selectivity in distribution, and developing their digital presence. **Parfums Christian Dior** will maintain its strong innovative momentum across all of its product categories while continuing to expand its global reach and further raise the bar for creativity and excellence. Fragrances will be the focus of particular attention, with the ongoing development of its flagship lines, combined with a unique customer experience both in stores and online. Building on the Maison's couture spirit, makeup will undergo a robust innovation program and upmarket strategy. Skincare will continue to make strong advances, with an emphasis on premium lines, particularly in China. **Guerlain** will expand further internationally, in particular by raising its profile in China, Japan, the Middle East, and in travel retail once business activities resume. The Maison will focus on developing its flagship lines, which will be enriched with bold new creations. Guerlain will showcase its position as a Maison at the forefront of high perfumery and luxury cosmetics by rolling out a new store concept and a more selective distribution strategy.

At **Parfums Givenchy**, *Le Soin Noir* will return to center stage, while **Acqua di Parma** will pay tribute to its long-standing expertise in fragrance extraction with the launch of *Bergamotto La Spugnatura*. **Benefit** will unveil a number of innovations, including the worldwide launch of *They're Real! Magnet* mascara. **Fresh** will reaffirm its expertise through an even more effective serum**. Make Up For Ever** will roll out original initiatives, in particular in foundation and the customer experience, both digital and in-store. **Maison Francis Kurkdjian** will continue to pursue the highly selective growth of its distribution. **Perfumes Loewe** will expand the distribution of its *Home Scents*, accompanied by a series of special events.

5. WATCHES AND JEWELRY

	2020	2019	2018 [(a)]
Revenue *(EUR millions)*	3,356	4,405	4,123
Revenue by geographic region of delivery *(%)*			
France	4	5	6
Europe (excl. France)	20	23	23
United States	8	8	9
Japan	12	12	12
Asia (excl. Japan)	43	38	35
Other markets	13	14	15
Total	100	100	100
Profit from recurring operations [(a)]			
(EUR millions)	302	736	703
Operating margin *(%)*	9.0	16.7	17.1
Operating investments of the period *(EUR millions)*	210	296	303
Number of stores	471	457	428

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

Store closures and the suspension of international travel due to the global public health crisis affected the Watches and Jewelry businesses. However, the rebound in China in the second half helped limit the full-year revenue decline to 23% at constant consolidation scope and exchange rates. In this context, the Maisons took measures to reduce costs and preserve cash while doing their best to spur demand and develop alternative distribution methods such as digital channels and direct sales. Watch Week – an event held by Bvlgari, Hublot, TAG Heuer and Zenith in Dubai in January – was an excellent opportunity to present the Maisons' new collections to retailers and the media.

Heavily affected by the market downturn starting in mid-March, **Bvlgari** quickly capitalized on the recovery in China starting in the second quarter. A number of digital initiatives were developed. The Maison helped combat the pandemic by donating hand sanitizer to healthcare facilities in Italy, Switzerland and the United Kingdom, and launched the Bvlgari Virus Free Fund to support Covid-19 vaccine research being done by leading teams at Oxford University, Rockefeller University and Lazzaro Spallanzani Hospital. New designs continued to appear at a rapid pace, with the *B.Zero1* "*Rock*" collection adding rings, bracelets, pendants and earrings, reflecting the brand's bold creativity along with other iconic jewelry models launched in the *Diva*, *Fiorever* and *Bvlgari Bvlgari* series. High jewelry featured the presentation of the *Jannah Flower* collection in Abu Dhabi and the bold and colorful new *Barocko* line, reflecting the precious link between the Maison, the city of Rome and the Baroque style. Sales held in Beijing and Shanghai confirmed the design's major success. The *Serpenti Seduttori Tourbillon*, *Octo Répétition Minutes* and the new *Bvlgari Aluminium* watch designs sparked a keen interest. As a leading patron, the Maison contributed to the restoration of 96 Greek and Roman marble statues belonging to the Fondazione Torlonia. A new global marketing campaign was launched, featuring Zendaya, Naomi Watts, Kris Wu and Lily Aldridge.

TAG Heuer showed good resilience thanks to its solid positioning with local customer bases in its main markets. In March, the third generation of its smartwatch was launched in New York. Its performance, innovative materials, wide range of features and elegance ensured this product's success, rounded out by a *Golf* version that was well received by connoisseurs. The Maison's flagship lines were enhanced with the new *Carrera* chronographs, additions to the *Aquaracer* and *Formula 1* collections, and new versions in the iconic *Monaco* line. To celebrate its 160th anniversary, the Maison offered a number of special limited editions in the *Carrera* collection. The end-of-year sale of a 1969 Heuer *Monaco* model worn by Steve McQueen fetched the highest auction price ever recorded by the Maison. The network of directly operated stores was expanded in parallel with its presence in digital channels, which is being actively developed. TAG Heuer's team of brand ambassadors and its sports contracts have helped reinforce brand awareness among target customers and strengthen its social media presence. 2020 saw TAG Heuer and Porsche join forces in a number of collaborations that will be revealed over the course of 2021. Together with Hublot and Zenith, TAG Heuer showed its support in the fight against the pandemic by donating protective face masks to Swiss hospitals.

Hublot's new additions included the *Big Bang Integral*, for the first time featuring an integrated metal bracelet, and the *Spirit of Big Bang Meca-10*, whose manufacture movement offering a 10-day power reserve was adapted to the "barrel" design. The marketing launch of the *Big Bang e* digital model was accompanied by the addition of an e-commerce function to the Hublot.com website. Innovative new models such as the *Big Bang Millennial Pink* and the *Big Bang MP-11 Red Magic* reflected the Maison's dynamism. After several previous collaborations on different models, Hublot and Berluti pooled their talent for the first time on the iconic *Big Bang Unico* chronograph. In Japan, which is now the brand's number-one market, a store was opened in the Hublot Tower in Tokyo's

Ginza district. To celebrate Hublot's 40th anniversary, the new *#timetoreflect* campaign was launched, chronicling the origins of its iconic collections, all its ambassadors who have become loyal partners, and the Maison's high-level partnerships in the realms of soccer, automobiles and golf with current World Number 1 Dustin Johnson. For the 2020/2021 season, Hublot became the official timekeeper for the English Premier League, the most popular soccer league in the world.

Zenith launched its *Time To Reach Your Star* marketing campaign and a new website offering online sales. The Maison enriched its collections with the *Defy Midnight* women's model, as well as the new *Elite* and the *Chronomaster Revival*, which celebrates its long tradition of watchmaking. A new store was opened in Tokyo's Ginza district.

Chaumet reopened its Place Vendôme location, unveiling a meticulously restored space, true to the spirit of the Maison. The new workshops showcase the expertise and artistry of its jewelers. To mark the occasion, the *Légendes de Chaumet* collection of 29 medallions was presented, along with *Trésors d'Ailleurs*, a sparkling combination of gemstones, colors and textures in 16 original high jewelry rings. After a challenging first quarter, the Maison regained strong momentum in China, spurred by the launch of a WeChat site offering a wide range of products, with pendants in the *Jeux de Liens* Mother-of-Pearl and Harmony series performing especially well. The *Perspectives* high jewelry collection was presented in Monaco and China. In other regions, initiatives were taken to boost direct and remote sales.

Fred expanded its *Force 10* line with the creation of *Color Crush* and launched *Chance Infinie*, an original, seductive capsule collection. The Maison ramped up its development in China and expanded its digital presence. It showed its commitment to the fight against the pandemic by participating in the Visières de l'Espoir program, which donated face shields to healthcare providers.

Outlook

To adapt to an environment whose future and pace of improvement are still uncertain, the Maisons will continue their cost-cutting and cash-preservation measures. Market developments are being closely monitored and the focus is on extremely rigorous resource allocation. Production and supply levels will remain strictly aligned with demand. The Watches and Jewelry brands will receive highly targeted investments, with a special emphasis on digital, and will continue their programs focused on distribution quality and productivity. **Bvlgari** will open an expanded and remodeled store on Place Vendôme in Paris, as well as new stores in China, Saudi Arabia, the United States and Russia. **TAG Heuer** will strengthen its partnership with Porsche and continue the highly selective development of its retail network (particularly in China) with the implementation of its new store concept. **Chaumet, Hublot** and **Fred** will also expand their store coverage in China. Chaumet will present its *Joséphine & Napoléon* exhibition. Lastly, the highlight of 2021 will be the arrival of the prestigious Maison **Tiffany**, which will substantially bolster the business group's standing in a very dynamic, highly promising market segment.

6. SELECTIVE RETAILING

	2020	2019	2018
Revenue *(EUR millions)*	**10,155**	**14,791**	**13,646**
Revenue by geographic region of			
France	13	11	12
Europe (excl. France)	9	9	9
United States	35	37	38
Japan	1	2	2
Asia (excl. Japan)	27	27	27
Other markets	15	14	12
Total	**100**	**100**	**100**
Profit from recurring operations [(a)]			
(EUR millions)	**(203)**	**1,395**	**1,382**
Operating margin *(%)*	**(2.0)**	**9.4**	**10.1**
Operating investments of the	**410**	**659**	**537**
Number of stores			
Sephora	2021	1957	1886
Other	51	54	54

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Highlights

The Covid-19 pandemic slowed revenue sharply in Selective Retailing for 2020, spurring the Maisons to take the necessary measures to adapt to the situation and expand their digital offering. With the improvement in the global health situation, they welcomed customers back to their stores with the unwavering desire to offer them the best experience yet, while ensuring their safety and that of their employees.

Sephora showed strong resilience in a retail environment heavily impacted by the global health crisis that led to the closure of more than 90% of its stores worldwide for more than two months in the first half of the year, and then a second wave of closures in Europe in the fourth quarter. Thanks to the commitment and agility of its teams, Sephora accelerated its online sales, breaking all-time online sales records in all regions. To enhance client experience, Sephora accelerated best practices like Click & Collect, Call & Collect, new apps and livestream beauty advice, and set up partnerships with recognized third parties to offer services such as payment deferral and same-day delivery. Sephora continued to gain market share in its key regions and confirmed its leadership as the world's most loved beauty community. This was illustrated in mega-events like China's Virtual Sephora Day and the "11/11" day, when Sephora connected with more than one million people on social media. Importantly, Sephora put great emphasis on reopening stores with best-in-class health and safety protocols for its clients and employees. Furthermore, Sephora continued to expand its long-term "Sephora Cares" program devoted notably to combating domestic violence in the United States, and the employment of people with disabilities, notably in its distribution centers. Sephora continued to build new and exclusive brands, and accelerated its growth in skincare and hair care categories, including the continued success of the "Good for skin.you.all" skincare line. The brand was reinforced with the launch in Europe and the Middle East of the corporate communication campaign "The Unlimited Power of Beauty" and the opening of a new Paris Opéra flagship store. Sephora also launched its new Employee Value Proposition and strengthened its commitment to the environment through product innovation, with the launch of the "Good For" label in Europe and Clean@Sephora in North America.

In an unprecedented context of suspended international travel and months-long store closures at airports and downtown shopping areas, **DFS** was particularly affected by the public health crisis and its economic consequences. Placing top priority on the health and safety of its customers and staff, starting in January the Maison deployed a wide range of resources to inform and protect them and adapt employees' working hours. Programs were also launched to support local communities, aimed at donating food and protective equipment to the most at-risk individuals. Several stores have begun gradually reopening with strict safety measures, as the local public health situation improves. DFS's two main markets were affected to varying degrees during this trying period: Hong Kong, which was already hampered by the drop in tourism in 2019, was much more heavily hit by the pandemic; in Macao, on the other hand, the closure of DFS's stores only lasted a few weeks, and there was an improvement in business activity at the end of the year with the return of travelers from mainland China. In Venice, the T Fondaco dei Tedeschi showcased local Italian craftsmanship when it reopened in July. The Maison resolutely undertook a series of cost-cutting measures and, in order to continue to serve its customers, concentrated on developing new distribution channels for its local clientele and ramping up its online service offering.

Starboard Cruise Services gradually suspended its activities during the first quarter, following the decision by various countries and authorities in the markets it serves to ban cruises and the opening of national ports. While closely monitoring developments in each country that could lead to the possible resumption of operations, the Maison's teams reinforced their digital distribution channel, implemented strict new health and safety guidelines in stores, and enriched their offering with a range of innovative products tailored to their specific cruise clientele.

For **Le Bon Marché**, 2020 was a truly unprecedented year, closed for nearly three months due to the public health situation: first from March 16 to May 11, then from October 30 to November 27. Despite these closure periods, the department store on Paris' left bank maintained close ties with its customers by scaling up mail-order sales, launching an e-commerce site for Christmas shopping and kicking off a holiday edition of its eclectic *OFF* series of talks, tutorials and concerts filmed in the store and shared on social media. The year was marked by the carte blanche given to Japanese design studio Nendo and its founder Oki Sato – set to music in a special evening concert performed by a philharmonic orchestra right in the store – and the cheerful, humorous back-to-school exhibition *Once Upon a Time in Belgium*. New permanent and pop-up spaces also emerged, for a customer experience focused on service and sensation: *Octobre Rose* (Pink October), *l'Atelier Maquillage* (the Makeup Workshop), *la Maison du Bien-Être* (the House of Well-Being), Atelier Notify's upcycling stand, and more. Thanks to its highly committed staff, the two sites of La Grande Épicerie de Paris continued to welcome their customers without interruption and to support their suppliers, particularly small-scale producers. The Rive Droite location in particular saw strong growth. To offer some comfort during this trying time, 4,000 chocolates were donated to the AP-HP hospital system for healthcare providers.

Outlook

In 2021, **Sephora** will accelerate its expansion in key markets, particularly by expanding its physical and digital footprint in China and North America. The strong online momentum will continue in all markets. A new shop-in-shop partnership in the US with the iconic retailer Kohl's will enable the brand to open 200 exclusive prestige beauty points of sale in 2021. Sephora will continue to delight consumers through exceptional product offer, with its selected brand partners and own brand, as well as excellence of service and advice delivered by expert teams and the best omnichannel experience. The Maison will accelerate its synergies between its physical store network and digital presence with enhanced services and experiences for the client. Corporate Social Responsibility will continue to be a major priority for Sephora, with a very strong focus on clean products, community impact, diversity and inclusion. **DFS** is expected to benefit from higher tourist numbers in Macao in the first half of the year. For the other destinations that are still closed, the improvement in the public health situation and forecasts on the resumption of air traffic will be closely monitored to effectively prepare for the reopening of stores, in connection with the launch of vaccination programs approved by local authorities. DFS will continue its omnichannel transformation and maintain its expansion plans in the Asia-Pacific region and in China, on the island of Hainan in particular. Postponed due to the pandemic, the grand opening of La Samaritaine in Paris will take place in 2021. **Le Bon Marché** will rely more than ever on its excellent customer service, its highly creative and exclusive offering, and its unique program of events. Resolutely committed to returning to normal and welcoming back in-store customers, Le Bon Marché will continue to cultivate its distinction and its unique positioning as a trendsetting store and a venue for art and culture. La Grande Épicerie de Paris will continue its initiatives to enhance its appeal and build customer loyalty on both sides of the Seine.

7. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

(EUR millions)	2020	2019	Change
Intangible assets	33,054	33,246	(192)
Property, plant and equipment	18,224	18,533	(309)
Right-of-use assets	12,521	12,409	112
Other non-current assets	4,899	5,810	(911)
Non-current assets	**68,698**	**69,997**	**(1,299)**
Inventories	13,016	13,717	(701)
Cash and cash equivalents	19,963	5,673	14,290
Other current assets	6,994	7,120	(126)
Current assets	**39,973**	**26,510**	**13,463**
Assets	**108,671**	**96,507**	**12,164**

	2020	2019	Change
Equity	38,829	38,365	464
Long-term borrowings	14,065	5,101	8,964
Non-current lease liabilities	10,665	10,373	292
Other non-current liabilities	19,795	20,045	(251)
Equity and non-current	**83,354**	**73,884**	**9,469**
Short-term borrowings	10,638	7,610	3,028
Current lease liabilities	2,163	2,172	(9)
Other current liabilities	12,516	12,841	(324)
Current liabilities	**25,318**	**22,623**	**2,695**
Liabilities and equity	**108,671**	**96,507**	**12,164**

LVMH's consolidated balance sheet totaled 108.7 billion euros as of year-end 2020, up 12.2 billion euros from year-end 2019. This increase resulted, on the asset side, from the 14.3 billion euro increase in cash and cash equivalents, and, on the liability side, from the 12.0 billion euro increase in borrowings, changes mostly related to the acquisition of Tiffany & Co., which took place on January 7, 2021.

Intangible assets were down slightly (0.2 billion euros) from year-end 2019, totaling 33.1 billion euros. Investments for the year were lower than amortization charges, generating a 0.2 billion euro decrease, combined with the negative 0.3 billion euro impact of exchange rate fluctuations. Conversely, the impact on goodwill of the revaluation of purchase commitments for minority interests was positive (0.3 billion euros).

Property, plant and equipment were also down slightly (0.3 billion euros) and totaled 18.2 billion euros at the fiscal year-end. Exchange rate fluctuations had a negative 0.5 billion euro impact, and exceeded the increase generated by investments for the year, net of depreciation charges as well as disposals, which was limited to 0.2 billion euros. Operating investments were held back in response to the circumstances surrounding the Covid-19 pandemic; the comments on the cash flow statement provide further information on investments.

Right-of-use assets totaled 12.5 billion euros, remaining stable with respect to their level at year-end 2019 (12.4 billion euros), with the slight increase resulting from lease renewals being close to depreciation during the fiscal year. In addition to this, the impact of exchange rate fluctuations was offset by the effect of changes in assumptions and that of leases ended or cancelled, respectively at 0.9 and -0.2 billion euros. Store leases represented the majority of right-of-use assets, for a total of 10.1 billion euros.

Other non-current assets decreased by 0.9 billion euros, amounting to 4.9 billion euros, with this change primarily resulting from the reclassification within "Other current assets" of the market value of non-current available for sale financial assets and other financial instruments subscribed in connection with convertible bonds issued in 2016 and maturing in 2021, a substantial proportion of which were redeemed early at the end of 2020 (see Notes 9, 19 and 23.5 to the consolidated financial statements).

Inventories were down 0.7 billion euros, with their 0.5 billion euro increase offset by the 0.7 billion euro charge to provisions for impairment, net of reversals. Exchange rate fluctuations also had a negative 0.5 billion euro impact. See also the "Comments on the consolidated cash flow statement" section.

Excluding inventories, other current assets increased by 14.2 billion euros, largely due to the 14.3 billion euro increase in cash and cash equivalents, in connection with the acquisition of Tiffany & Co., which took place in early January 2021, as well as the 0.8 billion euro increase in the market value of derivatives following, in particular, the reclassification of financial instruments from "Other non-current assets" (see above) to "Other current assets". Conversely, trade accounts receivable decreased by 0.7 billion euros, related to the decline in business activity.

Lease liabilities arising from the application of IFRS 16 were up slightly (0.3 billion euros), in line with the increase in right-of-use assets.

Other non-current liabilities totaled 19.8 billion euros, down 0.3 billion euros from 20.0 billion euros as of year-end 2019. This change resulted from the decrease in value of financial instruments, including a 0.7 billion euro decrease resulting from the reclassification within "Current liabilities" of the market value of options embedded in convertible bonds issued in 2016, a substantial proportion of which were redeemed early at the end of 2020 (see Notes 19 and 23.5 to the consolidated financial statements). The liability in respect of purchase commitments for minority interests' shares increased slightly (0.3 billion euros) due to changes in the metrics used to measure these commitments, and totaled 11.0 billion euros.

Lastly, other current liabilities decreased by 0.3 billion euros, amounting to 12.5 billion euros. Operating liabilities decreased by 0.8 billion euros, with this reduction partly offset by the 0.5 billion euro increase in the value of derivatives, due in particular to the reclassification of options embedded in convertible bonds issued in 2016, which were recorded within "Other non-current liabilities" as of year-end 2019.

Net financial debt and equity

(EUR millions or as %)	2020	2019	Change
Long-term borrowings	14,065	5,101	8,964
Short-term borrowings and derivatives	10,891	7,641	3,250
Gross borrowings after derivatives	**24,956**	**12,742**	**12,214**
Cash and cash equivalents	(20,715)	(6,536)	(14,179)
Net financial debt	**4,241**	**6,206**	**(1,965)**
Equity	**38,829**	**38,365**	**464**
Net financial debt/Equity ratio	**10.9%**	**16.2%**	**-5,3 pts**

Total equity amounted to 38.8 billion euros as of year-end 2020, increasingly slightly, by 0.5 billion euros from year-end 2019. Net profit for the fiscal year, after the distribution of dividends, contributed 2.3 billion euros to this increase. This increase was offset by the 1.7 billion euro negative impact of exchange rate fluctuations, and by the 0.2 billion euro negative impact of gains and losses recognized in equity. As of year-end 2020, net financial debt was equal to 10.9% of total equity, compared to 16.2% as of year-end 2019, up 5.3 points largely due to the 2.0 billion euro increase in net financial debt.

Gross borrowings after derivatives totaled 25.0 billion euros as of year-end 2020, up 12.2 billion euros compared with year-end 2019, mainly due to the 8.3 billion euro increase in bond debt. Eight bond issues were completed during the year, in preparation in particular for the acquisition of Tiffany & Co., comprised of six euro-denominated bonds totaling 9.0 billion euros, and two sterling-denominated bonds totaling 1.55 billion pounds sterling. At the time the sterling-denominated bonds were issued, swaps were entered into that converted them into euro-denominated borrowings in their entirety. Details on these issues are provided in Note 19 to the consolidated financial statements. Conversely, the 1.25 billion euro and 0.6 billion euro bonds issued in 2017 and 2013, respectively, were repaid, along with most of the cash-settled convertible bonds issued in 2016 (594 million US dollars redeemed as of year-end 2020 out of an initial face value of 750 million US dollars), following the exercise of the conversion clause in late 2020 (see Note 19 to the consolidated financial statements). Euro- and US-dollar denominated commercial paper (ECP and USCP) outstanding increased by 3.7 billion euros, with this increase resulting from the combined impact of the 5.2 billion euro increase in USCP outstanding, and the 1.5 billion euro decrease in ECP outstanding. Cash, cash equivalents, and current available for sale financial assets totaled 20.7 billion euros as of year-end 2020, up 14.2 billion euros from 6.5 billion euros at year-end 2019. Net financial debt thus decreased by 2.0 billion euros during the fiscal year.

As of year-end 2020, the Group's undrawn confirmed credit lines amounted to 15.8 billion euros. This amount exceeded the outstanding portion of its euro- and US dollar-denominated commercial paper (ECP and USCP) programs, which came to 8.6 billion euros as of year-end 2020.

8. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	2020	2019	Change
Cash from operations before changes in working capital	**13,997**	**16,105**	**(2,108)**
Cost of net financial debt: interest paid	(58)	(124)	65
Lease liabilities: interest paid	(290)	(239)	(50)
Tax paid	(2,385)	(2,940)	555
Change in working capital	(367)	(1,154)	787
Net cash from operating activities	**10,897**	**11,648**	**(751)**
Operating investments	(2,478)	(3,294)	815
Repayment of lease liabilities	(2,302)	(2,187)	(114)
Operating free cash flow [(a)]	**6,117**	**6,167**	**(50)**
Financial investments and purchase and sale of consolidated investments	(461)	(2,575)	2,114
Equity-related transactions	(2,838)	(3,644)	806
Change in cash before financing activities	**2,818**	**(53)**	**2,870**

Cash from operations before changes in working capital totaled 13,997 million euros, down 2,108 million euros from 16,105 million euros a year earlier. This significant decrease directly resulted from the impact of the crisis triggered by the Covid-19 pandemic, with operating profit 3,301 million euros lower in 2020 than in 2019.

After tax and interest paid on net financial debt and lease liabilities, and after the change in working capital, net cash from operating activities amounted to 10,897 million euros, down 751 million euros from 2019.

Interest paid on net financial debt came to 58 million euros, much lower than in 2019, despite a significant increase in average gross borrowings related to the financing of the acquisition of Tiffany & Co., which took place on January 7, 2021. This change arose from the favorable impact of lower average interest rates, which more than offset the unfavorable impact of higher average borrowings.

Tax paid came to 2,385 million euros, 19% lower than the 2,940 million euros paid a year earlier, due to the decrease in the Group's earnings.

The change in working capital (367 million euros) generated a requirement 787 million euros lower than in the previous fiscal year, during which the change in working capital totaled 1,154 million euros. The 562 million euro increase in inventories in 2020 was substantially lower than the 1,604 million euro increase in inventories observed in 2019, generating a 1,042 million euro reduction in the financing requirement related to the increase in inventories. In addition, trade accounts receivable – which had increased by 111 million euros as of year-end 2019 – were down 518 million euros as of year-end 2020, reducing the working capital requirement by an additional 629 million euros. Conversely, trade accounts payable and other operating payables, which were down as of year-end 2020, generated a 322 million euro financing requirement, while as of year-end 2019 they had been up 561 million euros, helping to finance the working capital requirement.

Operating investments net of disposals resulted in an outflow of 2,478 million euros in 2020, down 815 million euros relative to the outflow of 3,294 million euros as of year-end 2019. These mainly included investments by the Group's brands – in particular Louis Vuitton, Sephora and Bvlgari – in their retail networks. They also included investments related to the La Samaritaine project as well as investments by the champagne houses and Hennessy in their production equipment.

Repayment of lease liabilities totaled 2,302 million euros as of year-end 2020, versus 2,187 million euros as of year-end 2019.

As of year-end 2020, "Operating free cash flow" (a) amounted to 6,117 million euros, stable with respect to the 6,167 million euros recorded in 2019, with the decrease in "Cash from operations before changes in working capital" almost entirely offset by the decrease in working capital expenditure, operating investments and tax paid.

In fiscal year 2020, financial investments accounted for an outflow of 461 million euros, the predominant share of which related to the impact of foreign exchange hedges implemented in anticipation of the acquisition of Tiffany & Co.

Equity-related transactions generated an outflow of 2,838 million euros. A portion of this amount, 2,317 million euros, arose from dividends paid during the fiscal year by LVMH SE, excluding the amount attributable to treasury shares, of which 1,309 million euros were for the final dividend payment in respect of fiscal year 2019 and 1,008 million euros were for the interim dividend payment in respect of fiscal year 2020, as well as tax related to dividends paid for 116 million euros. Net cash used in purchases of minority interests' shares and dividends paid to minority interests came to 432 million euros. Conversely, capital increases subscribed by minority interests generated an inflow of 43 million euros.

The change in cash after all transactions relating to operating activities, investing activities and equity-related transactions thus represented a net inflow of 2,818 million euros. Proceeds from borrowings after repayments and changes in the value of current available for sale financial assets came to 12,544 million euros, after which the year-end end cash balance was 14,309 million euros higher than at year-end 2019, including a negative 1,052 million euro impact of the change in the cumulative translation adjustment on cash balances. It totaled 19,806 million euros as of the fiscal year-end, a level justified by the financing of the acquisition of Tiffany & Co., which took place on January 7, 2021 for an amount of 16.1 billion US dollars.

(a) "Operating free cash flow" is defined in the consolidated cash flow statement. In addition to net cash from operating activities, it includes operating investments and repayment of lease liabilities, both of which the Group considers as components of its operating activities.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As table totals are based on unrounded figures, there may be discrepancies between these totals and the sum of their rounded component figures.

CONSOLIDATED INCOME STATEMENT

(EUR millions, except for earnings per share)	Notes	2020	2019	2018 [(a)]
Revenue	24	**44,651**	**53,670**	**46,826**
Cost of sales		(15,871)	(18,123)	(15,625)
Gross margin		**28,780**	**35,547**	**31,201**
Marketing and selling expenses		(16,792)	(20,207)	(17,755)
General and administrative expenses		(3,641)	(3,864)	(3,466)
Income/(loss) from joint ventures and associates	8	(42)	28	23
Profit from recurring operations	24	**8,305**	**11,504**	**10,003**
Other operating income and expenses	26	(333)	(231)	(126)
Operating profit		**7,972**	**11,273**	**9,877**
Cost of net financial debt		(35)	(107)	(117)
Interest on lease liabilities		(281)	(290)	-
Other financial income and expenses		(292)	(162)	(271)
Net financial income/(expense)	27	**(608)**	**(559)**	**(388)**
Income taxes	28	(2,409)	(2,932)	(2,499)
Net profit before minority interests		**4,955**	**7,782**	**6,990**
Minority interests	18	(253)	(611)	(636)
Net profit, Group share		**4,702**	**7,171**	**6,354**
Basic Group share of net earnings per share *(EUR)*	29	**9.33**	**14.25**	**12.64**
Number of shares on which the calculation is based		503,679,272	503,218,851	502,825,461
Diluted Group share of net earnings per share *(EUR)*	29	**9.32**	**14.23**	**12.61**
Number of shares on which the calculation is based		504,210,133	503,839,542	503,918,140

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

(EUR millions)	Notes	2020	2019	2018
Net profit before minority interests		**4,955**	**7,782**	**6,990**
Translation adjustments		(1,650)	299	274
Amounts transferred to income statement		(11)	1	(1)
Tax impact		(10)	11	15
	16.5, 18	**(1,671)**	**311**	**288**
Change in value of hedges of future foreign currency cash flows		73	(16)	3
Amounts transferred to income statement		(123)	25	(279)
Tax impact		(112)	(3)	79
		(162)	**6**	**(197)**
Change in value of the ineffective portion of hedging instruments		(209)	(211)	(271)
Amounts transferred to income statement		232	241	148
Tax impact		(9)	(7)	31
		14	**23**	**(92)**
Gains and losses recognized in equity, transferable to income statement		**(1,819)**	**340**	**(1)**
Change in value of vineyard land	6	(3)	42	8
Amounts transferred to consolidated reserves		-	-	-
Tax impact		3	(11)	(2)
		-	**31**	**6**
Employee benefit obligations: change in value resulting from actuarial gains and losses		(20)	(167)	28
Tax impact		6	39	(5)
		(14)	**(128)**	**23**
Gains and losses recognized in equity, not transferable to income statement		**(14)**	**(97)**	**29**
Comprehensive income		**3,122**	**8,025**	**7,018**
Minority interests		(162)	(628)	(681)
Comprehensive income, Group share		**2,960**	**7,397**	**6,337**

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	**2020**	**2019**	**2018** [(a)]
(EUR millions)				
Brands and other intangible assets	3	17,012	17,212	17,254
Goodwill	4	16,042	16,034	13,727
Property, plant and equipment	6	18,224	18,533	15,112
Right-of-use assets	7	12,521	12,409	-
Investments in joint ventures and associates	8	990	1,074	638
Non-current available for sale financial assets	9	739	915	1,100
Other non-current assets	10	845	1,546	986
Deferred tax		2,325	2,274	1,932
Non-current assets		**68,698**	**69,997**	**50,749**
Inventories and work in progress	11	13,016	13,717	12,485
Trade accounts receivable	12	2,756	3,450	3,222
Income taxes		392	406	366
Other current assets	13	3,846	3,264	2,868
Cash and cash equivalents	15	19,963	5,673	4,610
Current assets		**39,973**	**26,510**	**23,551**
Total assets		**108,671**	**96,507**	**74,300**

LIABILITIES AND EQUITY	Notes	**2020**	**2019**	**2018** [(a)]
(EUR millions)				
Equity, Group share	16.1	37,412	36,586	32,293
Minority interests	18	1,417	1,779	1,664
Equity		**38,829**	**38,365**	**33,957**
Long-term borrowings	19	14,065	5,101	6,005
Non-current lease liabilities	7	10,665	10,373	-
Non-current provisions and other liabilities	20	3,322	3,812	3,188
Deferred tax		5,481	5,498	5,036
Purchase commitments for minority interests' shares	21	10,991	10,735	9,281
Non-current liabilities		**44,524**	**35,519**	**23,510**
Short-term borrowings	19	10,638	7,610	5,027
Current lease liabilities	7	2,163	2,172	-
Trade accounts payable	22.1	5,098	5,814	5,314
Income taxes		721	722	538
Current provisions and other liabilities	22.2	6,698	6,305	5,954
Current liabilities		**25,318**	**22,623**	**16,833**
Total liabilities and equity		**108,671**	**96,507**	**74,300**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares	Cumulative translation adjustment	Revaluation reserves				Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows and cost of hedging	Vineyard land	Employee benefit commit-ments		Group share	Minority interests	Total
Notes		**16.2**	**16.2**	**16.3**	**16.5**							**18**	
As of Dec. 31, 2017	**507,042,596**	**152**	**2,614**	**(530)**	**354**	**-**	**130**	**1,114**	**(133)**	**25,268**	**28,969**	**1,408**	**30,377**
Gains and losses recognized in equity					219	-	(259)	3	20	-	(17)	45	28
Net profit										6,354	6,354	636	6,990
Comprehensive income		**-**	**-**	**-**	**219**	**-**	**(259)**	**3**	**20**	**6,354**	**6,337**	**681**	**7,018**
Bonus share plan-related expenses										78	78	4	82
(Acquisition)/disposal of treasury shares				(256)						(26)	(282)	-	(282)
Exercise of LVMH share subscription options	762,851		49								49	-	49
Retirement of LVMH shares	(2,775,952)		(365)	365							-	-	-
Capital increase in subsidiaries											-	50	50
Interim and final dividends paid										(2,715)	(2,715)	(345)	(3,060)
Changes in control of consolidated entities										(9)	(9)	41	32
Acquisition and disposal of minority interests' shares										(22)	(22)	(19)	(41)
Purchase commitments for minority interests' shares										(112)	(112)	(156)	(268)
As of Dec. 31, 2018	**505,029,495**	**152**	**2,298**	**(421)**	**573**	**-**	**(129)**	**1,117**	**(113)**	**28,816**	**32,293**	**1,664**	**33,957**
Impact of changes in accounting standards [a]										(29)	(29)	-	(29)
As of Jan. 1, 2019	**505,029,495**	**152**	**2,298**	**(421)**	**573**	**-**	**(129)**	**1,117**	**(113)**	**28,787**	**32,264**	**1,664**	**33,928**
Gains and losses recognized in equity					289	-	22	22	(107)		226	17	242
Net profit										7,171	7,171	611	7,783
Comprehensive income		**-**	**-**	**-**	**289**	**-**	**22**	**22**	**(107)**	**7,171**	**7,397**	**628**	**8,025**
Bonus share plan-related expenses										69	69	3	72
(Acquisition)/disposal of treasury shares	-	-	-	18	-	-	-	-	-	(44)	(26)	-	(26)
Exercise of LVMH share subscription options	403,946	-	21	-						-	21		21
Retirement of LVMH shares	(2,156)									-			
Capital increase in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	95	95
Interim and final dividends paid	-	-	-	-	-	-	-	-	-	(3,119)	(3,119)	(433)	(3,552)
Changes in control of consolidated entities	-	-	-	-	-	-	-	-	-	2	2	25	27
Acquisition and disposal of minority interests' shares	-	-	-	-	-	-	-	-	-	(17)	(17)	-	(17)
Purchase commitments for minority interests' shares	-	-	-	-	-	-	-	-	-	(5)	(5)	(203)	(208)
As of Dec. 31, 2019	**505,431,285**	**152**	**2,319**	**(403)**	**862**	**-**	**(107)**	**1,139**	**(220)**	**32,844**	**36,586**	**1,779**	**38,365**
Gains and losses recognized in equity					(1,554)	-	(176)	-	(11)		(1,742)	(91)	(1,833)
Net profit								-	-	4,702	4,702	253	4,955
Comprehensive income		**-**	**-**	**-**	**(1,554)**	**-**	**(176)**	**-**	**(11)**	**4,702**	**2,960**	**162**	**3,122**
Bonus share plan-related expenses										60	60	3	63
(Acquisition)/disposal of treasury shares	-	-	-	49	-	-	-	-	-	(42)	7	-	7
Exercise of LVMH share subscription options		-	-							-	-		-
Retirement of LVMH shares	(673,946)		(94)	94						-	-		-
Capital increase in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	54	54
Interim and final dividends paid	-	-	-	-	-	-	-	-	-	(2,317)	(2,317)	(376)	(2,693)
Changes in control of consolidated entities	-	-	-	-	-	-	-	-	-	(30)	(30)	7	(23)
Acquisition and disposal of minority interests' shares	-	-	-	-	-	-	-	-	-	(49)	(49)	8	(41)
Purchase commitments for minority interests' shares	-	-	-	-	-	-	-	-	-	193	193	(220)	(27)
As of Dec. 31 , 2020	**504,757,339**	**152**	**2,225**	**(260)**	**(692)**	**-**	**(283)**	**1,139**	**(231)**	**35,363**	**37,412**	**1,417**	**38,829**

(a) The impact of changes in accounting standards arose from the application of IFRS 16 Leases as of January 1, 2019. See Note 1.2 to the 2019 consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	2020	2019	2018 [(a)]
I. OPERATING ACTIVITIES				
Operating profit		7,972	11,273	9,877
(Income)/loss and dividends received from joint ventures and associates	8	64	(10)	5
Net increase in depreciation, amortization and provisions		3,478	2,700	2,302
Depreciation of right-of-use assets	7.1	2,572	2,408	-
Other adjustments and computed expenses		(89)	(266)	(219)
Cash from operations before changes in working capital		**13,997**	**16,105**	**11,965**
Cost of net financial debt: interest paid		(58)	(124)	(113)
Lease liabilities: interest paid		(290)	(239)	-
Tax paid		(2,385)	(2,940)	(2,275)
Change in working capital	15.2	(367)	(1,154)	(1,087)
Net cash from operating activities		**10,897**	**11,648**	**8,490**
II. INVESTING ACTIVITIES				
Operating investments	15.3	(2,478)	(3,294)	(3,038)
Purchase and proceeds from sale of consolidated investments		(536)	(2,478)	(17)
Dividends received		12	8	18
Tax paid related to non-current available for sale financial assets and consolidated investments		-	(1)	(2)
Purchase and proceeds from sale of non-current available for sale financial assets	9	63	(104)	(400)
Net cash from (used in) investing activities		**(2,939)**	**(5,869)**	**(3,439)**
III. FINANCING ACTIVITIES				
Interim and final dividends paid	15.4	(2,799)	(3,678)	(3,090)
Purchase and proceeds from sale of minority interests		(67)	(21)	(236)
Other equity-related transactions	15.4	27	54	(205)
Proceeds from borrowings	19	17,499	2,837	1,529
Repayment of borrowings	19	(5,024)	(1,810)	(2,174)
Repayment of lease liabilities	7.2	(2,302)	(2,187)	-
Purchase and proceeds from sale of current available for sale financial assets	14	69	71	(147)
Net cash from/(used in) financing activities		**7,403**	**(4,734)**	**(4,323)**
IV. EFFECT OF EXCHANGE RATE CHANGES		**(1,052)**	**39**	**67**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**14,309**	**1,084**	**795**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15.1	**5,497**	**4,413**	**3,618**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15.1	**19,806**	**5,497**	**4,413**
TOTAL TAX PAID		**(2,501)**	**(3,070)**	**(2,314)**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

Alternative performance measure

The following table presents the reconciliation between “Net cash from operating activities” and “Operating free cash flow” for the fiscal years presented:

(EUR millions)	2020	2019	2018
Net cash from operating activities	10,897	11,648	8,490
Operating investments	(2,478)	(3,294)	(3,038)
Repayment of lease liabilities	(2,302)	(2,187)	-
Operating free cash flow [(a)]	**6,117**	**6,167**	**5,452**

(a) Under IFRS 16, fixed lease payments are treated partly as interest payments and partly as principal repayments. For its own operational management purposes, the Group treats all lease payments as components of its “Operating free cash flow”, whether the lease payments made are fixed or variable. In addition, for its own operational management purposes, the Group treats operating investments as components of its “Operating free cash flow”.

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1. General framework and environment

The consolidated financial statements for fiscal year 2020 were established in accordance with the international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2020. These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for fiscal year 2020 were approved by the Board of Directors on January 26, 2021.

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

1.2. Changes in the accounting framework applicable to LVMH

The amendment to IFRS 16 on the recognition of rent concessions granted by lessors in connection with the Covid-19 pandemic, issued by the IASB in May 2020 and adopted by the European Union in October 2020, has been applied by the Group as from January 1, 2020. This amendment makes it easier for lessees to account for these concessions and allows them, under certain conditions, to recognize the resulting benefit directly in the income statement as a negative variable lease payment (see Note 7).

The application of other standards, amendments and interpretations that came into effect on January 1, 2020 did not have any significant impact on the Group's financial statements.

LVMH will apply the amendments to IFRS 9 and IFRS 7 relating to the second phase of interest rate benchmark reform beginning in 2021, in line with the effective date established by the IASB. These amendments relate to the accounting impact of the replacement of interest rate benchmarks, which is expected to take place beginning in 2021.

1.3. Impact of the Covid-19 pandemic on the consolidated financial statements

The Covid-19 pandemic and the measures taken by various governments to fight it severely disrupted LVMH's operations during the year and significantly affected the financial statements. The closure of stores and production facilities in most countries for a number of months, along with the halt in international travel, were responsible for the reduction in revenue and, consequently, the deterioration in profitability across all the business groups. The impact of the crisis on the Group's results is discussed in detail in the "Business review and comments on the consolidated financial statements" section.

The assumptions and estimates used as a basis for measuring certain balance sheet and income statement items were updated in light of the crisis. This concerned the following topics:

- Valuation of intangible assets: impairment tests were run (see Note 5).
- All of the Maisons took steps to renegotiate their leases in order to optimize their lease expenses. The lease reductions thus obtained during the fiscal year were recognized as a deduction to "Marketing and selling expenses" (see Note 7).
- Valuation of purchase commitments for minority interests' shares: this valuation takes into account the latest market data and EBITDA forecasts. The change in these metrics led to a slight increase in the associated liability (see Note 21).
- Costs arising from lower activity levels were excluded from the valuation of inventories as of December 31, 2020.
- Provisions for inventory impairment were updated to reflect slower inventory turnover and more limited sales prospects for seasonal products (see Note 11).
- Where applicable, provisions for impairment of trade accounts receivable included the impact of adjustments for the probability of default and the extent of losses anticipated following changes to coverage levels by credit insurance in particular, as well as the stimulus measures taken by different governments, from which the Group's clients benefited (see Note 12). In particular, the bankruptcy proceedings initiated by certain distribution groups in the United States were taken into account.
- Payments received or receivable from social security systems or government agencies in respect of measures to safeguard the economy: such payments were deducted from the expenses in respect of which the payments were obtained, in compliance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. If these measures took the form of an income tax reduction, the amounts were deducted from the tax expense, in compliance with IAS 12. These measures were mainly aimed at protecting jobs and essentially concerned certain Group subsidiaries in Europe, North America and Asia.
- The portfolio of derivatives used to hedge commercial transactions and the hedging policy were adjusted to take into account the most recent budget forecasts (see Note 23). The impact of these adjustments was not significant as of December 31, 2020.
- Deferred tax assets on tax losses were reassessed taking into account earnings forecasts for the entities concerned. No significant impairment expense was recognized in respect of losses recorded in fiscal year 2020 or prior periods.

The Group's access to liquidity was preserved through its euro- and US dollar-denominated commercial paper programs; its EMTN program, through which a number of bond issues were carried out during the fiscal year; and a significant reserve of undrawn confirmed credit lines. See also Note 19.4.

1.4. 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 include the following:

– Business combinations: the exemption from retrospective application was not applied. The recognition of the merger of Moët Hennessy and Louis Vuitton in 1987 and all subsequent acquisitions were restated in accordance with IFRS 3; IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of that date.

– Foreign currency translation of the financial statements of subsidiaries outside the eurozone: 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".

1.5. 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 inherent to the Group's recurring operations or its profit from recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation, the impairment of goodwill, and the impairment and amortization of brands and trade names, as well as any significant amount relating to the impact of certain unusual transactions, such as 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. In addition:

- Dividends received are presented according to the nature of the underlying investments, thus in "Net cash from operating activities" for dividends from joint ventures and associates and in "Net cash from financial investments" for dividends from other unconsolidated entities .
- Tax paid is presented according to the nature of the transaction from which it arises, thus 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; and 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.

1.6. Use of estimates

For the purpose of preparing the consolidated financial statements, the 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); the measurement of leases (see Note 7) and purchase commitments for minority interests' shares (see Notes 1.13 and 21); the determination of the amount of provisions for contingencies and losses, and uncertain tax positions (see Note 20) or for impairment of inventories (see Notes 1.18 and 11); and, if applicable, deferred tax assets (see Note 28). Such hypotheses, estimates or other forms of judgment made on the basis of the information available or the situation prevailing at the date at which the financial statements are prepared may subsequently prove different from actual events.

1.7. 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 and companies where the Group has significant influence but no controlling interest are accounted for using the equity method. Although jointly controlled, those entities are fully integrated within the Group's operating activities. LVMH discloses their net profit, as well as that of entities using the equity method (see Note 8), on a separate line, which forms part of profit from recurring operations.

When an investment in a joint venture or associate accounted for using the equity method involves a payment tied to meeting specific performance targets, known as an earn-out payment, the estimated amount of this payment is included in the initial purchase price recorded in the balance sheet, with an offsetting entry under financial liabilities. Any difference between the initial estimate and the actual payment made is recorded as part of the value of investments in joint ventures and associates, without any impact on the income statement.

The assets, liabilities, income and expenses of the Wines and Spirits distribution subsidiaries held jointly with the Diageo group are consolidated only in proportion to the LVMH group's share of operations (see Note 1.27).

The consolidation on an individual or collective basis of companies that are not consolidated (see "Companies not included in the scope of consolidation") would not have a significant impact on the Group's main aggregates.

1.8. Foreign currency translation of the financial statements of entities outside the eurozone

The consolidated financial statements are presented in euros; the financial statements of entities presented 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".

1.9. 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. Gains and losses resulting from this translation are recognized:

- within "Cost of sales" for commercial transactions;
- within "Net financial income/(expense)" for financial transactions.

Foreign exchange gains and losses arising from the translation or elimination of intra-Group 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 intra-Group 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 used to hedge commercial, financial or investment transactions are recognized in the balance sheet at their market value (see Note 1.10) at the balance sheet date. Changes in the value of the effective portions of these derivatives are recognized as follows:

- For hedges that are commercial in nature:

– within "Cost of sales" for hedges of receivables and payables recognized in the balance sheet at the end of the period;

– within equity under "Revaluation reserves" for hedges of future cash flows; this amount is transferred to cost of sales upon recognition of the hedged trade receivables and payables.

- For hedges relating to the acquisition of fixed assets: within equity under "Revaluation reserves" for hedges of future cash flows; this amount is transferred to the asset side of the balance sheet, as part of the initial cost of the hedged item when accounting for the latter, and then to the income statement in the event of the disposal or impairment of the hedged item.
- For hedges that are tied to the Group's investment portfolio (hedging the net worth of subsidiaries whose functional currency is not the euro), within equity under "Cumulative translation adjustment"; this amount is transferred to the income statement upon the sale or liquidation (whether partial or total) of the subsidiary whose net worth is hedged.
- For hedges that are financial in nature: within "Net financial income/(expense)", under "Other financial income and expenses".

Changes in the value of these derivatives related to forward points associated with forward contracts, as well as in the time value component of options, are recognized as follows:

- For hedges that are commercial in nature: within equity under "Revaluation reserves". The cost of the forward contracts (forward points) and of the options (premiums) is transferred to "Other financial income and expenses" upon realization of the hedged transaction;
- For hedges that are tied to the Group's investment portfolio or financial in nature: expenses and income arising from discounts or premiums are recognized in "Borrowing costs" on a pro rata basis over the term of the hedging instruments. The difference between the amounts recognized in "Net financial income/(expense)" and the change in the value of forward points is recognized in equity under "Revaluation reserves".

Market value changes of derivatives not designated as hedges are recorded within "Net financial income/(expense)".

See also Note 1.22 for the definition of the concepts of effective and ineffective portions.

1.10. 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 in the balance sheet are as follows:

	Approaches to determining fair value	Amounts recorded at balance sheet date
Vineyard land	Based on recent transactions in similar assets. See Note 1.14.	Note 6
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.18.	Note 11
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.23.	Note 23
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.22.	Note 19
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 1.13.	Note 21
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Unquoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.17.	Note 9, Note 14
Cash and cash equivalents (SICAV and FCP funds)	Based on the liquidation value at the balance sheet date. See Note 1.20.	Note 15

No other assets or liabilities have been remeasured at market value at the balance sheet date.

1.11. Brands and other intangible assets

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

Brands and trade names are chiefly valued using the forecast discounted cash flow method, or based on comparable transactions (i.e. using the revenue and net profit coefficients employed for recent transactions involving similar brands) or 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 finite or indefinite useful life is generally based on the following criteria:

– the brand or trade name's overall positioning in its market expressed in terms of volume of activity, international presence, and reputation;
– 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 finite useful lives range from 5 to 20 years, depending on their anticipated period of use.

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.16.

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

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

– Rights attached to sponsorship agreements and media partnerships are amortized over the life of the agreements, depending on how the rights are used.
– Development expenditure is amortized over 3 years at most.
– Software and websites are amortized over 1 to 5 years.

1.12. Changes in ownership interests 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; 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 1.16. Any impairment expense recognized is included within "Other operating income and expenses".

1.13. 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 balance sheet date appears in "Purchase commitments for minority interests' shares", as a liability on its balance sheet.
- The corresponding minority interests are canceled.
- 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 are 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 recognition method has no effect on the presentation of minority interests within the income statement.

1.14. Property, plant and equipment

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

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

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

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 are depreciated on a straight-line basis over their estimated useful lives. For leased assets, the depreciation period cannot be longer than that used for the calculation of the lease liability.

The estimated useful lives are as follows:

– Buildings including investment property	20 to 100 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.

1.15. Leases

The Group has applied IFRS 16 Leases since January 1, 2019. The initial application was carried out using the "modified retrospective" approach to transition. See Note 1.2 to the 2019 consolidated financial statements for details of this initial application procedure for IFRS 16 and the impact of its initial application on the 2019 financial statements.

When entering into a lease, a liability is recognized in the balance sheet, measured at the discounted present value of future payments of the fixed portion of lease payments and offset against a right-of-use asset depreciated over the lease term. The amount of the liability depends to a large degree on the assumptions used for the lease term and, to a lesser extent, the discount rate. The Group's extensive geographic coverage means it encounters a wide range of different legal conditions when entering into contracts.

The lease term generally used to calculate the liability is the term of the initially negotiated lease, not taking into account any early termination options, except in special circumstances. When leases contain extension options, the term used for the calculation of the liability may include these periods mainly when the anticipated period of use of the fixed assets, whether under a new or existing lease, is greater than the initial contractual lease term.

The lease term to be used in accounting for lease liabilities when the underlying assets are capitalized even though the obligation to make lease payments covers a period of less than 12 months is consistent with the anticipated period of use of the invested assets. Most often, this involves leases for retail locations that are automatically renewable on an annual basis.

The standard requires that the discount rate be determined for each lease using the incremental borrowing rate of the subsidiary entering into the lease. In practice, given the structure of the Group's financing – virtually all of which is held or guaranteed by LVMH SE – this incremental borrowing rate is generally the total of the risk-free rate for the currency of the lease, with reference to its term, and the Group's credit risk for this same currency and over the same term.

Leasehold rights and property, plant and equipment related to restoration obligations for leased facilities are presented within "Right-of-use assets" and subject to depreciation under the same principles as those described above.

The Group has implemented a dedicated IT solution to gather lease data and run the calculations required by the standard.

Since the application of IFRS 16 had a significant impact on the cash flow statement given the importance of fixed lease payments to the Group's activities, specific indicators are used for internal performance monitoring requirements and financial communication purposes in order to present consistent performance indicators, independently of the fixed or variable nature of lease payments. One such alternative performance measure is "Operating free cash flow", which is calculated by deducting capitalized fixed lease payments in their entirety from cash flow. The reconciliation between “Net cash from operating activities” and “Operating free cash flow” is presented in the cash flow statement.

1.16. Impairment testing of fixed assets

Property, plant and equipment, intangible assets, and all leased fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired (particularly following major changes in the asset’s operating conditions), 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 at Group level 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 discounted cash flow method is based on annual budgets and multi-year business plans prepared by the management of the business segments concerned. Detailed forecasts cover a five-year period, which may be extended for brands undergoing strategic repositioning or whose production cycle exceeds 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. Discount rates are set for each business group with reference to companies engaged in comparable businesses. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and an assessment of the risk premium associated with that business. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed.

1.17. Available for sale financial assets

Available for sale financial assets are classified as current or non-current based on their type.

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 (presented in “Other current assets”; see Note 13) 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 1.20).

Available for sale financial assets are measured at their listed value at the fiscal year-end date in the case of quoted investments, and in the case of unquoted investments at their estimated net realizable value, assessed either according to formulas based on market data or based on private quotations at the fiscal year-end date.

Positive or negative changes in value are recognized under “Net financial income/(expense)” (within “Other financial income and expenses”) for all shares held in the portfolio during the reported periods.

1.18. Inventories and work in progress

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

Wine produced by the Group, including 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 on a pro rata basis, in line with the estimated yield and market value.

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

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

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

1.19. Trade accounts receivable, loans and other receivables

Trade accounts receivable, loans and other receivables are recorded at amortized cost, which corresponds to their face value. Impairment is recognized for the portion of loans and receivables not covered by credit insurance when such receivables are recorded, in the amount of the losses expected upon maturity. This reflects the probability of counterparty default and the expected loss rate, measured using historical statistical data, information provided by credit bureaus, or ratings by credit rating agencies, depending on the specific case.

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 method.

1.20. Cash and cash equivalents

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

Money-market investments are measured at their market value, based on price quotations at the close of trading and on the exchange rate prevailing at the fiscal year-end date, with any changes in value recognized as part of "Net financial income/(expense)".

1.21. 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. See also Note 1.25 and 20.

If the date at which this obligation is to be discharged is 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 method.

1.22. 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), under "Fair value adjustment of borrowings and interest rate hedges". See Note 1.10 regarding the measurement of hedged borrowings at market value. Interest income and expenses related to hedging instruments are recognized within net financial income/(expense), under "Borrowing costs".

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).

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 non- current available for sale financial assets used to hedge financial debt, current available for sale financial assets, cash and cash equivalents, in addition to the market value at that date of foreign exchange derivatives related to any of the aforementioned items.

1.23. Derivatives

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

To hedge against commercial, financial and investment foreign exchange risk, the Group uses options, forward contracts, foreign exchange swaps and cross-currency swaps. The time value of options, the forward point component of forward contracts and foreign exchange swaps, as well as the foreign currency basis spread component of cross-currency swaps are systematically excluded from the hedge relation. Consequently, only the intrinsic value of the instruments is considered a hedging instrument. Regarding hedged items (future foreign currency cash flows, commercial or financial liabilities and accounts receivable in foreign currencies, subsidiaries' equity denominated in a functional currency other than the euro), only their change in value in respect of foreign exchange risk is considered a hedged item. As such, aligning the hedging instruments' main features (nominal values, currencies, maturities) with those of the hedged items makes it possible to perfectly offset changes in value.

Derivatives are recognized in the balance sheet at their market value at the balance sheet date. Changes in their value are accounted for as described in Note 1.9 in the case of foreign exchange hedges, and as described in Note 1.22 in the case of interest rate hedges.

Market value is based on market data and commonly used valuation models.

Derivatives with maturities in excess of 12 months are disclosed as non-current assets and liabilities.

1.24. Treasury shares

LVMH 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.

In the event of disposal, the cost of the shares disposed of is determined by allocation category (see Note 16.3) using the FIFO method, with the exception of shares held under stock option plans, for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal, net of income taxes, are taken directly to equity.

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

When plans related to retirement bonuses, pensions, contributions to medical costs, or other employee benefit commitments entail the payment by the Group of contributions to third-party organizations that assume sole responsibility for subsequently paying such retirement bonuses, pensions or contributions to medical costs, these contributions are expensed in the fiscal year in which they fall due, with no liability recorded on the balance sheet.

When the payment of retirement bonuses, pensions, contributions to medical costs, or other employee benefit commitments is to be borne by the Group, a provision is recorded in the balance sheet in the amount of the corresponding actuarial commitment. 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 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.

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

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

1.26. Current and deferred tax

The tax expense comprises current tax payable by consolidated companies and deferred tax resulting from temporary differences as well as the change in uncertain tax positions.

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 the application of tax regulations.

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

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

Deferred tax assets and liabilities are not discounted.

Taxes payable in respect of the distribution of retained earnings of subsidiaries give rise to provisions if distribution is deemed probable.

1.27. Revenue recognition

Definition of revenue

Revenue mainly comprises retail sales within the Group’s store network (including e-commerce websites) and wholesale 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 mostly made through retail stores in Fashion and Leather Goods and Selective Retailing, as well as certain Watches and Jewelry and Perfumes and Cosmetics brands. These sales are recognized at the time of purchase by retail customers.

Wholesale sales mainly concern the Wines and Spirits businesses, as well as certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third-party customers.

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

Sales of services, mainly involved in the Group’s “Other activities” segment, are recognized as the services are provided.

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 companies 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 is reduced by the estimated amount of such returns, and a provision is recognized within “Other current liabilities” (see Note 22.2), along with a corresponding entry made to inventories. The estimated rate of returns is based on historical statistical data.

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; the income statement and balance sheet of these entities is apportioned between LVMH and Diageo based on distribution agreements. According to those agreements, the assets, liabilities, income and expenses of such entities are consolidated only in proportion to the Group’s share of operations.

1.28. Advertising and promotion expenses

Advertising and promotion expenses include the costs of producing advertising media, purchasing media space, manufacturing samples, 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 within marketing and selling expenses upon receipt or production of goods or upon completion of services rendered.

1.29. Bonus share and similar plans

Share purchase and subscription option plans give rise to the recognition of an expense based on the amortization of the expected gain for the recipients calculated according to the Black & Scholes method on the basis of the closing share price on the day before the Board of Directors' meeting at which the plan is instituted.

For bonus share plans, the expected gain is calculated on the basis of the closing share price on the day before the Board of Directors' 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 the 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 gain resulting from the change in the LVMH share price is recorded in the income statement. Earnings per share are calculated based on the weighted average number of shares outstanding during the fiscal year, excluding treasury shares.

1.30. Earnings per share

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of existing subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, plus the amount not yet expensed for stock option and similar plans (see Note 1.29), would be employed to repurchase LVMH shares at a price corresponding to their average trading price over the fiscal year.

2. CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

There were no changes in ownership interests in consolidated entities during the fiscal year.

See Note 31 "Off-balance sheet commitments" and Note 34 "Subsequent events" regarding the acquisition of Tiffany & Co., which was completed on January 7, 2021.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)			2020	2019	2018 [(a)]
	Gross	Amortization and impairment	Net	Net	Net
Brands	14,513	(777)	13,737	13,736	13,596
Trade names	3,614	(1,484)	2,130	2,303	2,265
License rights	139	(84)	55	45	13
Software, websites	2,388	(1,722)	665	650	544
Other	982	(556)	425	479	836
Total	**21,636**	**(4,623)**	**17,012**	**17,212**	**17,254**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

The net amounts of brands, trade names and other intangible assets changed as follows during the fiscal year:

Gross value *(EUR millions)*	**Brands**	**Trade names**	**Software, websites**	**Other intangible assets**	**Total**
As of December 31, 2019	**14,511**	**3,920**	**2,258**	**1,177**	**21,865**
Acquisitions	-	-	194	286	480
Disposals and retirements	-	-	(170)	(90)	(261)
Changes in the scope of consolidation	(22)	-	1	2	(19)
Translation adjustment	(43)	(306)	(65)	(18)	(433)
Reclassifications	68	-	170	(235)	3
As of December 31, 2020	**14,513**	**3,614**	**2,388**	**1,121**	**21,636**

Amortization and impairment *(EUR millions)*	**Brands**	**Trade names**	**Software, websites**	**Other intangible assets**	**Total**
As of December 31, 2019	**(775)**	**(1,617)**	**(1,608)**	**(653)**	**(4,653)**
Amortization expense	(24)	(1)	(329)	(131)	(485)
Impairment expense	(32)	-	-	(1)	(33)
Disposals and retirements	-	-	172	87	260
Changes in the scope of consolidation	36	-	(1)	(1)	35
Translation adjustment	18	134	44	9	205
Reclassifications	-	-	(1)	49	48
As of December 31, 2020	**(777)**	**(1,484)**	**(1,722)**	**(641)**	**(4,623)**
Carrying amount as of December 31, 2020	**13,737**	**2,130**	**665**	**481**	**17,012**

4. GOODWILL

(EUR millions)			**2020**	**2019**	**2018**
	Gross	**Impairment**	**Net**	**Net**	**Net**
Goodwill arising on consolidated investments	11,259	(1,814)	9,445	9,722	8,654
Goodwill arising on purchase commitments for minority interests' shares	6,597	-	6,597	6,312	5,073
Total	**17,856**	**(1,814)**	**16,042**	**16,034**	**13,727**

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

(EUR millions)			**2020**	**2019**	**2018**
	Gross	**Impairment**	**Net**	**Net**	**Net**
As of January 1	**17,807**	**(1,773)**	**16,034**	**13,727**	**13,837**
Changes in the scope of consolidation	(72)	46	(27)	1,033	45
Changes in purchase commitments for minority interests' shares	278	-	278	1,247	(126)
Changes in impairment	-	(178)	(178)	(22)	(100)
Translation adjustment	(157)	90	(67)	50	71
As of December 31	**17,856**	**(1,814)**	**16,042**	**16,034**	**13,727**

See Note 21 for goodwill arising on purchase commitments for minority interests' shares.

5. IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The Covid-19 pandemic severely disrupted production and commercial operations, leading to a substantial decrease in the Group's revenue and profit from recurring operations in 2020. Nevertheless, although the effects of the decrease in levels of business travel and tourism will still be felt for some time, the Group believes that its activities will not be significantly affected over the long term.

For the purposes of preparing the financial statements for the fiscal year ended December 31, 2020, the business segments that are most sensitive to negative changes in the market environment have been identified. For these segments, multi-year plans drawn up previously have been adjusted to take into account the reduced business activity observed in 2020, as well as a scenario in which business activity returns to its 2019 level between 2022 and 2024, depending on the nature of the segment in question. For the other business segments, as the results of the impairment tests performed in 2019 were not called into question by the developments noted over the course of 2020, they were therefore repeated, taking into account in particular the significant differences between recoverable and carrying amounts for intangible assets with indefinite useful lives.

Impairment and depreciation expenses recognized during fiscal year 2020 came to 235 million euros. See Note 26.

6. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)			2020	2019	2018 [(a)]
	Gross	**Depreciation and impairment**	**Net**	**Net**	**Net**
Land	4,499	(19)	4,480	4,411	2,838
Vineyard land and producing vineyards [(b)]	2,668	(117)	2,551	2,537	2,473
Buildings	5,737	(2,234)	3,503	3,218	2,292
Investment property	350	(34)	316	319	602
Leasehold improvements, machinery and	14,431	(9,972)	4,459	4,717	4,078
Assets in progress	1,181	(5)	1,176	1,650	1,237
Other property, plant and equipment	2,295	(555)	1,740	1,682	1,592
Total	**31,161**	**(12,937)**	**18,224**	**18,533**	**15,112**
Of which: Historical cost of vineyard land	*601*	*-*	*601*	*587*	*576*

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) Almost all of the carrying amount of "Vineyard land and producing vineyards" corresponds to vineyard land.

Changes in property, plant and equipment during the fiscal year broke down as follows:

Gross value *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Invest-ment property**	**Leasehold improvements, machinery and equipment**			**Assets in progress**	**Other property, plant and equipme nt**	**Total**
				Stores and hotels	**Production, logistics**	**Other**			
As of December 31, 2019	**2,655**	**9,775**	**357**	**9,801**	**2,964**	**1,478**	**1,652**	**2,205**	**30,887**
Acquisitions	19	295	1	464	135	91	911	67	1,984
Change in the market value of vineyard land	(3)	-	-	-	-	-	-	-	(3)
Disposals and retirements	(11)	(79)	(4)	(400)	(63)	(86)	(5)	(27)	(676)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Translation adjustment	(14)	(320)	(7)	(503)	(35)	(55)	(31)	(32)	(997)
Other movements, including transfers	23	566	2	404	97	138	(1,345)	82	(32)
As of December 31, 2020	**2,668**	**10,236**	**350**	**9,767**	**3,098**	**1,566**	**1,181**	**2,295**	**31,161**

Depreciation and impairment *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Invest-ment property**	**Leasehold improvements, machinery and equipment**			**Assets in progress**	**Other property, plant and equipme nt**	**Total**
				Stores and hotels	**Production, logistics**	**Other**			
As of December 31, 2019	**(118)**	**(2,146)**	**(37)**	**(6,586)**	**(1,949)**	**(991)**	**(2)**	**(524)**	**(12,354)**
Depreciation expense	(6)	(238)	(2)	(1,024)	(211)	(149)	-	(75)	(1,706)
Impairment expense	(2)	(10)	-	(3)	(2)	-	(5)	(3)	(26)
Disposals and retirements	9	67	-	395	55	84	-	29	639
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-
Translation adjustment	1	75	-	347	18	42	-	18	502
Other movements, including transfers	(1)	(1)	6	62	2	(62)	1	1	8
As of December 31, 2020	**(117)**	**(2,253)**	**(34)**	**(6,810)**	**(2,087)**	**(1,076)**	**(5)**	**(555)**	**(12,937)**
Carrying amount as of December 31, 2020	**2,551**	**7,983**	**316**	**2,957**	**1,012**	**490**	**1,176**	**1,740**	**18,224**

"Other property, plant and equipment" includes in particular the works of art owned by the Group.

Purchases of property, plant and equipment mainly include investments by the Group's brands – notably Louis Vuitton, Sephora and Christian Dior – in their retail networks. They also include investments related to the La Samaritaine project as well as investments by the champagne houses, Hennessy, Parfums Christian Dior and Louis Vuitton in their production equipment.

The impact of marking vineyard land to market was 1,824 million euros as of December 31, 2020 (1,836 million euros as of December 31, 2019; 1,793 million euros as of December 31, 2018). See Notes 1.10 and 1.14 regarding the measurement method for vineyard land.

7. LEASES

7.1. Right-of-use assets

Right-of-use assets break down as follows, by type of underlying asset:

(EUR millions)			2020	2019	January 1, 2019
	Gross	Depreciation and impairment	Net	Net	Net
Stores	13,577	(3,523)	10,054	9,861	9,472
Offices	1,931	(498)	1,433	1,436	1,332
Other	922	(200)	722	749	718
Capitalized fixed lease payments	**16,429**	**(4,222)**	**12,207**	**12,047**	**11,522**
Leasehold rights	783	(470)	313	362	345
Total	**17,213**	**(4,691)**	**12,522**	**12,409**	**11,867**

The net amounts of right-of-use assets changed as follows during the fiscal year:

Gross value	Capitalized fixed lease payments				Leasehold rights	Total
(EUR millions)	Stores	Offices	Other	Total		
As of December 31, 2019	**11,817**	**1,724**	**860**	**14,402**	**738**	**15,140**
New leases entered into	2,112	417	115	2,643	7	2,650
Changes in assumptions	931	(84)	11	858	-	858
Leases ended or canceled	(475)	(76)	(39)	(590)	(8)	(598)
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	(795)	(58)	(44)	(897)	(11)	(908)
Other movements, including transfers	(13)	8	19	14	57	71
As of December 31, 2020	**13,577**	**1,931**	**922**	**16,429**	**783**	**17,213**
Depreciation and impairment	Capitalized fixed lease payments				Leasehold rights	Total
(EUR millions)	Stores	Offices	Other	Total		
As of December 31, 2019	**(1,956)**	**(288)**	**(111)**	**(2,355)**	**(376)**	**(2,731)**
Depreciation and amortization expense	(2,111)	(286)	(117)	(2,514)	(54)	(2,568)
Impairment expense	1	(2)	-	(1)	(3)	(4)
Leases ended or canceled	344	64	22	430	7	437
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustment	195	17	7	219	5	224
Other movements, including transfers	2	(3)	-	(1)	(49)	(50)
As of December 31, 2020	**(3,523)**	**(498)**	**(200)**	**(4,222)**	**(470)**	**(4,691)**
Carrying amount as of December 31, 2020	**10,054**	**1,433**	**722**	**12,207**	**313**	**12,522**

"New leases entered into" mainly involved store leases, in particular for Louis Vuitton, Sephora, Christian Dior Couture, Fendi and Loro Piana. They also included leases of office space, mainly for Wines and Spirits and Benefit Cosmetics. Changes in assumptions mainly related to the exercise of options to extend existing leases, in particular for DFS and Christian Dior. These two types of changes led to corresponding increases in right-of-use assets and lease liabilities.

7.2. Lease liabilities

Lease liabilities break down as follows:

(EUR millions)	2020	2019	January 1, 2019
Non-current lease liabilities	10,665	10,373	9,679
Current lease liabilities	2,163	2,172	2,149
Total	**12,829**	**12,545**	**11,828**

The change in lease liabilities during the fiscal year breaks down as follows:

(EUR millions)	Stores	Offices	Other	Total
As of December 31, 2019	**10,264**	**1,532**	**749**	**12,545**
New leases entered into	2,082	405	112	2,600
Principal repayments	(1,911)	(250)	(113)	(2,275)
Change in accrued interest	(12)	2	2	(8)
Leases ended or canceled	(138)	(10)	(9)	(158)
Changes in assumptions	911	(84)	11	837
Changes in the scope of consolidation	-	-	-	-
Translation adjustment	(629)	(46)	(33)	(708)
Other movements, including transfers	(13)	7	1	(5)
As of December 31, 2020	**10,556**	**1,555**	**718**	**12,829**

7.3. Breakdown of lease expense

The lease expense for the fiscal year breaks down as follows:

(EUR millions)	2020	2019
Depreciation and impairment of right-of-use assets	2,572	2,407
Interest on lease liabilities	281	290
Capitalized fixed lease expense	**2,853**	**2,697**
Variable lease payments	755	1,595
Short-term leases and/or low-value leases	320	376
Other lease expenses	**1,075**	**1,971**
Total	**3,928**	**4,668**

In certain countries, leases for stores entail the payment of both minimum amounts and variable amounts, especially for stores with lease payments indexed to revenue. As required by IFRS 16, only the minimum fixed lease payments are capitalized. “Other lease expenses” mainly relate to variable lease payments.

In 2020, apart from the consequences of the decline in activity levels in connection with the Covid-19 pandemic, the expense for variable lease payments reflects the 548 million euro impact of rent concessions from lessors, in accordance with the provisions set out in the amendment to IFRS 16 adopted in 2020 (see Note 1.2).

For leases not required to be capitalized, there is little difference between the expense recognized and the payments made.

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)				2020		2019		2018
	Gross	**Impairment**	**Net**	*Of which: Joint arrangements*	**Net**	*Of which: Joint arrangements*	**Net**	*Of which: Joint arrangements*
Share of net assets of joint ventures and associates as of January 1	**1,074**	**-**	**1,074**	*448*	**638**	*278*	**639**	*273*
Share of net profit/(loss) for the period	(42)	-	(42)	*(13)*	28	*11*	23	*12*
Dividends paid	(24)	-	(24)	*(12)*	(20)	*(9)*	(28)	*(9)*
Changes in the scope of consolidation	-	-	-	-	415	*163*	(10)	*2*
Capital increases subscribed	10	-	10	*7*	5	*2*	3	*1*
Translation adjustment	(34)	-	(34)	*(14)*	5	-	7	-
Other, including transfers	5	-	5	*9*	3	*3*	4	*(1)*
Share of net assets of joint ventures and associates as of December 31	**990**	**-**	**990**	*426*	**1,074**	*448*	**638**	*278*

9. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	**2020**	**2019**	**2018**
As of January 1	**915**	**1,100**	**789**
Acquisitions	159	146	450
Disposals at net realized value	(213)	(45)	(45)
Changes in market value [(a)]	24	(16)	(101)
Changes in the scope of consolidation	-	-	-
Translation adjustment	(13)	7	16
Reclassifications [(b)]	(133)	(276)	(9)
As of December 31	**739**	**915**	**1,100**

(a) Recognized within "Net financial income/(expense)".
(b) See Note 14.

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.10.

Reclassifications mainly related to non-current available for sale financial assets used to hedge financial debt maturing in less than one year.

10. OTHER NON-CURRENT ASSETS

(EUR millions)	**2020**	**2019**	**2018 [(a)]**
Warranty deposits	409	429	379
Derivatives [(b)]	110	782	257
Loans and receivables	280	291	303
Other	46	45	47
Total	**845**	**1,546**	**986**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) See Note 23.

11. INVENTORIES AND WORK IN PROGRESS

(EUR millions)			2020	2019	2018
	Gross	Impairment	Net	Net	Net
Wines and eaux-de-vie in the process of aging	5,337	(24)	5,313	5,017	4,784
Other raw materials and work in progress	2,284	(551)	1,732	1,900	1,700
	7,621	(575)	7,046	6,917	6,484
Goods purchased for resale	1,940	(234)	1,706	2,189	2,091
Finished products	5,597	(1,333)	4,264	4,611	3,910
	7,537	(1,567)	5,970	6,800	6,001
Total	**15,158**	**(2,142)**	**13,016**	**13,717**	**12,485**

See Note 1.18.

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

(EUR millions)			2020	2019	2018
	Gross	Impairment	Net	Net	Net
As of January 1	**15,537**	**(1,820)**	**13,717**	**12,485**	**10,888**
Change in gross inventories	562	-	562	1,604	1,722
Impact of provision for returns [(a)]	12	-	12	2	7
Impact of marking harvests to market	(27)	-	(27)	(6)	16
Changes in provision for impairment	-	(797)	(797)	(559)	(285)
Changes in the scope of consolidation	(2)	2	-	36	25
Translation adjustment	(537)	80	(457)	153	109
Other, including reclassifications	(386)	393	7	-	3
As of December 31	**15,158**	**(2,142)**	**13,016**	**13,717**	**12,485**

(a) See Note 1.27.

In fiscal year 2020, due to the Covid-19 pandemic, more limited sales prospects for inventories led to the recognition of a non-recurring impairment charge of around 190 million euros.

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

(EUR millions)	2020	2019	2018
Impact of marking the period's harvest to market	(7)	14	41
Impact of inventory sold during the period	(20)	(20)	(25)
Net impact on cost of sales for the period	**(27)**	**(6)**	**16**
Net impact on the value of inventory as of December 31	**93**	**120**	**126**

See Notes 1.10 and 1.18 on the method of marking harvests to market.

12. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	2020	2019	2018
Trade accounts receivable, nominal amount	2,880	3,539	3,302
Provision for impairment	(124)	(89)	(78)
Provision for product returns [(a)]	-	-	(2)
Net amount	**2,756**	**3,450**	**3,222**

(a) See Note 1.27

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

(EUR millions)			2020	2019	2018
	Gross	Impairment	Net	Net	Net
As of January 1	**3,539**	**(89)**	**3,450**	**3,222**	**2,736**
Changes in gross receivables	(528)	-	(528)	121	179
Changes in provision for impairment	-	(41)	(41)	(10)	(1)
Changes in provision for product returns [(a)]	-	-	-	-	7
Changes in the scope of consolidation	1	-	1	50	5
Translation adjustment	(151)	3	(148)	72	24
Reclassifications	19	3	22	(5)	272
As of December 31	**2,880**	**(124)**	**2,756**	**3,450**	**3,222**

(a) See Note 1.27

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 long-term relationships.

13. OTHER CURRENT ASSETS

(EUR millions)	2020	2019	2018 [(a)]
Current available for sale financial assets [(b)]	752	733	666
Derivatives [(c)]	968	180	123
Tax accounts receivable, excluding income taxes	956	1,055	895
Advances and payments on account to vendors	209	254	216
Prepaid expenses	387	454	430
Other receivables	574	589	538
Total	**3,846**	**3,264**	**2,868**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) See Note 14.
(c) See Note 23.

14. CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

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

(EUR millions)	2020	2019	2018
As of January 1	**733**	**666**	**515**
Acquisitions	576	50	311
Disposals at net realized value	(653)	(121)	(164)
Changes in market value [(a)]	(34)	138	3
Changes in the scope of consolidation	-	-	-
Translation adjustment	-	-	1
Reclassifications	130	-	-
As of December 31	**752**	**733**	**666**
Of which: Historical cost of current available for sale financial assets	*719*	*538*	*576*

(a) Recognized within "Net financial income/(expense)".

Reclassifications mainly related to non-current available for sale financial assets used to hedge financial debt maturing in less than one year (see Note 9). These financial instruments, entered into in 2016 to hedge cash-settled convertible bonds, were partially repaid as of December 31, 2020, following the conversion of the hedged bonds. See also Note 19.

The market value of current available for sale financial assets is determined using the methods described in Note 1.10.

15. CASH AND CHANGE IN CASH

15.1. Cash and cash equivalents

(EUR millions)	2020	2019	2018
Term deposits (less than 3 months)	13,546	879	654
SICAV and FCP funds	1,943	147	192
Ordinary bank accounts	4,474	4,647	3,764
Cash and cash equivalents per balance sheet	**19,963**	**5,673**	**4,610**

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)	2020	2019	2018
Cash and cash equivalents	19,963	5,673	4,610
Bank overdrafts	(156)	(176)	(197)
Net cash and cash equivalents per cash flow statement	**19,806**	**5,497**	**4,413**

15.2. Change in working capital

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

(EUR millions)	Notes	2020	2019	2018
Change in inventories and work in progress	11	(562)	(1,604)	(1,722)
Change in trade accounts receivable	12	528	(121)	(179)
Change in balance of amounts owed to customers	22	(10)	9	8
Change in trade accounts payable	22	(559)	463	715
Change in other receivables and payables		237	98	91
Change in working capital [a]		**(367)**	**(1,154)**	**(1,087)**

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

15.3. Operating investments

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

(EUR millions)	Notes	2020	2019	2018 [a]
Purchase of intangible assets	3	(481)	(528)	(537)
Purchase of property, plant and equipment	6	(1,984)	(2,860)	(2,590)
Change in accounts payable related to fixed asset purchases		(55)	163	137
Initial direct costs	7	(7)	(62)	-
Net cash used in purchases of fixed assets		**(2,526)**	**(3,287)**	**(2,990)**
Net cash from fixed asset disposals		51	29	10
Guarantee deposits paid and other cash flows related to operating investments		(3)	(36)	(58)
Operating investments [b]		**(2,478)**	**(3,294)**	**(3,038)**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) Increase/(Decrease) in cash and cash equivalents.

15.4. Interim and final dividends paid and other equity-related transactions

Interim and final dividends paid comprise the following elements for the fiscal years presented:

(EUR millions)	2020	2019	2018
Interim and final dividends paid by LVMH SE	(2,317)	(3,119)	(2,715)
Interim and final dividends paid to minority interests in consolidated subsidiaries	(365)	(429)	(339)
Tax paid related to interim and final dividends paid	(117)	(130)	(36)
Interim and final dividends paid	**(2,799)**	**(3,678)**	**(3,090)**

Other equity-related transactions comprise the following elements for the fiscal years presented:

(EUR millions)	Notes	2020	2019	2018
Capital increases of LVMH SE	16	-	21	49
Capital increases of subsidiaries subscribed by minority interests		39	82	41
Acquisition and disposal of LVMH treasury shares	16	(12)	(49)	(295)
Other equity-related transactions		**27**	**54**	**(205)**

16. EQUITY

16.1. Equity

(EUR millions)	Notes	2020	2019	2018 [(a)]
Share capital	16.2	152	152	152
Share premium account	16.2	2,225	2,319	2,298
LVMH shares	16.3	(260)	(403)	(421)
Cumulative translation adjustment	16.5	(692)	862	573
Revaluation reserves		625	813	875
Other reserves		30,661	25,672	22,462
Net profit, Group share		4,702	7,171	6,354
Equity, Group share		**37,412**	**36,586**	**32,293**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

16.2. Share capital and share premium account

As of December 31, 2020, the share capital consisted of 504,757,339 fully paid-up shares (505,431,285 as of December 31, 2019 and 505,029,495 as of December 31, 2018), with a par value of 0.30 euros per share, including 232,538,911 shares with double voting rights (232,293,143 as of December 31, 2019 and 231,834,011 as of December 31, 2018).

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

(EUR millions)				2020	2019	2018
	Number			Amount	Amount	Amount
		Share capital	Share premium	Total		
As of January 1	**505,431,285**	**152**	**2,319**	**2,470**	**2,450**	**2,766**
Exercise of share subscription options	-	-	-	-	21	49
Retirement of LVMH shares	(673,946)	-	(94)	(94)	-	(365)
As of period-end	**504,757,339**	**152**	**2,225**	**2,376**	**2,470**	**2,450**

16.3. LVMH shares

The portfolio of LVMH shares is allocated as follows:

(EUR millions)		2020	2019	2018
	Number	Amount	Amount	Amount
Share subscription option plans	-	-	20	20
Bonus share plans	826,456	242	294	302
Shares held for stock option and similar plans [(a)]	**826,456**	**242**	**314**	**322**
Liquidity contract	35,000	17	15	25
Shares pending retirement	-	-	74	74
LVMH treasury shares	**861,456**	**260**	**403**	**421**

(a) See Note 17 regarding stock option and similar plans.

The market value of LVMH shares held under the liquidity contract as of December 31, 2020 amounted to 18 million euros.

Portfolio movements of LVMH shares during the fiscal year were as follows:

(Number of shares or EUR millions)	Number	Amount	Impact on cash
As of December 31, 2019	**1,778,911**	**403**	
Share purchases [(a)]	582,906	217	(217)
Vested bonus shares	(288,482)	(67)	-
Retirement of LVMH shares	(673,946)	(94)	-
Disposals at net realized value [(a)]	(537,933)	(205)	205
Gain/(loss) on disposal	-	6	-
As of December 31, 2020	**861,456**	**260**	**(12)**

(a) Purchases and sales of LVMH shares mainly related to the management of the liquidity contract.

16.4. Dividends paid by the parent company LVMH SE

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

As of December 31, 2020, the distributable amount was 16,872 million euros; after taking into account the proposed dividend distribution in respect of the 2020 fiscal year, it was 14,853 million euros.

(EUR millions)	**2020**	**2019**	**2018**
Interim dividend for the current fiscal year (2020: 2.00 euros; 2019: 2.20 euros; 2018: 2.00	1,010	1,112	1,010
Impact of treasury shares	(2)	(4)	(4)
Gross amount disbursed for the fiscal year	**1,008**	**1,108**	**1,006**
Final dividend for the previous fiscal year (2019: 2.60 euros; 2018: 4.00 euros; 2017: 3.40 euros)	1,314	2,020	1,717
Impact of treasury shares	(5)	(8)	(8)
Gross amount disbursed for the previous fiscal year	**1,309**	**2,012**	**1,709**
Total gross amount disbursed during the period [(a)]	**2,317**	**3,119**	**2,715**

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

The final dividend for fiscal year 2020, as proposed at the Shareholders' Meeting of April 15, 2021, is 4.00 euros per share, representing a total of 2,019 million euros before deduction of the amount attributable to treasury shares held at the ex-dividend date.

16.5. Cumulative translation adjustment

The change in "Cumulative translation adjustment" recognized within "Equity, Group share", net of hedging effects of net assets denominated in foreign currency, breaks down as follows by currency:

(EUR millions)	**2020**	*Change*	**2019**	**2018**
US dollar	(832)	(1,196)	364	293
Swiss franc	778	17	761	632
Japanese yen	97	(28)	125	109
Hong Kong dollar	285	(103)	388	354
Pound sterling	(113)	(38)	(75)	(115)
Other currencies	(458)	(228)	(230)	(250)
Foreign currency net investment hedges [(a)]	(449)	22	(471)	(450)
Total, Group share	**(692)**	**(1,554)**	**862**	**573**

(a) Including: -125 million euros with respect to the US dollar (-146 million euros as of December 31, 2019 and -141 million euros as of December 31, 2018), -117 million euros with respect to the Hong Kong dollar (-117 million euros as of December 31, 2019 and 2018), and -210 million euros with respect to the Swiss franc (-208 million euros as of December 31, 2019 and -193 million euros as of December 31, 2018). These amounts include the tax impact.

17. BONUS SHARE AND SIMILAR PLANS

17.1. Share subscription option plans

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

	2020		2019		2018	
	Number	Weighted average exercise price (EUR)	Number	Weighted average exercise price (EUR)	Number	Weighted average exercise price (EUR)
Share subscription options outstanding as of January 1	**-**	**-**	**411,088**	**50.86**	**1,180,692**	**59.56**
Options expired	-	-	(7,142)	50.86	(6,753)	63.98
Options exercised	-	-	(403,946)	50.86	(762,851)	64.21
Share subscription options outstanding as of period-end	**-**	**-**	**-**	**-**	**411,088**	**50.86**

17.2. Bonus share plans

The number of provisional allocations of shares awarded changed as follows during the fiscal years presented:

(number of shares)	2020	2019	2018
Provisional allocations as of January 1	**1,052,718**	**1,351,978**	**1,395,351**
Provisional allocations for the period	177,034	200,077	462,281
Shares vested during the period	(288,482)	(477,837)	(459,741)
Shares expired during the period	(116,537)	(21,500)	(45,913)
Provisional allocations as of period-end	**824,733**	**1,052,718**	**1,351,978**

Vested share allocations were settled in existing shares held.

17.3. Expense for the period

(EUR millions)	2020	2019	2018
Expense for the period for share subscription option and bonus share plans	63	72	82

The LVMH closing share price the day before the grant date of the plan was 427.80 euros for the plan dated October 22, 2020. The average unit value of provisionally allocated bonus shares during the 2020 fiscal year was 408.37 euros.

The performance condition for 2020 under the October 24, 2019 bonus share plan was not met. However, given the exceptional circumstances related to the Covid-19 pandemic, the Board of Directors, at its meeting on October 22, 2020, voted to modify this plan's vesting rules: vesting may only concern 50% of the number of shares initially granted, and will be subject to consolidated profit from recurring operations for fiscal year 2021 being at least equal to the level recorded in the budget approved by the Board of Directors.

18. MINORITY INTERESTS

(EUR millions)	**2020**	**2019**	**2018**
As of January 1	**1,779**	**1,664**	**1,408**
Minority interests' share of net profit	253	611	636
Dividends paid to minority interests	(376)	(433)	(345)
Impact of changes in control of consolidated entities	7	25	41
Impact of acquisition and disposal of minority interests' shares	8	-	(19)
Capital increases subscribed by minority interests	54	95	50
Minority interests' share in gains and losses recognized in equity	(91)	17	45
Minority interests' share in stock option plan expenses	3	3	4
Impact of changes in minority interests with purchase commitments	(220)	(203)	(156)
As of December 31	**1,417**	**1,779**	**1,664**

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

(EUR millions)	**Cumulative translation adjustment**	**Hedges of future foreign currency cash flows and cost of hedging**	**Vineyard land**	**Employee benefit commitments**	**Minority interests' share in cumulative translation adjustment and revaluation**
As of December 31, 2017	**46**	**16**	**257**	**(36)**	**283**
Changes during the fiscal year	69	(30)	3	3	45
As of December 31, 2018	**115**	**(14)**	**260**	**(33)**	**328**
Changes during the fiscal year	23	4	6	(17)	17
As of December 31, 2019	**138**	**(10)**	**266**	**(50)**	**345**
Changes during the fiscal year	(116)	28	1	(3)	(91)
As of December 31, 2020	**22**	**18**	**267**	**(53)**	**254**

Minority interests are composed primarily of Diageo's 34% stake in Moët Hennessy SAS and Moët Hennessy International SAS ("Moët Hennessy") and the 39% stake held by Mari-Cha Group Ltd in DFS. Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified at the period-end within "Purchase commitments for minority interests' shares" under "Other non-current liabilities" and is therefore excluded from the total amount of minority interests at the period-end. See Notes 1.13 and 21.

Dividends paid to Diageo during fiscal year 2020 amounted to 90 million euros, supplemented by an exceptional payment of 90 million euros in January 2021. Net profit attributable to Diageo for fiscal year 2020 was 289 million euros, and its share in minority interests (before recognition of the purchase commitment granted to Diageo) came to 3,588 million euros as of December 31, 2020. As of that date, the condensed consolidated balance sheet of Moët Hennessy was as follows:

(EUR billions)	**2020**
Property, plant and equipment and intangible assets	4.8
Other non-current assets	0.4
Non-current assets	**5.1**
Inventories and work in progress	6.0
Other current assets	1.2
Cash and cash equivalents	2.6
Current assets	**9.8**
Total assets	**14.9**
Equity	10.5
Non-current liabilities	1.5
Equity and non-current liabilities	**12.0**
Short-term borrowings	1.3
Other current liabilities	1.6
Current liabilities	**2.9**
Total liabilities and equity	**14.9**

No dividends were paid to DFS's shareholders during fiscal year 2020. Net profit attributable to Mari-Cha Group Ltd for fiscal year 2020 was a loss of 89 million euros, and its share in accumulated minority interests as of December 31, 2020 came to 1,273 million euros.

19. BORROWINGS

19.1. Net financial debt

(EUR millions)	2020	2019	2018 [(a)]
Bonds and Euro Medium-Term Notes (EMTNs)	13,866	4,791	5,593
Finance leases	-	-	315
Bank borrowings	199	310	97
Long-term borrowings	**14,065**	**5,101**	**6,005**
Bonds and Euro Medium-Term Notes (EMTNs)	1,094	1,854	996
Current bank borrowings	346	262	220
Commercial paper	8,575	4,868	3,174
Other borrowings and credit facilities	418	430	421
Bank overdrafts	156	176	197
Accrued interest	49	21	19
Short-term borrowings	**10,638**	**7,610**	**5,027**
Gross borrowings	**24,703**	**12,711**	**11,032**
Interest rate risk derivatives	(68)	(16)	(16)
Foreign exchange risk derivatives	321	47	146
Gross borrowings after derivatives	**24,956**	**12,742**	**11,162**
Current available for sale financial assets [(b)]	(752)	(733)	(666)
Non-current available for sale financial assets used to hedge financial debt [(c)]	-	(130)	(125)
Cash and cash equivalents [(d)]	(19,963)	(5,673)	(4,610)
Net financial debt	**4,241**	**6,206**	**5,761**
Belmond shares (presented within "Non- current available for sale financial assets")	-	-	(274)
Adjusted net financial debt, excluding the acquisition of Belmond shares	**4,241**	**6,206**	**5,487**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) See Note 14.
(c) See Note 9.
(d) See Note 15.1.

Net financial debt does not include purchase commitments for minority interests' shares (see Note 21) or lease liabilities (see Note 7).

The change in gross borrowings after derivatives during the fiscal year breaks down as follows:

(EUR millions)	As of December 31, 2019	Impact on cash [(a)]	Translation adjustment	Impact of market value changes	Changes in the scope of consolidation	Reclassifi-cations and Other	As of December 31, 2020
Long-term borrowings	5,101	10,729	(139)	12	-	(1,638)	14,065
Short-term borrowings	7,610	1,778	(450)	43	-	1,657	10,638
Gross borrowings	**12,711**	**12,507**	**(589)**	**55**	**-**	**19**	**24,703**
Derivatives	31	(26)	(1)	249	-	-	253
Gross borrowings after derivatives	**12,742**	**12,481**	**(590)**	**305**	**-**	**19**	**24,956**

(a) Including a positive impact of 17,499 million euros in respect of proceeds from borrowings and a negative impact of 5,024 million euros in respect of repayment of borrowings.

In February and April 2020, LVMH completed eight bond issues totaling 10.7 billion euros to finance in particular the acquisition of Tiffany, which was completed on January 7, 2021. The details of those bond issues are presented in the table below:

Nominal amount	**Maturity**	**Initial effective interest rate** *(%)*	**Floating-rate swap**	**December 31, 2020** *(EUR millions)*
GBP 850,000,000	2027	1.125	Total	970
EUR 1,250,000,000	2024	-	-	1,251
EUR 1,250,000,000	2026	-	-	1,244
EUR 1,750,000,000	2028	0.125	-	1,734
EUR 1,500,000,000	2031	0.375	-	1,487
GBP 700,000,000	2023	1.000	Total	788
EUR 1,500,000,000	2025	0.375	-	1,494
EUR 1,750,000,000	2022	floating	-	1,754
Total bonds and EMTNs issued during the fiscal year				**10,722**

At the time the sterling-denominated bonds were issued, swaps were entered into that converted them into euro-denominated borrowings.

During the fiscal year, LVMH repaid the 1,250 million euro bond issued in 2017 and the 600 million euro bond issued in 2013.

During the same period, conversion requests were filed for virtually all of the cash-settled convertible bonds issued in 2016, with a face value of 750 million US dollars. As of December 31, payments made in line with these requests related to convertible bonds with a total face value of 594 million US dollars. The remaining payments are expected to be made in 2021, after noting the average prices of the LVMH share serving as the reference for the calculation of the amounts due to the holders. In 2016, in addition to these issues of cash-settled convertible bonds, LVMH had entered into similar financial instruments enabling it to fully hedge its exposure to any positive or negative changes in the LVMH share price. These financial instruments were also converted.

The option component of convertible bonds and financial instruments entered into for hedging purposes is recorded under "Derivatives" (see Note 23). The non-option component of these bonds and financial instruments is recorded under "Short-term borrowings" and "Current available for sale financial assets", respectively. The remaining amounts recognized in the balance sheet as of December 31, 2020 correspond to the portion of bonds that had not been converted at the balance sheet date.

19.2. Breakdown of gross borrowings by payment date and type of interest rate

(EUR millions)		Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating	Total	Fixed rate	Floating	Total	Fixed rate	Floating	Total
Maturity:	December 31, 2021	1,669	8,969	10,638	(638)	822	183	1,031	9,791	10,822
	December 31, 2022	1,292	1,757	3,049	(630)	650	20	662	2,407	3,069
	December 31, 2023	1,533	-	1,533	(759)	801	42	774	801	1,576
	December 31, 2024	2,472	2	2,474	(301)	292	(9)	2,170	294	2,465
	December 31, 2025	1,508	-	1,508	-	-	-	1,508	-	1,508
	December 31, 2026	1,257	-	1,257	-	-	-	1,257	-	1,257
	Thereafter	4,244	-	4,244	(925)	942	17	3,319	942	4,261
Total		**13,975**	**10,728**	**24,703**	**(3,254)**	**3,507**	**253**	**10,721**	**14,235**	**24,957**

See Note 23.3 regarding the market value of interest rate risk derivatives.

The breakdown by quarter of gross borrowings falling due in 2021 is as follows:

(EUR millions)	**Falling due in 2021**
First quarter	6,876
Second quarter	1,827
Third quarter	1,602
Fourth quarter	334
Total	**10,638**

19.3. Breakdown of gross borrowings by currency after derivatives

The purpose of foreign currency borrowings is to finance the development of the Group's activities outside the eurozone, as well as the Group's assets denominated in foreign currency.

(EUR millions)	**2020**	**2019**	**2018**
Euro	21,281	7,849	6,445
US Dollar	3,120	3,457	3,277
Swiss Franc	80	-	-
Japanese Yen	762	622	662
Other currencies	(287)	814	778
Total	**24,957**	**12,742**	**11,162**

19.4. Undrawn confirmed credit lines and covenants

As of December 31, 2020, undrawn confirmed credit lines came to 15.8 billion euros. This amount exceeded the outstanding portion of the euro- and US dollar-denominated commercial paper (ECP and USCP) programs, which totaled 8.6 billion euros as of December 31, 2020. In connection with certain credit lines, the Group may undertake to maintain certain financial ratios. As of December 31, 2020, no significant credit lines were concerned by these provisions.

20. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Non-current provisions and other liabilities comprise the following:

(EUR millions)	2020	2019	2018 [(a)]
Non-current provisions	1,472	1,457	1,245
Uncertain tax positions	1,180	1,172	1,185
Derivatives [(b)]	146	712	283
Employee profit sharing	86	96	89
Other liabilities	438	375	386
Non-current provisions and other liabilities	**3,322**	**3,812**	**3,188**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) See Note 23.

Provisions concern the following types of contingencies and losses:

(EUR millions)	2020	2019	2018
Provisions for pensions, medical costs and similar commitments	784	812	605
Provisions for contingencies and losses	688	646	640
Non-current provisions	**1,472**	**1,457**	**1,245**
Provisions for pensions, medical costs and similar commitments	9	8	7
Provisions for contingencies and losses	503	406	362
Current provisions	**512**	**414**	**369**
Total	**1,984**	**1,872**	**1,614**

Provisions changed as follows during the fiscal year:

(EUR millions)	As of December 31, 2019	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other [(a)]	As of December 31, 2020
Provisions for pensions, medical costs and similar commitments	820	101	(89)	(48)	-	9	793
Provisions for contingencies and losses	1,052	449	(208)	(87)	(2)	(12)	1,191
Total	**1,872**	**550**	**(297)**	**(136)**	**(2)**	**(4)**	**1,984**

(a) Including the impact of translation adjustment and change in revaluation reserves.

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes (see Note 32), 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 and packaging to relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.).

Non-current liabilities related to uncertain tax positions include an estimate of the risks, disputes, and actual or probable litigation related to the income tax computation. The Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations. A liability is recognized for these rectification claims, together with any uncertain tax positions that have been identified but not yet officially notified, the amount of which is regularly reviewed in accordance with the criteria for the application of IFRIC 23 Uncertainty over Income Tax Treatments.

21. PURCHASE COMMITMENTS FOR MINORITY INTERESTS' SHARES

As of December 31, 2020, purchase commitments for minority interests' shares mainly included the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy for 80% of the fair value of Moët Hennessy at the exercise date of the option. This option may be exercised at any time subject to a six-month notice period. The fair value of this commitment was calculated by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Moët Hennessy SAS 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, Clos des Lambrays and Colgin Cellars, and excluding certain champagne vineyards.

Purchase commitments for minority interests' shares also include commitments relating to minority shareholders in Loro Piana (15%), Rimowa (20%), and distribution subsidiaries in various countries, mainly in the Middle East.

22. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

22.1. Trade accounts payable

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

(EUR millions)	**2020**	**2019**	**2018** [(a)]
As of January 1	**5,814**	**5,206**	**4,539**
Change in trade accounts payable	(560)	335	715
Changes in amounts owed to customers	(10)	9	8
Changes in the scope of consolidation	-	216	7
Translation adjustment	(159)	56	49
Reclassifications	14	(8)	(4)
As of December 31	**5,098**	**5,814**	**5,314**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

22.2. Current provisions and other liabilities

(EUR millions)	**2020**	**2019**	**2018** [(a)]
Current provisions [(b)]	512	414	369
Derivatives [(c)]	604	138	166
Employees and social security	1,530	1,786	1,668
Employee profit sharing	116	123	105
Taxes other than income taxes	823	752	685
Advances and payments on account from customers	723	559	398
Provision for product returns [(d)]	463	399	356
Deferred payment for non-current assets	538	769	646
Deferred income	353	273	273
Other liabilities	1,035	1,093	1,288
Total	**6,698**	**6,305**	**5,954**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.
(b) See Note 20.
(c) See Note 23.
(d) See Note 1.27.

23. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

23.1. 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, is centralized.

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

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

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

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

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

23.2. Summary of derivatives

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

(EUR millions)			Notes	**2020**	**2019**	**2018**
Interest rate risk	Assets:	Non-current		57	20	23
		Current		33	12	12
	Liabilities:	Non-current		(10)	(3)	(7)
		Current		(12)	(14)	(12)
			23.3	**68**	**16**	**16**
Foreign exchange risk	Assets:	Non-current		52	68	18
		Current		670	165	108
	Liabilities:	Non-current		(136)	(15)	(60)
		Current		(330)	(124)	(154)
			23.4	**257**	**93**	**(88)**
Other risks	Assets:	Non-current		-	694	216
		Current		266	3	3
	Liabilities:	Non-current		-	(694)	(216)
		Current		(263)	-	-
			23.5	**3**	**2**	**3**
Total	Assets:	Non-current	10	110	782	257
		Current	13	968	180	123
	Liabilities:	Non-current	20	(146)	(712)	(283)
		Current	22	(604)	(138)	(166)
				328	**112**	**(69)**

23.3. Derivatives used to manage interest rate risk

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

For these purposes, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of December 31, 2020 break down as follows:

(EUR millions)	**Nominal amounts by maturity**				**Market value (a) (b)**			
	Less than 1 year	**From 1 to 5 years**	**More than 5 years**	**Total**	**Future cash flow hedges**	**Fair value hedges**	**Not allocated**	**Total**
Interest rate swaps, floating-rate payer	650	1,724	945	3,319	-	83	-	83
Interest rate swaps, fixed-rate payer	-	750	-	750	(13)	-	(4)	(17)
Foreign currency swaps, euro-rate payer	-	1,224	945	2,169	-	-	5	5
Foreign currency swaps, euro-rate receiver	78	133	-	211	-	-	(2)	(2)
Total					**(13)**	**83**	**(1)**	**68**

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

23.4. Derivatives used to manage foreign exchange risk

A significant portion of Group companies' sales to customers and to their own distribution 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 intra-Group 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 is exposed to foreign exchange risk with respect to the Group's net assets, as it owns assets denominated in currencies other than the euro. This foreign exchange risk may be hedged either partially or in full through foreign currency borrowings or by hedging the net worth of subsidiaries outside the eurozone, using appropriate financial instruments with the aim of limiting the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2020 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation [a]				Market value [b] [c]				
	2020	**2021**	**Thereafter**	**Total**	**Future cash flow hedges**	**Fair value hedges**	**Foreign currency net investment hedges**	**Not allocated**	**Total**
Options purchased									
Call USD	-	46	-	46	2	-	-	-	2
Put JPY	-	113	-	113	5	-	-	-	5
Put GBP	-	10	-	10	-	-	-	-	-
Other	25	184	-	209	4	-	-	-	4
	25	**353**	**-**	**378**	**12**	**-**	**-**	**-**	**12**
Collars									
Written USD	102	3,887	624	4,613	389	10	-	-	399
Written JPY	12	1,100	126	1,238	66	1	-	-	67
Written GBP	6	458	25	489	18	-	-	-	18
Written HKD	-	243	-	243	26	-	-	-	26
Written CNY	-	2,256	150	2,406	64	-	-	-	64
	120	**7,944**	**925**	**8,989**	**564**	**11**	**-**	**-**	**575**
Forward exchange contracts									
USD	-	75	-	75	(27)	-	-	-	(26)
ZAR	-	21	-	21	(1)	-	-	-	(1)
MYR	-	19	-	19	-	-	-	-	-
BRL	-	11	-	11	-	(1)	-	-	(1)
Other	24	2	-	11	-	(1)	-	-	(1)
	24	**128**	**-**	**137**	**(27)**	**(2)**	**-**	**-**	**(29)**
Foreign exchange swaps									
USD	146	(5,271)	-	(5,126)	-	(170)	12	-	(158)
GBP	6	588	(2,169)	(1,574)	-	(127)	-	-	(127)
JPY	13	369	142	524	-	(6)	-	-	(5)
CNY	-	(1,212)	14	(1,198)	-	(11)	-	-	(11)
Other	10	(49)	-	(39)	-	(2)	2	-	-
	174	**(5,575)**	**(2,013)**	**(7,413)**	**-**	**(315)**	**14**	**-**	**(301)**
Total	**343**	**2,851**	**(1,088)**	**2,092**	**548**	**(306)**	**14**	**-**	**257**

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

23.5. Financial instruments used to manage other risks

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

The Group is exposed to risks of share price changes either directly (as a result of its holding of subsidiaries, 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 synthetically create an economic exposure to certain assets, to hedge cash-settled compensation plans index-linked to the LVMH share price, or to hedge certain risks related to changes in the LVMH share price. In connection with the convertible bonds issued in 2016 (see Note 19 above as well as Note 18 to the 2016 consolidated financial statements), LVMH had entered into financial instruments enabling it to fully hedge the exposure to any positive or negative changes in the LVMH share price. As of December 31, 2020, portion of these instruments had been settled due to the exercise of the bond conversion clause at the end of 2020, the rest will be settled in 2021.

As provided by applicable accounting policies, the option components of convertible bonds and financial instruments entered into for hedging purposes are recorded under "Derivatives", within current assets and liabilities. The change in market value of these options is index-linked to the change in the LVMH share price.

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 in one of two ways. The first involves negotiating the forecast price of future deliveries of alloys with precious metal refiners or the price of semi-finished products with producers. The second involves directly 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. As of December 31, 2020, derivatives outstanding related to the hedging of precious metal prices had a negative market value of 2 million euros. Considering nominal values of 151 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2020 would have a net impact on the Group's consolidated reserves in an amount of 1 million euros. These instruments mature in 2020.

24. SEGMENT INFORMATION

The Group's brands and trade names are organized into six business groups. Four business groups – Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari.

The Selective Retailing business group comprises the Group's own-label retailing activities. The "Other and holding companies" business group comprises brands and businesses that are not associated with any of the above-mentioned business groups, particularly the media division, the Dutch luxury yacht maker Royal Van Lent, hotel operations and holding or real estate companies.

24.1. Information by business group

Fiscal year 2020

(EUR millions)	**Wines and Spirits**	**Fashion and Leather Goods**	**Perfumes and Cosmetics**	**Watches and Jewelry**	**Selective Retailing**	**Other and holding companies**	**Eliminations and not allocated** [a]	**Total**
Sales outside the Group	4,744	21,172	4,456	3,315	10,115	849	-	44,651
Intra-Group sales	11	35	792	41	40	19	(938)	-
Total revenue	**4,755**	**21,207**	**5,248**	**3,356**	**10,155**	**868**	**(938)**	**44,651**
Profit from recurring operations	1,388	7,188	80	302	(203)	(521)	71	8,305
Other operating income and expenses	(43)	(68)	(20)	(3)	(87)	(112)	-	(333)
Depreciation, amortization and impairment expenses	(254)	(2,069)	(460)	(475)	(1,549)	(313)	117	(5,003)
Of which: Right-of-use assets	*(34)*	*(1,226)*	*(145)*	*(254)*	*(941)*	*(93)*	*117*	*(2,575)*
Other	*(220)*	*(843)*	*(315)*	*(221)*	*(608)*	*(220)*	-	*(2,428)*
Intangible assets and goodwill [b]	7,860	13,059	1,340	5,752	3,153	1,890	-	33,054
Right-of-use assets	162	5,736	503	1,151	4,699	888	(618)	12,521
Property, plant and equipment	3,232	4,157	709	577	1,723	7,833	(8)	18,224
Inventories and work in progress	6,040	2,726	742	1,641	2,111	37	(281)	13,016
Other operating assets [c]	1,306	1,919	1,151	672	696	1,615	24,497	31,856
Total assets	**18,600**	**27,597**	**4,445**	**9,793**	**12,383**	**12,263**	**23,590**	**108,671**
Equity	-	-	-	-	-	-	38,829	38,829
Lease liabilities	170	5,766	516	1,117	4,912	959	(611)	12,828
Other liabilities [d]	1,608	4,885	2,164	1,252	2,338	1,673	43,094	57,014
Total liabilities and equity	**1,778**	**10,651**	**2,680**	**2,369**	**7,250**	**2,632**	**81,312**	**108,671**
Operating investments [e]	(320)	(827)	(280)	(210)	(410)	(431)	-	(2,478)

Fiscal year 2019

(EUR millions)	**Wines and Spirits**	**Fashion and Leather Goods**	**Perfumes and Cosmetics**	**Watches and Jewelry**	**Selective Retailing**	**Other and holding companies**	**Eliminations and not allocated [(a)]**	**Total**
Sales outside the Group	5,547	22,164	5,738	4,286	14,737	1,199	-	53,670
Intra-Group sales	28	73	1,097	120	54	16	(1,388)	-
Total revenue	**5,576**	**22,237**	**6,835**	**4,405**	**14,791**	**1,214**	**(1,388)**	**53,670**
Profit from recurring operations	1,729	7,344	683	736	1,395	(351)	(32)	11,504
Other operating income and expenses	(7)	(20)	(27)	(28)	(15)	(135)	-	(231)
Depreciation, amortization and impairment expenses	(191)	(1,856)	(431)	(477)	(1,409)	(253)	98	(4,519)
Of which: Right-of-use assets	*(31)*	*(1,146)*	*(141)*	*(230)*	*(872)*	*(85)*	*98*	*(2,408)*
Other	*(160)*	*(710)*	*(290)*	*(247)*	*(536)*	*(168)*	-	*(2,111)*
Intangible assets and goodwill [(b)]	7,582	13,120	1,401	5,723	3,470	1,950	-	33,246
Right-of-use assets	116	5,239	487	1,196	5,012	824	(465)	12,409
Property, plant and equipment	3,142	4,308	773	610	1,919	7,788	(7)	18,533
Inventories and work in progress	5,818	2,884	830	1,823	2,691	44	(375)	13,717
Other operating assets [(c)]	1,547	2,028	1,518	740	895	1,317	10,558	18,603
Total assets	**18,205**	**27,581**	**5,009**	**10,092**	**13,987**	**11,923**	**9,711**	**96,507**
Equity	-	-	-	-	-	-	38,365	38,365
Lease liabilities	118	5,191	481	1,141	5,160	888	(434)	12,545
Other liabilities [(d)]	1,727	4,719	2,321	1,046	2,938	1,674	31,172	45,597
Total liabilities and equity	**1,845**	**9,910**	**2,802**	**2,187**	**8,098**	**2,562**	**69,104**	**96,507**
Operating investments [(e)]	(325)	(1,199)	(378)	(296)	(659)	(436)	-	(3,294)

Fiscal year 2018 (f)

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated (a)	Total
Sales outside the Group	5,115	18,389	5,015	4,012	13,599	696	-	46,826
Intra-Group sales	28	66	1,077	111	47	18	(1,347)	-
Total revenue	**5,143**	**18,455**	**6,092**	**4,123**	**13,646**	**714**	**(1,347)**	**46,826**
Profit from recurring operations	1,629	5,943	676	703	1,382	(270)	(60)	10,003
Other operating income and expenses	(3)	(10)	(16)	(4)	(5)	(88)	-	(126)
Depreciation, amortization and impairment expenses	(162)	(764)	(275)	(239)	(463)	(169)	-	(2,072)
Of which: Right-of-use assets	-	-	-	-	-	-	-	-
Other	*(162)*	*(764)*	*(275)*	*(239)*	*(463)*	*(169)*	-	*(2,072)*
Intangible assets and goodwill (b)	6,157	13,246	1,406	5,791	3,430	951	-	30,981
Right-of-use assets	-	-	-	-	-	-	-	-
Property, plant and equipment	2,871	3,869	677	576	1,817	5,309	(7)	15,112
Inventories and work in progress	5,471	2,364	842	1,609	2,532	23	(356)	12,485
Other operating assets (c)	1,449	1,596	1,401	721	870	976	8,709	15,722
Total assets	**15,948**	**21,075**	**4,326**	**8,697**	**8,649**	**7,259**	**8,346**	**74,300**
Equity	-	-	-	-	-	-	33,957	33,957
Lease liabilities	-	-	-	-	-	-	-	-
Other liabilities (d)	1,580	4,262	2,115	1,075	3,005	1,249	27,057	40,343
Total liabilities and equity	**1,580**	**4,262**	**2,115**	**1,075**	**3,005**	**1,249**	**61,014**	**74,300**
Operating investments (e)	(298)	(827)	(330)	(303)	(537)	(743)	-	(3,038)

(a) Eliminations correspond to sales between business groups; these generally consist of sales to Selective Retailing from other business groups. 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 carrying amounts shown in Notes 3 and 4.
(c) Assets not allocated include available for sale financial assets, other financial assets, and current and deferred tax assets.
(d) Liabilities not allocated include financial debt, current and deferred tax liabilities, and liabilities related to purchase commitments for minority interests' shares.
(e) Increase/(Decrease) in cash and cash equivalents.
(f) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

24.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	2020	2019	2018
France	3,333	4,725	4,491
Europe (excl. France)	7,337	10,203	8,731
United States	10,647	12,613	11,207
Japan	3,164	3,878	3,351
Asia (excl. Japan)	15,366	16,189	13,723
Other countries	4,804	6,062	5,323
Revenue	**44,651**	**53,670**	**46,826**

Operating investments by geographic region are as follows:

(EUR millions)	**2020**	**2019**	**2018**
France	1,002	1,239	1,054
Europe (excl. France)	444	687	539
United States	336	453	765
Japan	134	133	80
Asia (excl. Japan)	342	534	411
Other countries	220	248	189
Operating investments	**2,478**	**3,294**	**3,038**

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.

24.3. Quarterly information

Quarterly revenue by business group breaks down as follows:

(EUR millions)	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations	Total
First quarter	1,175	4,643	1,382	792	2,626	251	(273)	10,596
Second quarter	810	3,346	922	527	2,218	153	(179)	7,797
Third quarter	1,364	5,945	1,370	947	2,332	232	(235)	11,955
Fourth quarter	1,406	7,273	1,574	1,090	2,979	232	(251)	14,303
Total for 2020	**4,755**	**21,207**	**5,248**	**3,356**	**10,155**	**868**	**(938)**	**44,651**
First quarter	1,349	5,111	1,687	1,046	3,510	187	(352)	12,538
Second quarter	1,137	5,314	1,549	1,089	3,588	193	(326)	12,544
Third quarter	1,433	5,448	1,676	1,126	3,457	511[(a)]	(335)	13,316
Fourth quarter	1,657	6,364	1,923	1,144	4,236	323	(375)	15,272
Total for 2019	**5,576**	**22,237**	**6,835**	**4,405**	**14,791**	**1,214**	**(1,388)**	**53,670**
First quarter	1,195	4,270	1,500	959	3,104	161	(335)	10,854
Second quarter	1,076	4,324	1,377	1,019	3,221	186	(307)	10,896
Third quarter	1,294	4,458	1,533	1,043	3,219	173	(341)	11,379
Fourth quarter	1,578	5,403	1,682	1,102	4,102	194	(364)	13,697
Total for 2018	**5,143**	**18,455**	**6,092**	**4,123**	**13,646**	**714**	**(1,347)**	**46,826**

(a) Including the entire revenue of Belmond for the period from April to September 2019.

25. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	**2020**	**2019**	**2018**
Advertising and promotion expenses	4,869	6,265	5,518
Personnel costs	8,537	9,419	8,290
Research and development expenses	139	140	130

See also Note 7 regarding the breakdown of lease expenses.

Advertising and promotion expenses mainly consist of the cost of media campaigns and point-of-sale advertising; they also include the personnel costs dedicated to this function. As of December 31, 2020, a total of 5,003 stores were operated by the Group worldwide (4,915 in 2019, 4,592 in 2018), particularly by Fashion and Leather Goods and Selective Retailing.

Personnel costs consist of the following elements:

(EUR millions)	**2020**	**2019**	**2018**
Salaries and social security contributions	8,408	9,180	8,081
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans [(a)]	66	167	127
Expenses related to stock option and similar plans [(b)]	63	72	82
Personnel costs	**8,537**	**9,419**	**8,290**

(a) See Note 30.
(b) See Note 17.3.

26. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	2020	2019	2018
Net gains/(losses) on disposals	(22)	-	(5)
Restructuring costs	(6)	(57)	1
Remeasurement of shares acquired prior to their initial consolidation	-	-	-
Transaction costs relating to the acquisition of consolidated companies	(35)	(45)	(10)
Impairment or amortization of brands, trade names, goodwill and other fixed assets	(235)	(26)	(117)
Other items, net	(35)	(104)	5
Other operating income and expenses	**(333)**	**(231)**	**(126)**

Impairment and amortization expenses recorded are mostly for brands and goodwill. “Other items, net” mainly comprised a 20 million euro donation to Fondation Hôpitaux de Paris – Hôpitaux de France. In 2020 as in 2019, “Transaction costs relating to the acquisition of consolidated companies” mainly related to the acquisition of Tiffany.

27. NET FINANCIAL INCOME/(EXPENSE)

(EUR millions)	2020	2019	2018 [(a)]
Borrowing costs	(85)	(156)	(158)
Income from cash, cash equivalents and current available for sale financial assets	46	50	44
Fair value adjustment of borrowings and interest rate hedges	4	(1)	(3)
Cost of net financial debt	**(35)**	**(107)**	**(117)**
Interest on lease liabilities	**(281)**	**(290)**	**-**
Dividends received from non-current available for sale financial assets	12	8	18
Cost of foreign exchange derivatives	(262)	(230)	(160)
Fair value adjustment of available for sale financial assets	(4)	82	(108)
Other items, net	(38)	(22)	(21)
Other financial income and expenses	**(291)**	**(162)**	**(271)**
Net financial income/(expense)	**(608)**	**(559)**	**(388)**

(a) The financial statements as of December 31, 2018 have not been restated to reflect the application of IFRS 16 Leases. See Note 1.2 to the 2019 consolidated financial statements regarding the impact of the application of IFRS 16.

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

(EUR millions)	2020	2019	2018
Income from cash and cash equivalents	38	36	31
Income from current available for sale financial assets	8	14	13
Income from cash, cash equivalents and current available for sale financial assets	**46**	**50**	**44**

The fair value adjustment of borrowings and interest rate hedges is attributable to the following items:

(EUR millions)	2020	2019	2018
Hedged financial debt	(39)	(3)	1
Hedging instruments	40	4	(1)
Unallocated derivatives	3	(1)	(3)
Fair value adjustment of borrowings and interest rate hedges	**4**	**(1)**	**(3)**

The cost of foreign exchange derivatives breaks down as follows:

(EUR millions)	2020	2019	2018
Cost of commercial foreign exchange derivatives	(234)	(230)	(156)
Cost of foreign exchange derivatives related to net investments denominated in foreign	(20)	5	3
Cost and other items related to other foreign exchange derivatives	(8)	(5)	(7)
Cost of foreign exchange derivatives	**(262)**	**(230)**	**(160)**

28. INCOME TAXES

(EUR millions)	2020	2019	2018
Current income taxes for the fiscal year	(2,608)	(3,234)	(2,631)
Current income taxes relating to previous fiscal years	(13)	12	76
Current income taxes	**(2,620)**	**(3,222)**	**(2,555)**
Change in deferred income taxes	297	300	57
Impact of changes in tax rates on deferred income taxes	(85)	(10)	(1)
Deferred income taxes	**212**	**290**	**56**
Total tax expense per income statement	**(2,409)**	**(2,932)**	**(2,499)**
Tax on items recognized in equity	(111)	28	118

The effective tax rate is as follows:

(EUR millions)	2020	2019	2018
Profit before tax	7,364	10,714	9,489
Total income tax expense	(2,409)	(2,932)	(2,499)
Effective tax rate	**32.7%**	**27.4%**	**26.3%**

The Group's effective tax rate was 32.7 %. It diverged from the Group's normal rate given its geographic footprint as a result of recurring and non-recurring items. Recurring items that raised the tax rate included the impact of tax on dividends and the impact of non-deductible expenses. The main impacts of non-recurring items related to the impact on inventories of deferred tax of the change in certain corporate income tax rates and the impact on losses of certain Maisons which could not be offset against taxable profits, or which did not give rise to the recognition of deferred tax assets.

29. EARNINGS PER SHARE

	2020	2019	2018
Net profit, Group share *(EUR millions)*	**4,702**	**7,171**	**6,354**
Average number of shares outstanding during the fiscal year	505,000,128	505,281,934	505,986,323
Average number of treasury shares owned during the fiscal year	(1,320,856)	(2,063,083)	(3,160,862)
Average number of shares on which the calculation before dilution is based	**503,679,272**	**503,218,851**	**502,825,461**
Basic earnings per share *(EUR)*	**9.33**	**14.25**	**12.64**
Average number of shares outstanding on which the above calculation is based	503,679,272	503,218,851	502,825,461
Dilutive effect of stock option and bonus share plans	530,861	620,691	1,092,679
Other dilutive effects	-	-	-
Average number of shares on which the calculation after dilution is based	**504,210,133**	**503,839,542**	**503,918,140**
Diluted earnings per share *(EUR)*	**9.32**	**14.23**	**12.61**

As of December 31, 2020, the dilutive effect concerned bonus share plans, with the exception of plans whose performance conditions are not considered to have been met (see Note 17).

No events occurred between December 31, 2020 and the date at which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

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

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)	2020	2019	2018
Service cost	106	112	113
Net interest cost	8	12	12
Actuarial gains and losses	-	(2)	(1)
Changes in plans	(48)	46	3
Total expense for the fiscal-year for defined-benefit plans	**66**	**167**	**127**

In 2020 and 2019, changes in plans concerned the impact of the lock-in of benefits in respect of supplementary pension plans covering the Group's Executive Committee members and senior executives, following the entry into force of the French PACTE law and the Order of July 3, 2019.

31. OFF-BALANCE SHEET COMMITMENTS

31.1. Purchase commitments

(EUR millions)	**2020**	**2019**	**2018**
Grapes, wines and eaux-de-vie	2,725	2,840	2,040
Other purchase commitments for raw materials	250	211	215
Industrial and commercial fixed assets	428	674	721
Investments in joint venture shares and non-current available for sale financial assets	13,237	14,761	2,151

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.

As of December 31, 2020, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany & Co. ("Tiffany") at a unit price of 131.5 US dollars. The acquisition was completed on January 7, 2021. See Note 34.

As of December 31, 2019, share purchase commitments included the impact of LVMH's commitment to acquire, for cash, all the shares of Tiffany at a unit price of 135 US dollars, for a total of 16.2 billion US dollars.

As of December 31, 2020, the maturity schedule of these commitments was as follows:

(EUR millions)	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Grapes, wines and eaux-de-vie	788	1,903	35	2,725
Other purchase commitments for raw materials	190	60	-	250
Industrial and commercial fixed assets	299	129	-	428
Investments in joint venture shares and non-current available for sale	13,237	-	-	13,237

31.2. Collateral and other guarantees

As of December 31, 2020, these commitments broke down as follows:

(EUR millions)	**2020**	**2019**	**2018**
Securities and deposits	444	371	342
Other guarantees	169	163	160
Guarantees given	**613**	**534**	**502**
Guarantees received	**(47)**	**(53)**	**(70)**

The maturity dates of these commitments are as follows:

(EUR millions)	**Less than 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Securities and deposits	313	121	9	444
Other guarantees	76	89	4	169
Guarantees given	**389**	**210**	**14**	**613**
Guarantees received	**(21)**	**(24)**	**(2)**	**(47)**

31.3. Other commitments

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

32. EXCEPTIONAL EVENTS AND LITIGATION

As part of its day-to-day management, the Group may be 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 in respect of any others of which it is aware at the year-end, are sufficient to avoid its consolidated financial position being materially impacted in the event of an unfavorable outcome. There were no significant developments in fiscal year 2020 with regard to exceptional events or litigation.

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 12-month period under review, any significant impact on the Group’s financial position or profitability.

33. RELATED-PARTY TRANSACTIONS

No significant related-party transactions occurred during the fiscal year.

34. SUBSEQUENT EVENTS

On January 7, 2021, the acquisition process for US jeweler Tiffany & Co. was finalized, for the price of 16.1 billion US dollars.

No other significant subsequent events occurred between December 31, 2020 and January 26, 2021, the date at which the financial statements were approved for publication by the Board of Directors.

LVMH

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