

LVMH

MOËT HENNESSY ♦ LOUIS VUITTON

TRANSLATION OF THE FRENCH
INTERIM FINANCIAL REPORT
SIX-MONTH PERIOD ENDED
JUNE 30, 2011

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

EXECUTIVE AND SUPERVISORY BODIES; STATUTORY AUDITORS

BOARD OF DIRECTORS

Bernard Arnault
Chairman and Chief Executive Officer

Antoine Bernheim ^{(1) (2) (3)}
Vice-Chairman

Pierre Godé
Vice-Chairman

Antonio Belloni
Group Managing Director

Antoine Arnault
Delphine Arnault

Nicolas Bazire

Bernadette Chirac ⁽¹⁾

Nicholas Clive Worms ^{(1) (2)}

Charles de Croisset ^{(1) (3)}

Diego Della Valle ⁽¹⁾

Albert Frère ⁽³⁾

Gilles Hennessy ⁽²⁾

Marie-Josée Kravis ⁽¹⁾

Lord Powell of Bayswater

Yves-Thibault de Silguy ⁽¹⁾

Francesco Trapani

Hubert Védrine ⁽¹⁾

Advisory Board members

Paolo Bulgari

Patrick Houël

Felix G. Rohatyn

STATUTORY AUDITORS

ERNST & YOUNG et Autres
represented by Olivier Breillot and Gilles Cohen

DELOITTE & ASSOCIÉS
represented by Thierry Benoit

EXECUTIVE COMMITTEE

Bernard Arnault
Chairman and Chief Executive Officer

Antonio Belloni
Group Managing Director

Pierre Godé
Vice-Chairman

Nicolas Bazire
Development and Acquisitions

Ed Brennan
Travel retail

Yves Carcelle
Fashion and Leather Goods

Chantal Gaemperle
Human Resources, Synergies

Jean-Jacques Guiony
Finance

Christopher de Lapuente
Sephora

Christophe Navarre
Wines and Spirits

Patrick Quart
Advisor to the Chairman

Philippe Pascal
Advisor to the Chairman

Daniel Piette
Investment Funds

Pierre-Yves Roussel
Fashion

Francesco Trapani
Watches and Jewelry

Mark Weber
Donna Karan, LVMH Inc.

General secretary

Marc-Antoine Jamet

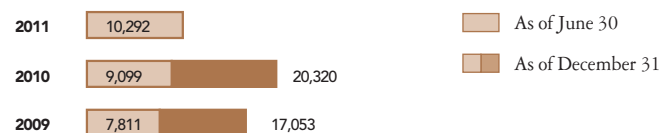
(1) Independent Director.

(2) Member of the Performance Audit Committee.

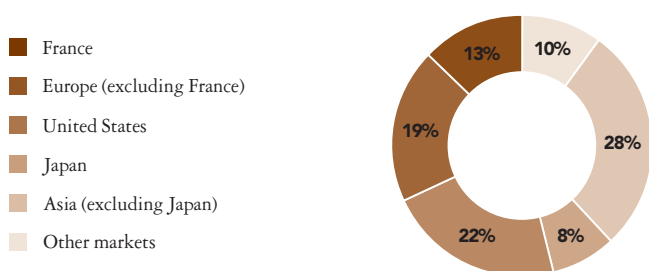
(3) Member of the Nominations and Compensation Committee.

FINANCIAL HIGHLIGHTS

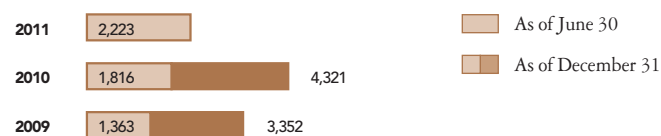
Revenue (EUR millions)



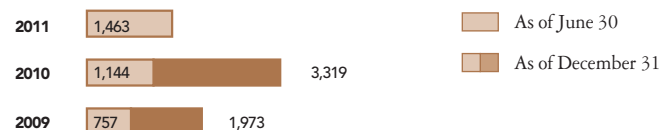
Revenue by geographic region of delivery as of June, 2011 (in %)



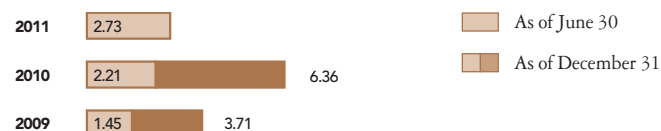
Profit from recurring operations (EUR millions)



Net profit (EUR millions)



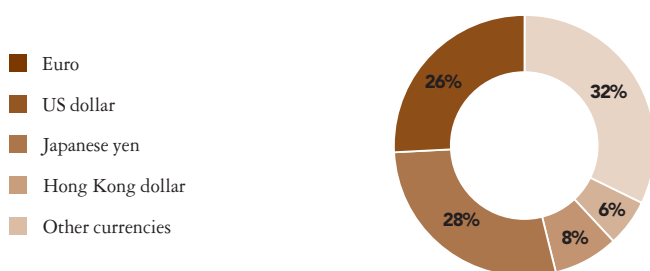
Basic Group share of net profit per share (EUR)



Revenue by business group

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Wines and Spirits	1,435	3,261	1,302
Fashion and Leather Goods	3,971	7,581	3,516
Perfumes and Cosmetics	1,518	3,076	1,441
Watches and Jewelry	576	985	443
Selective Retailing	2,831	5,378	2,419
Other activities and eliminations	(39)	39	(22)
Total	10,292	20,320	9,099

Revenue by invoicing currency as of June 30, 2011 (in %)



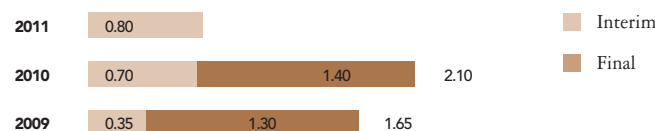
Profit from recurring operations by business group

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Wines and Spirits	413	930	326
Fashion and Leather Goods	1,381	2,555	1,179
Perfumes and Cosmetics	181	332	181
Watches and Jewelry	85	128	49
Selective Retailing	287	536	176
Other activities and eliminations	(124)	(160)	(95)
Total	2,223	4,321	1,816

Group share of net profit (EUR millions)

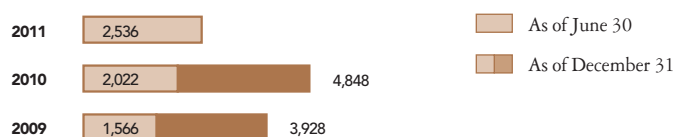


Dividend per share ⁽¹⁾ (EUR)



(1) Gross amount paid for fiscal year, excluding the impact of tax regulations applicable to the beneficiary.

Cash from operations before changes in working capital ⁽¹⁾ (EUR millions)

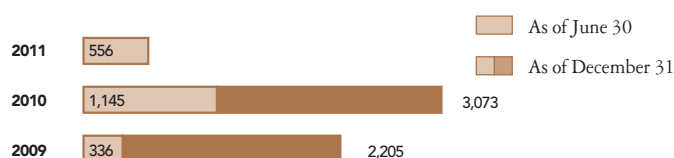


(1) Before interest and tax paid.

Operating investments (EUR millions)



Free cash flow ⁽¹⁾ (EUR millions)



(1) Net cash from operating activities and operating investments.

Stores network by region as of June 30, 2011

France	371
Europe (excluding France)	794
United States	583
Japan	312
Asia (excluding Japan)	518
Other markets	151
Number of stores	2,729

Net financial debt ⁽¹⁾ (EUR millions)



(1) Net financial debt does not take into consideration purchase commitments for minority interests included in Other non-current liabilities, and the commitment arising from the public tender offer for minority interests in Bulgari included in "Other current liabilities". See Note 16.1 of notes to the condensed consolidated financial statements for definition of net financial debt.

Total equity ⁽¹⁾ (EUR millions)

Net financial debt to equity ratio (in %)



(1) Including minority interests.

Distribution of capital and voting rights as of June 30, 2011

	Number of shares	Number of voting rights ⁽¹⁾	% of capital	% of voting rights
Groupe Arnault	233,759,436	448,392,626	46.05	62.02
Other	273,910,429	274,575,147	53.95	37.98
Total	507,669,865	722,967,773	100.00	100.00

(1) Total number of voting rights that may be exercised at Shareholder's Meetings.

LVMH GROUP

INTERIM MANAGEMENT REPORT

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BUSINESS REVIEW

1. COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

Revenue by business group

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Wines and Spirits	1,435	3,261	1,302
Fashion and Leather Goods	3,971	7,581	3,516
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Selective Retailing	2,831	5,378	2,419
Other activities and eliminations	(39)	39	(22)
Total	10,292	20,320	9,099

Profit from recurring operations by business group

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Wines and Spirits	413	930	326
Fashion and Leather Goods	1,381	2,555	1,179
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Selective Retailing	287	536	176
Other activities and eliminations	(124)	(160)	(95)
Total	2,223	4,321	1,816

Revenue and profit from recurring operations at constant structure and exchange rates

(EUR millions)	Revenue	Profit from recurring operations
First half 2010	9,099	1,816
Organic growth	1,358	428
Net impact of exchange rate fluctuations on the financial statements of entities denominated in foreign currency ⁽¹⁾	(127)	(20)
Net impact of changes in the scope of consolidation ⁽¹⁾	(38)	(1)
First half 2011	10,292	2,223

(1) The principles under which the effects of exchange rate fluctuations and changes in the scope of consolidation are determined are described on page 8.

Consolidated revenue for the period ended June 30, 2011 was 10,292 million euros, up 13% over the same period in 2010. Consolidated revenue was affected by the weakness of the Group's main invoicing currencies against the euro, in particular the US dollar, which fell by 5%.

Since January 1, 2010 the Group's scope of consolidation has changed as follows: in Wines and Spirits, the Montaudon brand was sold in the fourth quarter of 2010; in Perfumes and Cosmetics, La Brosse et Dupont was deconsolidated in the fourth quarter of 2010; in Selective Retailing, Sack's was consolidated in the second half of 2010 and Ile de Beauté was consolidated in June 2011. These changes in the scope of consolidation made a negative contribution of 0.4 points to revenue growth for the first half of 2011. The consolidation of Bulgari did not have an impact on the income statement for the first half of the year, since this acquisition was carried out on June 30, 2011.

On a constant consolidation scope and currency basis, revenue increased by 15%.

Revenue by invoicing currency

(percentage)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Euro	26	28	27
US dollar	28	27	28
Japanese yen	8	9	9
Hong Kong dollar	6	6	5
Other currencies	32	30	31
Total	100	100	100

The breakdown of revenue by invoicing currency changed as follows: the contributions of the euro and the Japanese yen both fell by 1 point respectively to 26% and 8%, the contribution of the US dollar remained stable at 28%, while the contribution of all other currencies rose by 2 points to 38%.

Revenue by geographic region of delivery

(percentage)	June 30, 2011	Dec. 31, 2010	June 30, 2010
France	13	13	14
Europe (excluding France)	19	21	19
United States	22	23	23
Japan	8	9	9
Asia (excluding Japan)	28	25	26
Other markets	10	9	9
Total	100	100	100

By geographic region, the relative contributions of France, the United States and Japan to Group revenue all fell by 1 point, closing the period at 13%, 22% and 8%, respectively. Europe (excluding France) remained stable at 19%, whereas Asia (excluding Japan)

climbed by 2 points to 28% and other markets rose by 1 point to 10%.

By business group, the breakdown of Group revenue remained quite stable, with Wines and Spirits at 14%, Fashion and Leather Goods at 39%, and Watches and Jewelry at 5%. The contribution of Selective Retailing rose by 1 point to 27%, while that of Perfumes and Cosmetics fell by 1 point to 15%.

Wines and Spirits saw an increase in revenue of 10% based on published figures. On a constant consolidation scope and currency basis, revenue increased by 13%, with the adverse impact of exchange rate fluctuations lowering revenue by 2 points. The first half of the year reaffirmed the robust level of demand for Wines and Spirits, buoyed by product mix improvements in line with the value creation strategy that is being pursued. Surging demand in Asia made a particularly significant contribution to the strong upturn in sales. China is still the second largest market for the Wines and Spirits business group.

Fashion and Leather Goods posted organic revenue growth of 14%, and 13% based on published figures. This business group's performance continues to be driven by the exceptional momentum achieved by Louis Vuitton, which again recorded double-digit revenue growth. The other brands also reaffirmed their potential, with notable significant growth performances achieved by Céline, Givenchy, Marc Jacobs, Fendi and Donna Karan.

Revenue for Perfumes and Cosmetics increased by 11% on a constant consolidation scope and currency basis, and by 5% based on published figures. All of this business group's brands performed well. This rebound illustrates the effectiveness of the value creation strategy resolutely pursued by the Group's brands in the face of competitive market pressures spawned by the economic crisis. During the course of the half-year period, revenue rose sharply in the United States and Asia, and especially in China.

Revenue for Watches and Jewelry increased by 27% on a constant consolidation scope and currency basis, and by 30% based on published figures. Especially strong revenue gains in both watches and jewelry were a highlight of the first half of 2011. Restocking by retailers and the recovery in consumer demand helped drive sales higher. For all brands, Asia is the most dynamic region.

Revenue for Selective Retailing increased by 17% based on published figures, and by 18% on a constant consolidation scope and currency basis. The main drivers of this performance were Sephora, which saw robust growth in sales in the United States and Asia, and also in Europe, as well as DFS, which made excellent advances, spurred especially by the continuing development of Chinese tourism boosting business at its stores in Hong Kong and Macao.

The Group posted a gross margin of 6,847 million euros, an increase of 16% compared to June 30, 2010. The gross margin as a percentage of revenue was 67%, an increase of 2 points, particularly thanks to tight control over cost prices.

Marketing and selling expenses totaled 3,718 million euros, up 14% based on published figures, amounting to a 15% increase at constant exchange rates. This increase is mainly due to greater communications expenditures by the Group's main brands, but also to the development of retail networks. Nevertheless, the level of marketing and selling expenses remained stable as a percentage of revenue, amounting to 36%. Among these expenses, advertising and promotion represented 12% of revenue and increased by 21% at constant exchange rates.

The geographic location of stores is as follows:

(Number)	June 30, 2011	Dec. 31, 2010	June 30, 2010
France	371	364	353
Europe (excluding France)	794	646	629
United States	583	570	546
Japan	312	303	305
Asia (excluding Japan)	518	518	495
Other markets	151	144	140
Total	2,729	2,545	2,468

General and administrative expenses totaled 906 million euros, up 11% based on published figures, and up 12% on a constant currency basis. They represented 9% of revenue, a level identical to that recorded in 2010.

The Group's profit from recurring operations was 2,223 million euros, up 22% compared to the first half of 2010. The Group's operating margin as a percentage of revenue increased by 2 points to 22%. This increase was made possible by tight control over both products' cost prices and general and administrative expenses. It also reflects the strong profitability gains posted by Watches and Jewelry (up 4 points to 15%), Wines and Spirits (up 4 points to 29%), as well as Selective Retailing (up 3 points to 10%), and to a lesser extent by Fashion and Leather Goods (up 1 point to 35%).

Exchange rate fluctuations had an overall negative net impact on the Group's profit from recurring operations of 20 million euros compared with the first half of 2010. This total comprises the following three items: the impact of changes in exchange rate parities on sales and purchases by exporting and importing Group companies, the change in the net impact of the Group's policy of hedging its exposure to various currencies, and the impact of exchange rate fluctuations on the consolidation of profit from recurring operations of subsidiaries outside the euro zone.

Profit from recurring operations for Wines and Spirits was 413 million euros, up 27%. This performance reflects in particular the combined impact of sales volume growth and a favorable product mix. Better control of costs successfully offset the rise in advertising and promotional expenditure, which was carefully focused on strategic markets. The operating margin as a percentage of revenue for Wines and Spirits increased by nearly 4 points to 29%.

Fashion and Leather Goods generated profit from recurring operations of 1,381 million euros, up 17%. Exchange rate fluctuations had a negative impact on this business group's profit in the amount of 11 million euros. Profit from recurring operations for Louis Vuitton increased sharply, while Fendi and Donna Karan confirmed their profitable growth momentum, and the very strong results recorded by Céline and Loewe attest to the success of their new creative visions. The operating margin as a percentage of revenue for the business group increased by 1 point to 35%.

Profit from recurring operations for Perfumes and Cosmetics was 181 million euros, stable compared to the first half of 2010. The operating margin as a percentage of revenue for this business group decreased by 1 point to 12%. Owing to the strong increase in its gross margin, this business group was able to make investments with the aim of reinforcing the image of its main brands.

Profit from recurring operations for Watches and Jewelry saw a substantial rise during the period to 85 million euros. This business group significantly improved its profitability and posted an operating margin as a percentage of revenue of 15%, representing an increase of 4 points.

Profit from recurring operations for Selective Retailing rose 63% to 287 million euros. This business group's profitability improved by 3 points to 10%.

The net result from recurring operations of Other activities and eliminations was a loss of 124 million euros, compared to a loss of 95 million euros for the period ended June 30, 2010. In addition to holding company expenses, Other activities includes the Media division and the yacht builder Royal Van Lent.

Other operating income and expenses represented a net expense of 46 million euros as of June 30, 2011. This amount includes the impact of controlling interests acquired in consolidated entities during the first half of the year, which comprised the following two items: the remeasurement to their value as of the date of the transaction, of securities held prior to the acquisition of this controlling stake, for an overall gain of 22 million euros, and the related transaction fees, a total expense of 16 million euros. Other operating income and expenses also include asset depreciation, amortization and impairment charges in the amount of 51 million euros.

For the period ended June 30, 2011, the Group posted an operating profit of 2,177 million euros, compared to 1,753 million euros for the same period the previous year, representing an increase of 24%.

The net financial expense was 95 million euros, compared to a net financial expense of 150 million euros for the first half of 2010.

The total cost of net financial debt remained stable, at 75 million euros compared to 77 million euros in 2010. Although net financial debt increased slightly, the net financial expense for the period reflects the positive impact of the drop in the Group's average borrowing rate, due to the renewal of a portion of existing borrowings, and of better returns on cash investments.

Other financial income and expenses amounted to a net expense of 20 million euros as of June 30, 2011, compared to 73 million euros for the same period in 2010. The financial cost of currency hedging transactions was 73 million euros in the first half of 2011, while it was 100 million euros in the same period the previous year. Gains arising from available for sale financial assets and dividends received from investments in non-consolidated entities amounted to 53 million euros, compared to 27 million euros a year earlier, particularly as a result of dividends received from Hermès International.

The Group's effective tax rate, which was 28.9% as of June 30, 2010, was 29.8% for the first half of 2011. This change reflects differences in the geographical distribution of the Group's business activities.

After taking into account income from investments in associates, which amounted to 2 million euros as of June 30, 2011, compared to 4 million euros for the first half of 2010, the total net profit for the six-month period was 1,463 million euros; it was 1,144 million euros for the first half of 2010.

Profit attributable to minority interests was 153 million euros, compared to 94 million euros for the first half of 2010. This total mainly includes profit attributable to minority interests in Moët Hennessy and DFS and reflects improved results at these entities.

For the six-month period ended June 30, 2011, the Group's share of net profit was 1,310 million euros, compared to 1,050 million euros for the same period the previous year: a 25% rise, corresponding to 13% of revenue for the half-year period.

Determination of constant structure and exchange rate impacts.

The impact of exchange rate fluctuations is determined by translating the accounts for the period of entities having a functional currency other than the euro at the prior fiscal year's exchange rates, without taking into account the impact of foreign currency hedges on profit from recurring operations, whether settled or not during the period.

The impact of changes in the scope of consolidation is determined by deducting:

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

And by adding:

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

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

2. WINES AND SPIRITS

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Revenue (EUR millions)	1,435	3,261	1,302
Sales volume (millions of bottles)			
Champagne	19.9	55.2	19.3
Cognac	29.8	59.8	27.7
Other spirits	5.9	12.4	5.1
Still and sparkling wines	17.0	39.9	15.3
Revenue by geographic region of delivery (%)			
France	7	9	8
Europe (excluding France)	18	24	20
United States	24	26	27
Japan	6	6	6
Asia (excluding Japan)	31	23	27
Other markets	14	12	12
Total	100	100	100
Profit from recurring operations (EUR millions)	413	930	326
Operating margin (%)	28.8	28.5	25.0
Operating investments (EUR millions)	63	83	42

Highlights

Following the sharp slowdown in revenue growth recorded in 2009 in the wake of the worldwide economic crisis, 2010 saw a clear upturn in sales for the Group's wines and spirits brands, which was reaffirmed in the first half of 2011. The current pace of recovery, driven by strong demand, has even exceeded forecasts. For the Wines and Spirits business group, this revenue growth reflects a favorable product mix and demonstrates the effectiveness of its value creation strategy.

Revenue for Champagne and Wines amounted to 645 million euros, with profit from recurring operations rising by 33% with respect

to the first half of 2010 to 158 million euros. All of the champagne brands saw improvements in revenue, with an especially strong performance by high-end *cuvées*. Champagne volumes increased by 3%. This increase was 10% on a comparable group structure, i.e. excluding revenue generated by the Montaudon brand, which was sold at the end of 2010. Revenue of Estates & Wines' sparkling and still wines saw robust growth in their key markets around the world.

Revenue for Cognac and Spirits amounted to 790 million euros, with profit from recurring operations rising by 23% with respect to the first half of 2010 to 255 million euros. Cognac volumes increased by 8%. **Hennessy's** growth was particularly attributable to the performance of its premium qualities in Asia (especially in China and Vietnam). The brand's sales also increased strongly in emerging markets, including Mexico, Nigeria and Central Europe. Spirits brands are generating accelerated growth, particularly **Glenmorangie** and **Ardberg** whiskies and **Belvedere** vodka.

Moët Hennessy signed a joint venture agreement with a major Chinese company to prepare and produce high-end sparkling wines in Ningxia province, to be sold under the **Chandon** brand, a new growth driver for the Group.

Outlook

In an environment characterized by strong demand from key markets and the rising prominence of many emerging territories, the Wines and Spirits business group will maintain its ambitious development strategy, backed by Moët Hennessy's powerful distribution network. This strategy will continue to emphasize the excellence of its brands and their products, the importance of innovation, and the reinforcement of each brand's positioning. For Champagne and Cognac, this strategy will be applied with the aim of achieving controlled growth in sales volumes. To this end, specific efforts will still be focused on ensuring optimal management of prices and inventory, accompanied by a very dynamic policy with regard to supply. This will be the case not only for the months ahead but also from a longer term perspective, so as to continue building the foundations for harmonious, sustainable growth.

3. FASHION AND LEATHER GOODS

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Revenue (EUR millions)	3,971	7,581	3,516
Revenue by geographic region of delivery (%)			
France	8	8	8
Europe (excluding France)	19	21	19
United States	18	18	18
Japan	14	16	16
Asia (excluding Japan)	33	30	31
Other markets	8	7	8
Total	100	100	100
Type of revenue as a percentage of total revenue (excluding Louis Vuitton)			
Retail	50	52	50
Wholesale	43	41	42
Licenses	7	7	8
Total	100	100	100
Profit from recurring operations (EUR millions)	1,381	2,555	1,179
Operating margin (%)	34.8	33.7	33.5
Operating investments (EUR millions)	163	370	170
Number of stores	1,197	1,188	1,167

Highlights

Louis Vuitton again recorded double-digit organic revenue growth, maintaining an excellent performance across all world markets. Business activity held up well in Japan, despite the tragic events in the month of March. All of Louis Vuitton's businesses contributed to its overall performance, thus confirming the brand's solid reputation and the strong appeal of its products in their various territories of expression. Revenue growth continues to be achieved alongside an exceptional level of profitability.

Fendi reported strong growth, following its already robust performance in 2010. All of Fendi's product categories – leather goods, shoes, ready-to-wear and furs – posted double-digit revenue increases. The brand successfully introduced an offering of custom-made leather goods. Thanks to strong momentum in all Fendi's product lines, together with constant progress achieved across its entire organization, the brand generates a high level of profitability.

Donna Karan made steady gains in both revenue and profit. Business growth was driven most of all by the success of the brand's new launches, particularly that of the luxury *Collection* line, expanded recently with the introduction of the *Casual* line, a major addition to Donna Karan's offerings for contemporary day wear, thus broadening its customer base. **DKNY**, the brand's edgier, more urban line, also saw strong growth, particularly in accessories.

The business group's other fashion houses posted improved results, consolidating the progress that each one has made in meeting all the criteria to achieve growth efficiently and profitably. Among the brands making the most headway in this process, **Céline** stands out due to the remarkable success of its new creative director's collections, with profit gains driven by a strong increase in business activity. **Loewe** also turned in excellent results, stimulated by initiatives relating to its product lines, the way they are structured, the productivity of its stores, and its organization as a whole. Firmly on a rapid growth track for the last several years, **Marc Jacobs** further reinforced its solid growth model. The *Marc by Marc Jacobs* line and *Marc Jacobs Collection* accessories performed especially well. **Givenchy** and **Pucci** reported strong growth thanks to the success of their new creative visions. **Thomas Pink** increased revenue and profit, and reinforced its position as a specialist in the finest tradition of British shirt-making. **Berluti** welcomed its new creative director, Alessandro Sartori, who will be developing new lines, particularly a ready-to-wear collection, in keeping with the traditions, spirit and values of the fashion house. **Kenzo** focused on its strategic repositioning around the brand's original values.

Outlook

In the second half of the year, **Louis Vuitton** will continue to reinforce its various areas of excellence. A number of projects will be implemented in the near future: the ready-to-wear workshop able to create custom-made rare, exceptional pieces will be completed, a new fine jewelry production facility will be inaugurated, a new business unit will be organized for accessories in Italy, among others. New venues using the *Maison* concept are also in preparation. Louis Vuitton will expand its range of timepieces.

The business group's other fashion houses are expected to maintain an excellent momentum in the second half. Moving beyond this fiscal year, progress achieved to date puts each of these brands in a good position to continue to achieve sustainable growth over the long term, grounded in a clearly established identity, an ever more distinctive house style, a dynamic approach to product development, rigorous management practices, and excellent control over each and every aspect of operations.

4. PERFUMES AND COSMETICS

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Revenue (EUR millions)	1,518	3,076	1,441
Revenue by product category (%)			
Perfumes	45	48	43
Cosmetics	36	34	35
Skincare products	19	18	22
Total	100	100	100
Revenue by geographic region of delivery (%)			
France	11	14	16
Europe (excluding France)	37	39	37
United States	9	8	8
Japan	6	6	6
Asia (excluding Japan)	21	18	19
Other markets	16	15	14
Total	100	100	100
Profit from recurring operations (EUR millions)	181	332	181
Operating margin (%)	11.9	10.8	12.6
Operating investments (EUR millions)	73	104	41
Number of stores	78	75	68

Highlights

Parfums Christian Dior maintained its strong growth momentum, driven by the powerful appeal of its iconic product lines and its constantly reaffirmed commitment to excellence and creativity, ever more closely intertwined with haute couture. In a highly competitive global marketplace, this growth was sustained by substantial investments in media campaigns. The perfume segment performed especially well: *J'adore* consolidated its leadership position in key markets; *Miss Dior Chérie* benefited from the international prominence of its new ambassador Natalie Portman, while this line also conquered market share with strong gains in the strategic eau de parfum segment; *Dior Homme* and *Fahrenheit* made significant advances; *Collection Privée Christian Dior* pursued its international development, while a new Maison de Parfums Dior, offering a unique journey into olfactory creations, was opened at Selfridges in London.

Guerlain turned in solid results. Ably supported by the brand's highly effective communications efforts, its new product launches and other initiatives were enthusiastically received. *Orchidée Impériale* confirmed its status as the leading Guerlain skincare line. In terms of geographies, Guerlain is focusing more than ever before on its priority markets, France and China, but is also enjoying a robust performance in all regions.

Parfums Givenchy had a very good first half, in which all three of its product categories performed well, with a strong contribution by the brand's *Play* fragrances for both men and women and by *L'Intense*, the new incarnation of *Very Irresistible Givenchy*. Solid improvements recorded by **Kenzo Parfums** were fueled by the vitality of its star product line *FlowerbyKenzo* and the persistently strong results achieved by *Kenzo Homme Boisé*, launched in 2010.

Benefit maintained double-digit growth. Its performance was enhanced by the widespread success of its *Brow Bars*. *The POREfessional*, a recently launched product, is staking its place as a bestseller and helping to further boost awareness of the San Franciscan brand.

Make Up For Ever turned in an excellent performance in all regions. The brand has been reaping the benefits of the unique expertise of its Academy's make-up artists and the ongoing development of its emblematic lines, *HD – High Definition* and *Aqua*, which are well supported by communication campaigns.

Outlook

The second half of the year, traditionally the most significant period in terms of revenue and profit in the perfumes and cosmetics sector, will be characterized by strong innovative momentum and solid communications efforts engaged by all LVMH brands.

Parfums Christian Dior will pursue profitable growth backed by further development of its star lines, which continue to be strongly supported by media campaigns, as is the case for *J'adore* in particular. The brand will continue to reinforce its image of excellence and expertise driven by the quality of both its new products and its points of sale throughout the world. Its new brand ambassadors will also heighten its appeal. Among other upcoming developments, the French actress, filmmaker and singer Mélanie Laurent will become the muse for the fragrance *Hypnotic Poison*.

Guerlain will maintain strong innovative momentum in the coming months, which will see the international launch of *Sbalimar Parfum Initial*, further development of the *Lingerie de Peau* foundation range and the *Orchidée Impériale* and *Abeille Royale* skincare lines, and a new, ever more contemporary look for the 68 Champs-Élysées pop-up store.

Parfums Givenchy will launch *Dablia Noir* in the second half of the year in a few selected markets. This new fragrance range developed under the supervision of creative director Riccardo Tisci marks a significant milestone in the image convergence of Givenchy's perfumes and haute couture lines. **Kenzo Parfums** will launch a new women's fragrance, *Madly Kenzo*, in several key markets including France.

5. WATCHES AND JEWELRY

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Revenue (EUR millions)	576	985	443
Revenue by geographic region of delivery (%)			
France	8	8	8
Europe (excluding France)	24	25	24
United States	17	17	18
Japan	10	12	12
Asia (excluding Japan)	23	21	19
Other markets	18	17	19
Total	100	100	100
Profit from recurring operations (EUR millions)	85	128	49
Operating margin (%)	14.8	13.0	11.1
Operating investments (EUR millions)	22	36	16
Number of stores	144	122	115

Highlights

The Watches and Jewelry business group recorded very strong revenue and profit growth in the first half of 2011. Its operating margin increased by 4 points to 15%. This performance, which followed the substantial improvement in sales in 2010, when profit from recurring operations doubled, reaffirms the market share gains achieved by the Group's brands in both watches and jewelry.

In the first half of 2011, on the back of inventory increases by watch retailers in the same period the previous year, LVMH's watch brands saw steady demand across all continents. Greater China and Russia

recorded the most robust growth, followed by the Americas and Europe. Japan saw a slight improvement in yen-denominated revenue.

Baselworld 2011 generated a large upturn in orders for the Group's watchmaking houses, whose innovations were widely acclaimed by the press and industry professionals.

The business group also recorded double-digit organic revenue growth at constant structure for its jewelry brands, whose sales were made mainly through their own boutiques.

In March 2011, an agreement was signed with the Bulgari family, shareholders of the famous Italian luxury group, under which they would transfer their majority stake to LVMH. After receiving authorization from the relevant competition authorities, the Board of Directors of LVMH approved this transfer on June 30, 2011, an operation which increases the stake held by LVMH in the share capital of Bulgari to 76.1% prior to the public tender offer which will be launched in the second half of the year. This alliance will further Bulgari's development in the long term, while keeping the brand's heritage intact and ensuring that Bulgari's core values of creativity and excellence continue to be respected.

Outlook

In the second half of the year, the Group's watches and jewelry brands will continue to see steady growth – particularly following the eagerly awaited delivery of new models presented in Basel – albeit to a lesser extent than in the first half, in light of production constraints. Among other innovations, TAG Heuer will relaunch its iconic *Link* collection. Further investments will be made to develop watchmaking capacities, while new boutiques will open in highly select locations.

The major highlight for the second half of the year will be the integration of **Bulgari**, which will double the size of the business group.

6. SELECTIVE DISTRIBUTION

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Revenue (EUR millions)	2,831	5,378	2,419
Revenue by geographic region of delivery (%)			
France	21	22	22
Europe (excluding France)	9	8	8
United States	36	37	38
Japan	2	2	2
Asia (excluding Japan)	26	24	24
Other markets	6	7	6
Total	100	100	100
Profit from recurring operations (EUR millions)	287	536	176
Operating margin (%)	10.1	10.0	7.3
Operating investments (EUR millions)	80	196	93
Number of stores			
Sephora	1,226	1,070	1,020
Other trade names	70	76	84

Highlights

DFS saw strong revenue growth and a sharp increase in profit. Against the backdrop of a decline in Japanese tourists following the tragic events during the month of March, business activity was buoyed by the steady rise in tourists from elsewhere in Asia. Stores serving the destinations of Hong Kong, Macao and Singapore turned in particularly remarkable results. Business was also very dynamic in North America.

Miami Cruiseline recorded good revenue growth, spurred by the increasingly international dimension of its business and the entry into service of larger cruise ships. Passenger purchases are on the rise, thanks to the implementation of business strategies specifically tailored to each line's customer base. Revenue was particularly strong in South America.

Sephora reported market share gains in all regions where it is present. Revenue advanced strongly in key European markets, including France – where the brand strengthened its leadership position – Poland and Italy, while demonstrating good resilience in certain countries affected by the economic context (Greece and Spain). Sephora recently moved into Turkey, a market with considerable potential, which posted strong growth. It also maintained exceptional growth momentum in the United States, and reaffirmed a successful performance in Canada. Sephora stepped up growth in China and revenue soared in the Middle East. Online sales grew steadily across all of the brand's websites.

Le Bon Marché continued to strengthen its position as an exceptional retail destination, achieving an excellent first-half performance, driven in particular by the success of its luxury product lines. This quality-oriented growth has fueled new improvements in profitability.

Outlook

Buoyed by good growth prospects for the coming months, **DFS** will be concentrating its efforts on moving its Galleria stores upscale, enhancing the quality of services offered, and pursuing growth opportunities in burgeoning Asian destinations.

Well positioned to take advantage of an increasingly international cruise market, **Miami Cruiseline** will continue to build its success on the excellence of its staff, targeting its offering for each customer category, and streamlining the supply chain.

Sephora will continue its ambitious, selective worldwide expansion efforts in high-potential markets. In the second half of 2011, the brand will move into Mexico, while stepping up the pace of store openings in other regions. Sephora will sharpen its strategic focus on innovation, in services as well as product lines, and will continue to harness its key international success drivers with even more energy: carefully training sales assistants and managers, offering a unique beauty experience at its stores, and tailoring its concept to reflect local market characteristics.

For **Le Bon Marché**, the second half of the year will see the preparation of major projects designed to enhance the singular profile of this historic Left Bank department store for a long time to come.

COMMENTS ON THE CONSOLIDATED BALANCE SHEET

LVMH's consolidated balance sheet totaled 44.6 billion euros as of June 30, 2011, representing a 20% increase from December 31, 2010. Non-current assets amounted to 30.8 billion euros, compared to 26.0 billion euros at year-end 2010, a significant increase mainly attributable to the full consolidation of the Bulgari group in the consolidated financial statements as of June 30, 2011. Non-current assets thus represented 69% of total assets, stable as compared to December 31, 2010.

Tangible and intangible fixed assets increased to 24.6 billion euros from 20.9 billion euros at year-end 2010. Brands and other intangible assets amounted to 11.2 billion euros, a significant increase with respect to their amount of 9.1 billion as of December 31, 2010, as a result of the recognition of the Bulgari brand, which has been provisionally valued at 2.1 billion euros. The increase was partially offset by the impact of US dollar fluctuations on brands and other intangible assets recognized in US dollars, such as the DFS trade name and the Donna Karan brand.

Goodwill increased significantly to 6.4 billion euros, up from 5.0 billion euros at year-end 2010, as a result of the consolidation of Bulgari, for which provisional goodwill amounts to 1.4 billion euros.

The increase in property, plant and equipment, to 7.0 billion euros as of June 30, 2011, reflects the positive impact of the Group's operating investments net of the depreciation charge for the six-month period. Added to this are the fixed assets of the Bulgari group, the amount of which was partially offset by the impact of exchange rate fluctuations against the euro, and in particular the depreciation of the US dollar and the Japanese yen. Investments for the period mainly related to the retail networks of Louis Vuitton, Sephora and DFS, as well as certain real estate assets located in city centers where the Group's brands enjoy significant recognition.

Taken together, investments in associates, non-current available for sale financial assets, other non-current assets and deferred tax increased by 1.1 billion euros to 6.2 billion euros, mainly as a result of the remeasurement to market value of the investment in Hermès International. As of June 30, 2011, this investment represented an amount of 4.6 billion euros.

Inventories came to 7.2 billion euros, up from 6.0 billion euros as of December 31, 2010, due to the recognition of Bulgari group inventories totaling 0.7 billion euros, in addition to the impact of growth in the Group's activities, which was partially offset by the negative impact of exchange rate fluctuations, and in particular the depreciation of the US dollar and the Japanese yen against the euro.

Trade accounts receivable decreased to 1.4 billion euros, from 1.6 billion euros as of December 31, 2010, primarily as a result of the seasonal nature of the Group's business activities.

Cash and cash equivalents, excluding current available for sale financial assets, came to 3.3 billion euros, a significant increase relative to the 2.3 billion euros at year-end 2010. In particular, this increase was a result of funds raised during the period in a favorable environment in anticipation of significant requirements in the second half of the year.

The Group share of equity was 20.3 billion euros, compared to 17.2 billion euros at year-end 2010. A total of 2.2 billion euros of this increase was attributable to the capital increase carried out as consideration for Bulgari shares contributed by the Bulgari family shareholders, the Group's share of net profit and revaluation gains recognized in equity; these changes substantially exceeded dividend payments of 0.7 billion euros, and the impact of the deduction to consolidated reserves of the difference between the commitment to purchase the shares of minority shareholders in Bulgari and the portion attributable to minority interests in the net assets of Bulgari, representing a negative impact of 0.6 billion euros.

Minority interests decreased slightly from 1.0 billion euros as of December 31, 2010 to 0.9 billion euros, mainly as a result of the negative impact of the depreciation of the US dollar on minority interests in DFS; the share of net profit attributable to minority interests for the half-year period almost equaled the amount of dividends paid to minority shareholders.

Total equity, amounting to 21.2 billion euros and representing 48% of the balance sheet total, decreased slightly compared to 49% as of December 31, 2010.

As of June 30, 2011, non-current liabilities amounted to 13.0 billion euros, compared to 11.9 billion euros as of December 31, 2010. This increase was due to higher financial debt, which rose from 3.4 billion euros at year-end 2010 to 3.9 billion euros, and to the increase in deferred tax, which was up from 3.4 to 3.9 billion euros, owing mainly to the recognition of the deferred tax liability on the Bulgari brand, for 0.7 billion euros. The proportion of the balance sheet total represented by non-current liabilities came to 29%, down from 32% at year-end 2010.

Equity and non-current liabilities thus amounted to 34.2 billion euros, exceeding total non-current assets by 3.4 billion euros.

Current liabilities rose from 7.1 billion euros at year-end 2010 to 10.4 billion euros as of June 30, 2011 as a result of a 2.1 billion euro increase in short term borrowings and the recognition of a 1.5 billion euro purchase commitment corresponding to the price of Bulgari shares to be acquired under the public tender offer. The proportion of the balance sheet total represented by current liabilities increased to 23%, compared to 19% as of December 31, 2010.

Long term and short term borrowings, including the market value of interest rate derivatives used as hedging instruments, and net of cash, cash equivalents and current available for sale financial assets, amounted to 4.0 billion euros as of June 30, 2011, compared to 2.7 billion euros six months earlier. This represents 19% of equity, compared to 15% as of December 31, 2010.

Cash, cash equivalents and current available for sale financial assets amounted to 3.8 billion euros, differing only slightly from short term borrowings, which amounted to 3.9 billion euros.

As of June 30, 2011, the Group's undrawn confirmed credit lines amounted to 3.3 billion euros, comfortably covering the outstanding portion of its commercial paper program, which came to 1.6 billion euros.

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement, which is presented in the condensed consolidated financial statements, details the main cash flows for the first half of 2011.

Cash from operations before changes in working capital was 2,536 million euros as of June 30, 2011, up 25% from 2,022 million euros a year earlier.

Net cash from operations before changes in working capital (i.e. after interest and income tax) amounted to 1,757 million euros, an increase of 6% compared to the first half of 2010.

Interest paid, at 92 million euros, was slightly up relative to the 89 million euros paid in the first half of 2010, with the effects of the increase in net financial debt in the second quarter offset by lower interest rates on borrowings and an improved return on cash and cash equivalents.

Income tax paid amounted to 687 million euros, a significant increase relative to the 282 million euros paid in the first half of 2010, as a result of the increase in taxable profit and of a different disbursement schedule of income taxes.

Working capital requirements increased by 602 million euros. The increase in inventories, mainly arising from growth in the Group's business activities, increased cash requirements by 508 million euros. The change in trade accounts receivable, mainly in the Wines and Spirits businesses, generated a cash inflow of 302 million euros, while the reduction in trade accounts payable increased cash requirements by 124 million euros, notably at the Champagne houses. These changes reflect the seasonal nature of the Group's working capital requirements.

Overall, net cash from operating activities represented a surplus of 1,155 million euros, compared to 1,571 million euros a year earlier.

Operating investments for the period, net of disposals, resulted in a net cash outflow of 599 million euros, up from 426 million euros a year earlier. These investments, primarily focused on the retail networks of flagship brands such as Louis Vuitton and Sephora, as well as Wines and Spirits production facilities and real estate assets mainly dedicated to commercial use, reflect the Group's growth momentum.

Net cash from operating activities and operating investments thus amounted to 556 million euros for the first half of 2011, compared to 1,145 million euros for the same period in 2010.

Acquisitions of non-current available for sale financial assets, net of disposals, together with the net impact of purchases and sales of consolidated investments, resulted in an outflow of 900 million euros in the first half of 2011, compared to 5 million euros a year earlier. Acquisitions of non-current available for sale financial assets included 196 million euros relating to the increase in the investment in Hermès International. The net impact of purchases and sales of consolidated investments included the purchase on the stock market in the first quarter of the year of Bulgari shares for 617 million euros, net of cash acquired.

Transactions relating to equity generated an outflow of 778 million euros over the period.

Share subscription options exercised raised a total of 42 million euros. The Company cancelled more shares than those it issued on the exercise of share subscription options.

Disposals by the Group of LVMH shares and LVMH-share settled derivatives, net of acquisitions, generated an inflow of 5 million euros.

In the first half of 2011, LVMH SA paid 671 million euros in dividends, excluding the amount attributable to treasury shares, in respect of the final dividend for 2010. In addition, minority shareholders of consolidated subsidiaries received 140 million euros in dividends, mainly corresponding to dividends paid to Diageo with respect to its 34% stake in Moët Hennessy and to minority interests in DFS. Finally, the Group purchased shares held by minority shareholders in consolidated entities for 14 million euros.

Financing requirements, after all operating, investment and equity-related activities, thus amounted to 1,122 million euros.

Borrowings of 455 million euros were repaid in the first half of 2011 and 171 million euros were invested in current available for sale financial assets.

Conversely, bond issues and new borrowings generated a cash inflow of 2,820 million euros. In particular, LVMH carried out a euro-denominated public bond issue at the end of March consisting of two tranches maturing in four and seven years, with a par value of 500 million euros each. The Group carried out the private placement of an amount equivalent to 173 million euros and issued 1,627 million euros in commercial paper. As of June 30, 2011, the outstanding portion of the commercial paper program was 1,627 million euros.

As of June 30, 2011, cash and cash equivalents net of bank overdrafts amounted to 3,039 million euros.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

<i>(EUR millions, except for earnings per share)</i>	Notes	June 30, 2011	Dec. 31, 2010	June 30, 2010
Revenue	21	10,292	20,320	9,099
Cost of sales		(3,445)	(7,184)	(3,192)
Gross margin		6,847	13,136	5,907
Marketing and selling expenses		(3,718)	(7,098)	(3,275)
General and administrative expenses		(906)	(1,717)	(816)
Profit from recurring operations	21-22	2,223	4,321	1,816
Other operating income and expenses	23	(46)	(152)	(63)
Operating profit		2,177	4,169	1,753
Cost of net financial debt		(75)	(151)	(77)
Other financial income and expenses		(20)	763	(73)
Net financial income (expense)	24	(95)	612	(150)
Income taxes	25	(621)	(1,469)	(463)
Income (loss) from investments in associates	6	2	7	4
Net profit before minority interests		1,463	3,319	1,144
Minority interests		(153)	(287)	(94)
Net profit, Group share		1,310	3,032	1,050
Basic Group share of earnings per share (EUR)	26	2.73	6.36	2.21
Number of shares on which the calculation is based		479,265,976	476,870,920	475,907,142
Diluted Group share of earnings per share (EUR)	26	2.71	6.32	2.19
Number of shares on which the calculation is based		482,955,715	479,739,697	479,078,515

CONSOLIDATED STATEMENT OF COMPREHENSIVE GAINS AND LOSSES

<i>(EUR millions)</i>	June 30, 2011	Dec. 31, 2010	June 30, 2010
Net profit before minority interests	1,463	3,319	1,144
Translation adjustments	(268)	701	986
Tax impact	(53)	89	98
	(321)	790	1,084
Change in value of available for sale financial assets	1,106	294	115
Amounts transferred to income statement	(38)	38	25
Tax impact	(47)	(35)	(22)
	1,021	297	118
Change in value of hedges of future foreign currency cash flows	201	(20)	(115)
Amounts transferred to income statement	(95)	(30)	(31)
Tax impact	(30)	14	42
	76	(36)	(104)
Change in value of vineyard land	2	206	5
Tax impact	(1)	(71)	(3)
	1	135	2
Gains and losses recognized in equity	777	1,186	1,101
Comprehensive gains and losses	2,240	4,505	2,245
Minority interests	(108)	(375)	(222)
Comprehensive gains and losses, Group share	2,132	4,130	2,023

CONSOLIDATED BALANCE SHEET

ASSETS	Notes	June 30, 2011	Dec. 31, 2010	June 30, 2010
<i>(EUR millions)</i>				
Brands and other intangible assets – net	3	11,156	9,104	9,247
Goodwill – net	4	6,416	5,027	4,408
Property, plant and equipment – net	5	6,977	6,733	6,498
Investments in associates	6	108	223	228
Non-current available for sale financial assets	7	5,169	3,891	569
Other non-current assets		381	319	806
Deferred tax		559	668	633
Non-current assets		30,766	25,965	22,389
Inventories and work in progress	8	7,155	5,991	6,172
Trade accounts receivable	9	1,399	1,565	1,164
Income taxes		166	96	197
Other current assets	10	1,742	1,255	1,410
Cash and cash equivalents	12	3,349	2,292	1,897
Current assets		13,811	11,199	10,840
Total assets		44,577	37,164	33,229
LIABILITIES AND EQUITY				
<i>(EUR millions)</i>				
Share capital		152	147	147
Share premium account		3,776	1,782	1,732
Treasury shares and LVMH-share settled derivatives		(512)	(607)	(747)
Revaluation reserves		2,332	1,244	900
Other reserves		13,270	11,370	11,837
Cumulative translation adjustment		(36)	230	449
Net profit, Group share		1,310	3,032	1,050
Equity, Group share	13	20,292	17,198	15,368
Minority interests	15	897	1,006	1,123
Total equity		21,189	18,204	16,491
Long term borrowings	16	3,910	3,432	4,144
Provisions	17	1,226	1,167	1,006
Deferred tax		3,896	3,354	3,283
Other non-current liabilities	18	3,965	3,947	3,146
Non-current liabilities		12,997	11,900	11,579
Short term borrowings	16	3,922	1,834	694
Trade accounts payable		2,392	2,298	1,880
Income taxes		532	446	262
Provisions	17	307	339	348
Other current liabilities	19	3,238	2,143	1,975
Current liabilities		10,391	7,060	5,159
Total liabilities and equity		44,577	37,164	33,229

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Cumulative translation adjustment	Revaluation reserves			Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land		Group share	Minority interests	Total
Notes		13.1		13.2	13.4					15		
As of December 31, 2009	490,405,654	147	1,763	(929)	(495)	213	63	595	12,439	13,796	989	14,785
Gains and losses recognized in equity					725	297	(32)	108		1,098	88	1,186
Net profit									3,032	3,032	287	3,319
Comprehensive gains and losses		-	-	-	725	297	(32)	108	3,032	4,130	375	4,505
Stock option plan and similar expenses									41	41	3	44
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				221					(43)	178	-	178
Exercise of share subscription options	2,012,478		120							120	-	120
Retirement of LVMH shares	(1,775,900)		(101)	101						-	-	-
Capital increase in subsidiaries										-	1	1
Interim and final dividends paid									(953)	(953)	(158)	(1,111)
Effects of changes in control of consolidated entities										-	(3)	(3)
Effects of acquisition and disposal of minority interests' shares									(83)	(83)	(104)	(187)
Effects of purchase commitments for minority interests									(31)	(31)	(97)	(128)
As of December 31, 2010	490,642,232	147	1,782	(607)	230	510	31	703	14,402	17,198	1,006	18,204
Gains and losses recognized in equity					(266)	1,021	66	1		822	(45)	777
Net profit									1,310	1,310	153	1,463
Comprehensive gains and losses		-	-	-	(266)	1,021	66	1	1,310	2,132	108	2,240
Stock option plan and similar expenses									23	23	2	25
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				16					(7)	9	-	9
Effects of acquisition of a controlling interest in Bulgari	18,037,011	5	2,031						202	2,238	847	3,085
Exercise of share subscription options	674,521		42							42	-	42
Retirement of LVMH shares	(1,683,899)		(79)	79						-	-	-
Capital increase in subsidiaries										-	-	-
Interim and final dividends paid									(671)	(671)	(140)	(811)
Effects of changes in control of consolidated entities, excluding Bulgari										-	-	-
Effects of acquisition and disposal of minority interests' shares										-	(14)	(14)
Effects of purchase commitments for minority interests									(679)	(679)	(912)	(1,591)
As of June 30, 2011	507,669,865	152	3,776	(512)	(36)	1,531	97	704	14,580	20,292	897	21,189

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares and LVMH-share settled derivatives	Cumulative translation adjustment	Revaluation reserves			Net profit and other reserves	Total equity		
						Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land		Group share	Minority interests	Total
Notes		13.1		13.2	13.4					15		
As of December 31, 2009	490,405,654	147	1,763	(929)	(495)	213	63	595	12,439	13,796	989	14,785
Gains and losses recognized in equity					944	118	(90)	1		973	128	1,101
Net profit									1,050	1,050	94	1,144
Comprehensive gains and losses		-	-	-	944	118	(90)	1	1,050	2,023	222	2,245
Stock option plan and similar expenses									20	20	2	22
(Acquisition)/disposal of treasury shares and LVMH-share settled derivatives				115					(4)	111		111
Exercise of share subscription options	630,098		36							36		36
Retirement of LVMH shares	(1,053,545)		(67)	67						-		-
Capital increase in subsidiaries										-	1	1
Interim and final dividends paid									(618)	(618)	(124)	(742)
Effects of changes in control of consolidated entities										-		-
Effects of acquisition and disposal of minority interests' shares										-		-
Effects of purchase commitments for minority interests										-	33	33
As of June 30, 2010	489,982,207	147	1,732	(747)	449	331	(27)	596	12,887	15,368	1,123	16,491

CONSOLIDATED CASH FLOW STATEMENT

(EUR millions)	Notes	June 30, 2011	Dec. 31, 2010	June 30, 2010
I. OPERATING ACTIVITIES AND INVESTMENTS				
Operating profit		2,177	4,169	1,753
Net increase in depreciation, amortization and provisions, excluding tax and financial items		393	788	350
Other computed expenses, excluding financial items		(66)	(126)	(76)
Dividends received		51	20	12
Other adjustments		(19)	(3)	(17)
Cash from operations before changes in working capital		2,536	4,848	2,022
Cost of net financial debt: interest paid		(92)	(149)	(89)
Income taxes paid		(687)	(897)	(282)
Net cash from operating activities before changes in working capital		1,757	3,802	1,651
Change in inventories and work in progress		(508)	(126)	(156)
Change in trade accounts receivable		302	(13)	426
Change in trade accounts payable		(124)	295	(159)
Change in other receivables and payables		(272)	91	(191)
Total change in working capital		(602)	247	(80)
Net cash from operating activities		1,155	4,049	1,571
Purchase of tangible and intangible fixed assets		(603)	(1,002)	(435)
Proceeds from sale of tangible and intangible fixed assets		14	33	12
Guarantee deposits paid and other operating investments		(10)	(7)	(3)
Operating investments		(599)	(976)	(426)
Net cash from (used in) operating activities and operating investments (free cash flow)		556	3,073	1,145
II. FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets	7	(233)	(1,724)	(7)
Proceeds from sale of non-current available for sale financial assets	7	2	70	18
Impact of purchase and sale of consolidated investments ⁽¹⁾	2	(669)	(61)	(16)
Net cash from (used in) financial investments		(900)	(1,715)	(5)
III. TRANSACTIONS RELATING TO EQUITY				
Capital increases of LVMH ⁽¹⁾	13	42	120	36
Capital increases of subsidiaries subscribed by minority interests	15	-	1	1
Acquisition and disposals of treasury shares and LVMH-share settled derivatives	13.2	5	155	89
Interim and final dividends paid by LVMH	13.3	(671)	(953)	(618)
Interim and final dividends paid to minority interests in consolidated subsidiaries	15	(140)	(158)	(121)
Purchase and proceeds from sale of minority interests	15	(14)	(185)	-
Net cash from (used in) transactions relating to equity		(778)	(1,020)	(613)
IV. FINANCING ACTIVITIES				
Proceeds from borrowings		2,820	564	102
Repayment of borrowings		(455)	(1,290)	(1,296)
Purchase and proceeds from sale of current available for sale financial assets	11	(171)	(32)	(120)
Net cash from (used in) financing activities		2,194	(758)	(1,314)
V. EFFECT OF EXCHANGE RATE CHANGES				
		(75)	188	263
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		997	(232)	(524)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12	2,042	2,274	2,274
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12	3,039	2,042	1,750
Transactions included in the table above, generating no change in cash:				
- acquisition of assets by means of finance leases		2	6	4

(1) It should be noted that the acquisition of a controlling stake in Bulgari had no impact on these line items; this transaction was carried out by means of a contribution of shares remunerated by a reserved capital increase of LVMH.

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 General framework and environment

The condensed consolidated financial statements for the six-month period ended June 30, 2011 were approved by the Board of Directors on July 26, 2011. The financial statements were established in accordance with IAS 34 and international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on June 30, 2011; these standards and interpretations have been applied consistently to the periods presented.

The interim accounts have been prepared using the same accounting principles and policies as those applied for the preparation of the annual accounts, with the exception of the determination of the income tax rate, which has been calculated based on the expected rate for the fiscal year. Moreover, comparability of the Group's interim and annual accounts may be affected by the seasonal nature of the Group's businesses,

which achieve a higher level of revenue during the second half of the year (see Note 21 Segment information).

1.2 Changes in the accounting framework

The new standards, amendments or interpretations applicable to the LVMH group since January 1, 2011 relate to:

- amendment to IAS 24 regarding related party transactions;
- amendment to IAS 34 specifying the content of interim financial reports.

The implementation of these amendments in the first half of 2011 did not have a significant impact on the Group's condensed consolidated financial statements.

2. CHANGES IN THE PERCENTAGE OF INTEREST IN CONSOLIDATED ENTITIES

Wines and Spirits

In March 2011, the Group acquired the stake that it did not yet own in Moët Hennessy Whitehall, its subsidiary that distributes wines and spirits in Russia, corresponding to 50% of this entity's share capital, for total consideration of 24 million euros, of which 12 million euros is subject to deferred payment. Moët Hennessy Whitehall was fully consolidated before that transaction due to the control exercised by the Group.

Watches and Jewelry

On June 30, 2011, the Board of Directors of LVMH approved the contribution by the Bulgari family of its majority stake in Bulgari SpA, a company listed on the Milan stock exchange, and proceeded to carry out the capital increase of LVMH Moët Hennessy - Louis Vuitton SA for the purpose of providing consideration for the contribution.

This transaction occurred following a memorandum of understanding between LVMH and the family shareholders of Bulgari SpA, which was signed on March 5, 2011. Under the terms of this memorandum of understanding, it was agreed that subject to the fulfillment of conditions precedent, the family shareholders would contribute to LVMH their 55% stake in Bulgari (48% on a fully diluted basis), and receive as consideration for this contribution 18 million new shares issued by LVMH Moët Hennessy - Louis Vuitton SA, representing 3.55% of the share

capital after the capital increase. Within the framework of this memorandum of understanding, LVMH and Bulgari shares were valued at 113 euros and 12.25 euros, respectively, representing an exchange ratio of 0.108 LVMH share for one Bulgari share.

As of June 30, 2011, LVMH held a 76.1% stake in the share capital of Bulgari (66% on a fully diluted basis), corresponding to 230.1 million shares, resulting both from the abovementioned transactions and from prior acquisitions of shares on the market: 57.9 million shares were acquired during the first quarter of 2011, and 5.9 million shares were already owned as of December 31, 2010.

In accordance with Italian stock exchange regulations, during the course of the coming weeks LVMH will launch a mandatory public tender offer for all of the remaining share capital, at the price of 12.25 euros per share, with the aim of ultimately obtaining the delisting of Bulgari SpA.

In light of the above, as of June 30, 2011, only the balance sheet of Bulgari at that date was consolidated under the full consolidation method. Minority interests were recognized in the amount of 34% of the share capital (on a fully diluted basis). The commitment by LVMH with respect to minority interests, resulting from the upcoming public tender offer, has been recognized under "Other current liabilities", with the difference between this amount and the portion attributable to minority interests in the equity of Bulgari being deducted from consolidated reserves.

At the acquisition date of the controlling interest, June 30, 2011, the value of the investment in Bulgari is as follows:

	Value at acquisition date of controlling interest (EUR millions)	Number of shares (millions)	Value per share (EUR)
Historical cost price of shares	739	63.8	11.58
Remeasurement at acquisition date of controlling interest	42		
Value of shares acquired prior to acquisition of controlling interest	781	63.8	
Contribution value of shares contributed by family shareholders	2,038	166.3	12.25
Remeasurement at acquisition date of controlling interest	200		
Value of shares contributed by family shareholders	2,238	166.3	
Shares held as of June 30, 2011	3,019	230.1	

Remeasurement to 12.25 euros per share of shares acquired prior to the acquisition of the controlling interest generated a gain of 42 million euros, which was recognized under Other operating income and expenses (see Note 23). In accordance

with IFRS accounting standards, the shares contributed by the family shareholders were remeasured as of the acquisition date of the controlling interest, June 30, 2011. The impact of the remeasurement was recognized under consolidated reserves.

The purchase commitment which was recognized, relating to shares held by minority shareholders, is calculated as follows:

	Total value (EUR millions)	Number of shares (millions)	Value per share (EUR)
Outstanding shares as of June 30, 2011	886	72.4	
Shares to be issued in relation to convertible bonds ⁽¹⁾	451	36.8	
Shares to be issued in relation to share subscription options ⁽²⁾	116	9.5	
Value of the purchase commitment	1,453	118.7	12.25

(1) Bonds issued in 2009. Pursuant to the terms and conditions of the issuance, on July 15, 2011 Bulgari exercised the option for early redemption provided in the event that more than 85% of bonds are converted. Bonds that have not been converted on August 22, 2011 will thus be redeemed on August 29, 2011.

(2) Options granted prior to the acquisition of the controlling interest to senior executive officers and employees of Bulgari.

On the basis of the purchase commitment for minority interests of 1,453 million euros detailed above and minority interests' attributable portion of net assets of 846 million euros, the corresponding provisional difference, which has been deducted from consolidated reserves, amounts to 607 million euros.

The table presented on the next page summarizes the impact on LVMH's balance sheet of consolidating Bulgari's assets and liabilities as of June 30, 2011. The amounts correspond to data approved by Bulgari's Board of Directors on July 25, 2011, presented in accordance with the presentation format of LVMH's balance sheet,

before harmonizing differences in accounting policies; goodwill on first consolidation was allocated to the brand in the amount of 2,100 million euros, on the basis of a provisional estimate, with the associated deferred tax amounting to 680 million euros. The definitive allocation of the purchase price paid will be carried out over the next months. Moreover, for the purpose of preparing the consolidated financial statements of LVMH as of June 30, 2011, the convertible bonds issued by Bulgari were considered to have been converted into shares, and the outstanding share subscription options were considered to have been exercised.

(EUR millions)	Assets	Purchase price, liabilities and equity	
Brands and other intangible assets - net	2,182	Purchase price of shares held as of June 30, 2011	3,019
Provisional goodwill	1,375	Minority interests	847
Property, plant and equipment - net	179	Long term borrowings	75
Non-current available for sale financial assets	5	Provisions	31
Other non-current assets	59	Deferred tax	691
Deferred tax	53	Non-current liabilities	797
Non-current assets	3,853	Short term borrowings	41
Inventories and work in progress	741	Trade accounts payable	225
Trade accounts receivable	169	Income taxes	25
Income taxes	12	Provisions	-
Other current assets	90	Current liabilities	291
Cash and cash equivalents	89	Purchase price, and total liabilities and equity	4,954
Current assets	1,101		
Total assets	4,954		

On the basis of a value of 3,019 million euros for the Bulgari shares at the acquisition date of the controlling interest, and restated net assets of 2,490 million euros, provisional goodwill attributable to the Group amounts to 1,375 million euros.

Bulgari's consolidated revenue amounted to 548 millions euros for the first half of 2011, with operating profit of 15 million euros, after deducting non-recurring expenses amounting to 16 million euros relating to the alliance with LVMH.

Transaction fees relating to the Bulgari acquisition were recognized in Other operating income and expenses; they represent an amount of 15 million euros (see Note 23).

The impact of these transactions on Group cash flows for the six-month period ended June 30, 2011, was a cash outflow of 617 million euros, net of 89 million euros of cash acquired, which is essentially attributable to the acquisition price of shares purchased on the market and associated transaction fees.

Selective Retailing

The stake held by Sephora in the share capital of the company owning the Ile de Beauté stores, one of the leading perfume and cosmetics retail chains in Russia, was increased from 45% to 65% in June 2011. Sephora's partner benefits from an option

to sell the remaining 35% stake to Sephora, which may be exercised in tranches from 2013 to 2016. This investment, which was previously accounted for under equity method, was fully consolidated with effect from June 1, 2011.

3. BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

(EUR millions)	June 30, 2011			Dec. 31, 2010	June 30, 2010
	Gross	Amortization and impairment	Net	Net	Net
Brands	9,230	(434)	8,796	6,717	6,719
Trade names	3,110	(1,262)	1,848	1,977	2,130
License rights	96	(71)	25	26	42
Leasehold rights	347	(189)	158	109	111
Software	614	(441)	173	138	120
Other	338	(182)	156	137	125
Total	13,735	(2,579)	11,156	9,104	9,247
Of which: assets held under finance leases	14	(14)	-	-	-

Changes in the net amounts of brands, trade names and other intangible assets during the first half of 2011 were as follows:

Gross value (EUR millions)	Brands	Trade names	Other intangible assets	Total
As of December 31, 2010	7,142	3,339	1,143	11,624
Acquisitions	-	-	66	66
Disposals and retirements	-	-	(14)	(14)
Changes in the scope of consolidation	2,101	-	212	2,313
Translation adjustment	(13)	(229)	(18)	(260)
Other movements, including transfers	-	-	6	6
As of June 30, 2011	9,230	3,110	1,395	13,735

Accumulated amortization and impairment (EUR millions)	Brands	Trade names	Other intangible assets	Total
As of December 31, 2010	(425)	(1,362)	(733)	(2,520)
Amortization expense	(16)	-	(54)	(70)
Impairment expense	-	-	-	-
Disposals and retirements	-	-	12	12
Changes in the scope of consolidation	-	-	(117)	(117)
Translation adjustment	7	100	13	120
Other movements, including transfers	-	-	(4)	(4)
As of June 30, 2011	(434)	(1,262)	(883)	(2,579)

Net carrying amount as of June 30, 2011	8,796	1,848	512	11,156
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The translation adjustment is mainly attributable to intangible assets recognized in US dollars following the change in the exchange rate of this currency with respect to the euro during the period. The DFS trade name and the Donna Karan brand were particularly affected.

The effects of changes in the scope of consolidation are mainly attributable to the acquisition of Bulgari. See Note 2.

4. GOODWILL

(EUR millions)	June 30, 2011			Dec. 31, 2010	June 30, 2010
	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	5,965	(1,090)	4,875	3,409	3,466
Goodwill arising on purchase commitments for minority interests	1,541	-	1,541	1,618	942
Total	7,506	(1,090)	6,416	5,027	4,408

Please refer also to Note 18 for goodwill arising on purchase commitments for minority interests.

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

(EUR millions)	June 30, 2011			Dec. 31, 2010	June 30, 2010
	Gross	Impairment	Net	Net	Net
As of January 1	6,143	(1,116)	5,027	4,270	4,270
Changes in the scope of consolidation	1,529	-	1,529	21	2
Changes in purchase commitments for minority interests	(89)	-	(89)	702	37
Changes in impairment	-	(18)	(18)	(54)	(18)
Translation adjustment	(77)	44	(33)	88	117
As of period-end	7,506	(1,090)	6,416	5,027	4,408

The effects of changes in the scope of consolidation are mainly attributable to the acquisition of Bulgari. See Note 2.

5. PROPERTY, PLANT AND EQUIPMENT

(EUR millions)	June 30, 2011			Dec. 31, 2010	June 30, 2010
	Gross	Depreciation and impairment	Net	Net	Net
Land	888	-	888	916	938
Vineyard land and producing vineyards	1,920	(92)	1,828	1,828	1,630
Buildings	1,777	(809)	968	988	944
Investment property	351	(62)	289	297	303
Machinery and equipment	5,355	(3,578)	1,777	1,704	1,720
Other tangible fixed assets (including assets in progress)	1,721	(494)	1,227	1,000	963
Total	12,012	(5,035)	6,977	6,733	6,498
Of which: assets held under finance leases	237	(132)	105	115	127
historical cost of vineyard land and producing vineyards	632	(93)	539	538	536

The changes in property, plant and equipment in the first half of 2011 break down as follows:

Gross value (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2010	1,919	2,697	358	4,858	1,522	11,354
Acquisitions	6	27	-	150	337	520
Change in the market value of vineyard land	2	-	-	-	-	2
Disposals and retirements	(1)	(7)	-	(63)	(17)	(88)
Changes in the scope of consolidation	-	19	-	446	35	500
Translation adjustment	(7)	(73)	(7)	(147)	(43)	(277)
Other movements, including transfers	1	2	-	111	(113)	1
As of June 30, 2011	1,920	2,665	351	5,355	1,721	12,012

Accumulated depreciation and impairment (EUR millions)	Vineyard land and producing vineyards	Land and buildings	Investment property	Machinery and equipment	Other tangible fixed assets (including assets in progress)	Total
As of December 31, 2010	(91)	(793)	(61)	(3,154)	(522)	(4,621)
Depreciation expense	(3)	(30)	(2)	(247)	(35)	(317)
Impairment expense	-	-	-	-	-	-
Disposals and retirements	1	5	-	63	8	77
Changes in the scope of consolidation	-	(8)	-	(301)	(3)	(312)
Translation adjustment	1	17	1	96	23	138
Other movements, including transfers	-	-	-	(35)	35	-
As of June 30, 2011	(92)	(809)	(62)	(3,578)	(494)	(5,035)
Net carrying amount as of June 30, 2011	1,828	1,856	289	1,777	1,227	6,977

The effects of changes in the scope of consolidation are mainly attributable to the acquisition of Bulgari. See Note 2.

Purchases of property, plant and equipment include investments by Louis Vuitton and Sephora in their retail networks, those of Hennessy and the Champagne houses in their production equipment, as well as real estate investments dedicated to commercial use.

6. INVESTMENTS IN ASSOCIATES

(EUR millions)	June 30, 2011			Dec. 31, 2010	June 30, 2010
	Gross	Impairment	Net	Net	Net
Share of net assets of associates as of January 1	223	-	223	213	213
Share of net profit (loss) for the period	2	-	2	7	4
Dividends paid	(7)	-	(7)	(5)	(5)
Changes in the scope of consolidation	(109)	-	(109)	-	-
Translation adjustment	(1)	-	(1)	8	16
Share of net assets of associates as of period-end	108	-	108	223	228

Changes in the scope of consolidation relate to the full consolidation of Ile de Beauté, previously accounted for under equity method (see Note 2).

As of June 30, 2011, investments in associates consisted primarily of:

- a 40% equity stake in Mongoual SA, a real estate company which owns an office building in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SA;

- a 49% equity stake in Edun, a fashion clothing company focused on ethical trade and sustainable development.

7. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	June 30, 2011			Dec. 31, 2010	June 30, 2010
	Gross	Impairment	Net	Net	Net
Total	5,292	(123)	5,169	3,891	569

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

(EUR millions)	June 30, 2011		Dec. 31, 2010	June 30, 2010
	Total	Of which Hermès		
As of January 1	3,891	3,345	540	540
Acquisitions	219	196	2,756	7
Disposals at net realized value	(2)	-	(70)	(18)
Changes in market value	1,078	1,068	(114)	31
Changes in impairment	(2)	-	(12)	(5)
Reclassifications from Other non-current assets to Non-current available for sale financial assets	-	-	775	(13)
Other reclassifications	-	-	(3)	(11)
Changes in the scope of consolidation	5	-	-	-
Translation adjustment	(20)	-	19	38
As of period-end	5,169	4,609	3,891	569

The stake held by LVMH in the share capital of Hermès International SCA increased from 20.2% to 21.4% during the period, resulting from the acquisition of shares on the market.

As of June 30, 2011, the Hermès International SCA share price on the Paris stock exchange, applied for the purpose of valuing this investment, was 203.90 euros (156.75 euros as of December 31, 2010).

8. INVENTORIES AND WORK IN PROGRESS

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Wines and distilled alcohol in the process of aging	3,203	3,235	3,207
Other raw materials and work in progress	1,256	747	814
	4,459	3,982	4,021
Goods purchased for resale	718	659	635
Finished products	2,714	2,015	2,204
	3,432	2,674	2,839
Gross amount	7,891	6,656	6,860
Impairment	(736)	(665)	(688)
Net amount	7,155	5,991	6,172

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

(EUR millions)	June 30, 2011			Dec. 31, 2010	June 30, 2010
	Gross	Impairment	Net	Net	Net
As of January 1	6,656	(665)	5,991	5,644	5,644
Change in gross inventories	506	-	506	126	156
Fair value adjustment for the harvest of the period	14	-	14	(3)	4
Changes in impairment	-	(17)	(17)	16	5
Changes in the scope of consolidation	876	(64)	812	(39)	(2)
Translation adjustment	(156)	10	(146)	254	369
Reclassifications	(5)	-	(5)	(7)	(4)
As of period-end	7,891	(736)	7,155	5,991	6,172

The effects of changes in the scope of consolidation are mainly attributable to the acquisition of Bulgari. See also Note 2.

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

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Fair value adjustment for the harvest of the period	27	36	18
Adjustment for inventory consumed	(13)	(39)	(14)
Net effect on cost of sales of the period	14	(3)	4

9. TRADE ACCOUNTS RECEIVABLE

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Trade accounts receivable – nominal amount	1,592	1,769	1,379
Provision for impairment	(61)	(57)	(60)
Provision for product returns	(132)	(147)	(155)
Net amount	1,399	1,565	1,164

As of June 30, 2011, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

(EUR millions)		Nominal amount of receivables	Impairment	Net amount of receivables
Not due:	- less than 3 months	1,342	(7)	1,335
	- more than 3 months	38	(1)	37
		1,380	(8)	1,372
Overdue:	- less than 3 months	113	(8)	105
	- more than 3 months	99	(45)	54
		212	(53)	159
Total		1,592	(61)	1,531

10. OTHER CURRENT ASSETS

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Current available for sale financial assets	406	219	260
Derivatives	333	209	360
Tax accounts receivable, excluding income taxes	330	271	250
Advances and payments on account to vendors	129	142	95
Prepaid expenses	241	191	207
Other receivables, net	303	223	238
Total	1,742	1,255	1,410

Please also refer to Note 11 Current available for sale financial assets and Note 20 Financial instruments and market risk management.

11. CURRENT AVAILABLE FOR SALE ASSETS

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Unlisted securities, shares in non-money market SICAV and funds	268	32	106
Listed securities	138	187	154
Total	406	219	260
Of which: historical cost of current available for sale financial assets	400	280	374

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

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
As of January 1	219	218	218
Acquisitions	255	55	54
Disposals at net realized value	(26)	(106)	(48)
Changes in market value	28	74	35
Changes in impairment	5	(26)	(21)
Reclassifications from/(as) Non-current available for sale financial assets ⁽¹⁾	-	-	13
Changes in the scope of consolidation ⁽²⁾	(72)	-	-
Translation adjustment	(3)	4	9
As of period-end	406	219	260

(1) See Note 7.

(2) Impact related to the acquisition of Bulgari. See Note 2.

12. CASH AND CASH EQUIVALENTS

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Fixed term deposits (less than 3 months)	1,532	545	225
SICAV and FCP money market funds	412	141	95
Ordinary bank accounts	1,405	1,606	1,577
Cash and cash equivalents per balance sheet	3,349	2,292	1,897

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:

<i>(EUR millions)</i>	June 30, 2011	Dec. 31, 2010	June 30, 2010
Cash and cash equivalents	3,349	2,292	1,897
Bank overdrafts	(310)	(250)	(147)
Net cash and cash equivalents per cash flow statement	3,039	2,042	1,750

13. EQUITY

13.1 Share capital

As of June 30, 2011, issued and fully paid-up shares totaled 507,669,865 (490,642,232 shares as of December 31, 2010, 489,982,207 as of June 30, 2010), with a par value of 0.30 euros per share, including 225,290,011 shares with double voting rights (225,670,153 as of December 31, 2010, 227,354,918 as of June 30, 2010). Double voting rights are granted to registered shares held for more than three years.

18,037,011 shares were issued during the half-year period, as consideration paid for the contribution of Bulgari shares by the Bulgari family shareholders (see Note 2); 674,521 shares were issued in connection with the exercise of share subscription options, and 1,683,899 shares were cancelled.

13.2 Treasury shares and derivatives settled in LVMH shares

The portfolio of treasury shares and derivatives settled in LVMH shares is allocated as follows:

<i>(EUR millions)</i>	June 30, 2011		Dec. 31, 2010	June 30, 2010
	Number	Value	Value	Value
Share subscription option plans	7,409,694	350	429	468
Share purchase option plans	287,815	21	41	92
Bonus share plans	1,068,684	59	42	42
Other plans ⁽¹⁾	1,089,910	54	70	65
Shares held for stock option and similar plans ⁽²⁾	9,856,103	484	582	667
Liquidity contract	136,000	16	13	9
LVMH treasury shares	9,992,103	500	595	676
LVMH share-based calls ⁽³⁾	300,000	12	12	71
LVMH treasury shares and derivatives settled in LVMH shares	10,292,103	512	607	747

⁽¹⁾ Other plans correspond to future plans.

⁽²⁾ See Note 14 regarding stock option and similar plans.

⁽³⁾ Number of shares which could be purchased if all of the calls outstanding at the balance sheet date were exercised and related premium paid on subscription.

The market value of LVMH shares held under the liquidity contract as of June 30, 2011 amounts to 17 million euros.

The portfolio movements in the period were as follows:

LVMH shares

(EUR millions)	Number	Value	Effect on cash
As of December 31, 2010	11,939,973	595	
Share purchases, including through the exercise of call options	1,262,954	145	(145)
Exercise of share purchase options	(155,992)	(11)	8
Bonus shares definitively allocated	(143,979)	(7)	-
Retirement of shares	(1,683,899)	(79)	-
Proceeds from disposal at net realized value	(1,226,954)	(143)	142
Gain/(loss) on disposal		-	-
As of June 30, 2011	9,992,103	500	5

LVMH share-based calls

(EUR millions)	Number	Value	Effect on cash
As of December 31, 2010	300,000	12	
Calls purchased	-	-	-
Calls exercised	-	-	-
As of June 30, 2011	300,000	12	-

13.3 Dividends paid by the parent company LVMH SA

(EUR millions, except for data per share in EUR)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Interim dividend for the current year (2010: 0.70 euros)	-	343	-
Impact of treasury shares	-	(8)	-
	-	335	-
Final dividend for the previous year (2010: 1.40 euros; 2009: 1.30 euros)	685	636	636
Impact of treasury shares	(14)	(18)	(18)
	671	618	618
Total gross amount disbursed during the period ⁽¹⁾	671	953	618

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

The final dividend for 2010 was paid on May 25, 2011 in accordance with the resolutions of the Shareholders' Meeting of March 31, 2011. The Board of Directors approved the payment of an interim dividend for 2011 of 0.80 euros in December, 2011.

13.4 Cumulative translation adjustment

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

(EUR millions)	June 30, 2011	Change	Dec. 31, 2010	June 30, 2010
US dollar	(344)	(196)	(148)	95
Swiss franc	438	62	376	267
Japanese yen	108	(44)	152	150
Hong Kong dollar	(84)	(127)	43	103
Pound sterling	(92)	(19)	(73)	(51)
Other currencies	11	(41)	52	74
Foreign currency net investment hedges	(73)	99	(172)	(189)
Total, Group share	(36)	(266)	230	449

14. STOCK OPTION AND SIMILAR PLANS

For all plans, one option entitles the holder to purchase one LVMH share.

The number of outstanding options included in the plans in existence as of June 30, 2011 breaks down as follows:

14.1 Share purchase option plans

	Number	Weighted average exercise price (EUR)
Share purchase options outstanding as of January 1	915,482	47.15
Options expired	(171,675)	65.12
Options exercised	(155,992)	50.17
Share purchase options outstanding as of June 30	587,815	41.11

14.2 Share subscription option plans

	Number	Weighted average exercise price (EUR)
Share subscription options outstanding as of January 1	8,084,215	68.79
Options expired	-	-
Options exercised	(674,521)	61.49
Share subscription options outstanding as of June 30	7,409,694	69.45

14.3 Bonus share plans

	Number
Non-vested shares as of January 1	770,611
Allocations of non-vested shares during the period	442,052
Expired allocations during the period	-
Shares vested during the period	(143,979)
Non-vested shares as of June 30	1,068,684

The characteristics of the bonus share allocation, comprising 442,052 shares, plan instituted on March 31, 2011 are as follows:

- the vesting period is three years for beneficiaries with tax residence in France and four years for beneficiaries with tax residence outside France;

- the definitive allocation of shares is subject to performance conditions for a variable number of shares depending on the beneficiary. The portion of shares concerned is only definitively granted if, in fiscal years 2011 and 2012, either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin shows a positive change compared to 2010. The performance condition was considered to have been met in 2011 and 2012 for the purpose of determining the expense for the first half of 2011.

Existing shares were remitted in settlement of the bonus shares vested during the half-period presented.

14.5 Expense for the period

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Share subscription and purchase option plans, bonus share plans	25	44	22
Cash-settled share-based compensation plans index-linked to the change in the LVMH share price	1	6	2
Expense for the period	26	50	24

For the purpose of determining expense for the six-month period, the following data has been used:

- the LVMH share price on the grant date of the 2011 plan was 111.65 euros;
- the volatility of LVMH's shares was determined on the basis of their implicit volatility.

The average unit value of bonus shares provisionally granted in 2011 was 105 euros for beneficiaries with tax residence in France and 102.57 euros for beneficiaries with tax residence outside France.

15. MINORITY INTERESTS

<i>(EUR millions)</i>	June 30, 2011	Dec. 31, 2010	June 30, 2010
As of January 1	1,006	989	989
Minority interests' share of net profit	153	287	94
Dividends paid to minority interests	(140)	(158)	(124)
Effects of changes in control of consolidated entities:			
consolidation of Bulgari	847	-	-
consolidation of Ile de Beauté	(2)	-	-
other movements	-	(3)	-
Effects of acquisition and disposal of minority interests' shares:			
acquisition of minority interests in La Samaritaine	-	(104)	-
acquisition of minority interests in Moët Hennessy Whitehall	(13)	-	-
other movements	1	-	-
Total effects of changes in the percentage of interests in consolidated entities	833	(107)	-
Capital increases subscribed by minority interests	-	1	1
Minority interests' share in gains and losses recognized in equity	(45)	88	128
Minority interests' share in stock option plan expenses	2	3	2
Effects of purchase commitments for minority interests	(912)	(97)	33
As of period-end	897	1,006	1,123

The effects of purchase commitments for minority interests include (846) million euros relating to the cancellation of Bulgari minority interests following the recognition of the purchase commitment resulting from the upcoming public tender offer. See Note 2.

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

<i>(EUR millions)</i>	Cumulative translation adjustment	Hedges of future foreign currency cash flows	Vineyard land	Total share of minority interests
As of December 31, 2010	(43)	5	146	108
Changes for the period	(55)	10	-	(45)
As of June 30, 2011	(98)	15	146	63

16. BORROWINGS

16.1 Net financial debt

<i>(EUR millions)</i>	June 30, 2011	Dec. 31, 2010	June 30, 2010
Bonds and Euro Medium Term Notes (EMTNs)	3,193	2,776	3,532
Bank borrowings and finance lease	717	656	612
Long term borrowings	3,910	3,432	4,144
Bonds and Euro Medium Term Notes (EMTNs)	1,520	815	46
Commercial paper	1,627	272	-
Bank overdrafts	310	250	147
Other short term borrowings	465	497	501
Short term borrowings	3,922	1,834	694
Gross amount of borrowings	7,832	5,266	4,838
Interest rate risk derivatives	(61)	(82)	(98)
Other derivatives	-	5	28
Gross borrowings after derivatives	7,771	5,189	4,768
Current available for sale financial assets	(406)	(219)	(260)
Other current financial assets	-	-	(46)
Cash and cash equivalents	(3,349)	(2,292)	(1,897)
Net financial debt	4,016	2,678	2,565

Net financial debt does not take into consideration purchase commitments for minority interests recorded in “Other non-current liabilities”, including the commitment resulting from the public tender offer for minority interests in Bulgari, classified under “Other current liabilities” (see Notes 2 and 18).

LVMH issued a public bond during the first half of 2011, in two tranches of 500 million euros each. These tranches, issued at

99.617% and 99.484% of par value respectively, are redeemable at par on maturity in April 2015 and April 2018; effective interest rates are 3.47% and 4.08% respectively. These borrowings were subject to an interest rate swap on issuance.

Moreover, LVMH issued by means of a private placement US dollar-denominated floating-rate bonds, redeemable in July 2013, for a total amount equivalent to 173 million euros.

16.2 Analysis of gross borrowings by payment date and by type of interest rate

(EUR millions)		Gross borrowings			Effects of derivatives			Gross borrowings after derivatives		
		Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity:	2011	2,709	231	2,940	(1,685)	1,660	(25)	1,024	1,891	2,915
	2012	958	90	1,048	(760)	764	4	198	854	1,052
	2013	557	335	892	74	(72)	2	631	263	894
	2014	1,066	173	1,239	(1,000)	986	(14)	66	1,159	1,225
	2015	933	3	936	(750)	737	(13)	183	740	923
	2016	19	17	36	-	-	-	19	17	36
	Thereafter	739	2	741	(650)	635	(15)	89	637	726
Total		6,981	851	7,832	(4,771)	4,710	(61)	2,210	5,561	7,771

See Note 20.2 regarding market value of interest rate risk derivatives.

16.3 Analysis of gross borrowings by currency after hedging

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Euro	6,085	3,587	3,340
US dollar	178	221	154
Swiss franc	1,029	988	903
Japanese yen	261	208	206
Other currencies	218	185	165
Total	7,771	5,189	4,768

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

17. PROVISIONS

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Provisions for pensions, medical costs and similar commitments	286	261	265
Provisions for contingencies and losses	925	886	717
Provisions for reorganization	15	20	24
Non-current provisions	1,226	1,167	1,006
Provisions for pensions, medical costs and similar commitments	9	9	8
Provisions for contingencies and losses	257	274	274
Provisions for reorganization	41	56	66
Current provisions	307	339	348
Total	1,533	1,506	1,354

During the half-year period, the changes in provisions were as follows:

(EUR millions)	Dec. 31, 2010	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items (including translation adjustment)	June 30, 2011
Provisions for pensions, medical costs and similar commitments	270	21	(8)	-	19	(7)	295
Provisions for contingencies and losses	1,160	81	(51)	(18)	14	(4)	1,182
Provisions for reorganization	76	1	(19)	(1)	-	(1)	56
Total	1,506	103	(78)	(19)	33	(12)	1,533
Of which: profit from recurring operations		72	(45)	(13)			
net financial income (expense)		-	-	-			
other		31	(33)	(6)			

18. OTHER NON-CURRENT LIABILITIES

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Purchase commitments for minority interests	3,718	3,686	2,865
Derivatives	-	2	32
Employee profit sharing ⁽¹⁾	72	88	72
Other liabilities	175	171	177
Total	3,965	3,947	3,146

(1) French companies only, pursuant to legal provisions.

Moët Hennessy SNC and Moët Hennessy International SAS (“Moët Hennessy”) own the investments in the Group’s Wines and Spirits businesses, with the exception of Château d’Yquem, Château Cheval Blanc and certain Champagne vineyards.

As of June 30, 2011, purchase commitments for minority interests mainly include the put option granted to Diageo plc for its 34% share in Moët Hennessy, with six-months’ advance notice and

for 80% of its fair value at the exercise date of the commitment. With regard to this commitment valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy’s consolidated operating results.

Purchase commitments for minority interests also include commitments relating to minority shareholders in Benefit (20%), Royal Van Lent (10%) and to minority shareholders of Sephora in various countries.

19. OTHER CURRENT LIABILITIES

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Derivatives	45	145	304
Employees and social institutions	656	687	561
Employee profit sharing ⁽¹⁾	45	72	41
Taxes other than income taxes	264	317	251
Advances and payments on account from customers	196	203	206
Deferred payment for tangible and financial non-current assets	76	177	138
Deferred income	100	76	66
Other ⁽²⁾	1,856	466	408
Total	3,238	2,143	1,975

(1) French companies only, pursuant to legal provisions.

(2) This amount includes a liability of 1,453 million euros in respect of the commitment resulting from the public tender offer for minority interests in Bulgari. See Note 2.

Derivatives are analyzed in Note 20.

20. FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

Financial instruments are mainly used by the Group to hedge risks arising from Group activity and protect its assets. These instruments are mainly centralized. Counterparties are selected based on their rating and in accordance with the Group's risk diversification strategy.

20.1 Summary of derivatives

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

(EUR millions)		Notes	June 30, 2011	Dec. 31, 2010	June 30, 2010
Interest rate risk					
Assets:	non-current		36	41	91
	current		42	66	40
Liabilities:	non-current		-	(1)	(16)
	current		(17)	(24)	(17)
		20.2	61	82	98
Foreign exchange risk					
Assets:	non-current		19	8	1
	current		284	139	101
Liabilities:	non-current		-	(1)	(16)
	current		(27)	(121)	(259)
		20.3	276	25	(173)
Other risks					
Assets:	non-current		22	12	3
	current		7	4	219
Liabilities:	non-current		-	-	-
	current		(1)	-	(28)
			28	16	194
Total					
Assets:	non-current		77	61	95
	current	10	333	209	360
Liabilities:	non-current	18	-	(2)	(32)
	current	19	(45)	(145)	(304)
			365	123	119

The Group manages its interest rate exposure on the basis of total net financial debt. As such, the Group uses interest rate swaps and options (caps and floors). The objective of its management policy is to protect net profit against a sharp rise in interest rates.

Foreign exchange risk hedging instruments are used to reduce the risks arising from fluctuations of the currencies in which the Group's entities' sales and some of their purchases are denominated against their functional currencies. They are allocated either to accounts receivable or accounts payable for the fiscal year, or, under certain conditions, to transactions anticipated for future periods. Those instruments may also be used to hedge the net assets of subsidiaries outside the euro zone, in order to limit the impact

of foreign currency fluctuations against the euro on consolidated equity.

The Group may also use equity-based derivatives to create synthetically an economic exposure to certain assets, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the balance sheet date. A uniform variation of 1% in their underlying assets' share prices as of June 30, 2011 would impact the Group's net profit for an amount of approximately 0.3 million euros for those derivatives.

20.2 Derivatives used to manage interest rate risk

Derivatives used to manage interest rate risk outstanding as of June 30, 2011 break down as follows:

(EUR millions)	Nominal amounts by maturity				Market value ⁽¹⁾		
	2011	2012 to 2016	Beyond 2016	Total	Fair value hedges	Unallocated amounts	Total
Interest rate swaps in euros:							
- fixed rate payer	-	161	-	161	-	(5)	(5)
- floating rate payer	1,685	2,601	650	4,936	63	-	63
- floating rate/floating rate	-	152	-	152	-	1	1
Foreign currency swaps	-	291	-	291	-	2	2
Total					63	(2)	61

(1) Gain/(Loss).

20.3 Derivatives used to manage foreign exchange risk

Derivatives used to manage foreign exchange risk outstanding as of June 30, 2011 break down as follows:

(EUR millions)	Nominal amounts by fiscal year of allocation				Market value ⁽¹⁾				
	2011	2012	Beyond	Total	Fair value hedges	Future cash flow hedges	Foreign currency net investment hedges	Not allocated	Total
Options purchased									
Put USD	69	21	-	90	1	2	-	1	4
Put JPY	47	60	-	107	-	-	-	-	-
Other	66	-	-	66	-	3	-	-	3
	182	81	-	263	1	5	-	1	7
Ranges									
Written USD	1,799	1,258	-	3,057	41	164	-	22	227
Written JPY	194	101	-	295	1	11	-	-	12
Other	-	-	-	-	-	-	-	-	-
	1,993	1,359	-	3,352	42	175	-	22	239
Forward exchange contracts ⁽²⁾									
USD	(7)	-	-	(7)	1	-	-	-	1
JPY	130	142	-	272	4	11	-	-	15
GBP	(5)	-	-	(5)	-	-	-	-	-
Other	51	(13)	-	38	(1)	(2)	-	-	(3)
	169	129	-	298	4	9	-	-	13
Foreign exchange swaps ⁽²⁾									
USD	1,636	-	-	1,636	-	-	27	-	27
CHF	310	-	-	310	-	-	(12)	(5)	(17)
GBP	(4)	-	-	(4)	-	-	-	2	2
JPY	(64)	-	-	(64)	-	-	-	8	8
Other	31	-	-	31	-	-	(1)	(2)	(3)
	1,909	-	-	1,909	-	-	14	3	17
Total					47	189	14	26	276

(1) Gain/(Loss).

(2) Sale/(Purchase).

21. SEGMENT INFORMATION

21.1 Information by business group

First half 2011

Bulgari's business activities notably comprise Watches and Jewelry, Perfumes and Cosmetics, as well as Leather Goods. Given the way that brands are managed within the LVMH group, and its internal reporting based on business groups, which group together the specific data for each brand, Bulgari is consolidated within the Watches and Jewelry business group.

As of June 30, 2011, only the assets and liabilities of Bulgari are presented in the tables below, with all data relating to business activity during the six-month period being excluded.

(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 ⁽¹⁾	Total
Sales outside the Group	1,430	3,953	1,373	566	2,821	149	-	10,292
Sales between business groups	5	18	145	10	10	8	(196)	-
Total revenue	1,435	3,971	1,518	576	2,831	157	(196)	10,292
Profit from recurring operations	413	1,381	181	85	287	(114)	(10)	2,223
Other operating income and expenses	(7)	(16)	(3)	-	(22)	2	-	(46)
Operating investments ⁽²⁾	68	150	69	27	68	204	-	586
Depreciation and amortization expense	44	158	51	19	97	18	-	387
Impairment expense	-	10	-	-	3	5	-	18
Brands, trade names, licenses and goodwill ⁽³⁾	2,776	4,591	895	5,248	2,715	860	-	17,085
Inventories	3,748	869	338	1,208	1,014	72	(94)	7,155
Other operating assets	2,466	2,059	691	939	1,418	3,127	9,637 ⁽⁴⁾	20,337
Total assets	8,990	7,519	1,924	7,395	5,147	4,059	9,543	44,577
Equity	-	-	-	-	-	-	21,189	21,189
Operating liabilities	903	1,268	862	575	1,082	650	18,048 ⁽⁵⁾	23,388
Total liabilities and equity	903	1,268	862	575	1,082	650	39,237	44,577

Fiscal year 2010

(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 ⁽¹⁾	Total
Sales outside the Group	3,252	7,549	2,806	970	5,360	383	-	20,320
Sales between business groups	9	32	270	15	18	26	(370)	-
Total revenue	3,261	7,581	3,076	985	5,378	409	(370)	20,320
Profit from recurring operations	930	2,555	332	128	536	(141)	(19)	4,321
Other operating income and expenses	(21)	(30)	(39)	(3)	(26)	(33)	-	(152)
Operating investments ⁽²⁾	97	351	112	47	194	183	-	984
Depreciation and amortization expense	97	314	106	29	201	38	-	785
Impairment expense	-	21	-	-	17	16	-	54
Brands, trade names, licenses and goodwill ⁽³⁾	2,853	4,675	911	1,712	2,729	867	-	13,747
Inventories	3,626	770	275	403	935	70	(88)	5,991
Other operating assets	2,700	2,034	686	336	1,485	2,689	7,496 ⁽⁴⁾	17,426
Total assets	9,179	7,479	1,872	2,451	5,149	3,626	7,408	37,164
Equity	-	-	-	-	-	-	18,204	18,204
Operating liabilities	1,069	1,334	971	221	1,188	641	13,536 ⁽⁵⁾	18,960
Total liabilities and equity	1,069	1,334	971	221	1,188	641	31,740	37,164

First half 2010

(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 ⁽¹⁾	Total
Sales outside the Group	1,299	3,502	1,311	437	2,410	140	-	9,099
Sales between business groups	3	14	130	6	9	11	(173)	-
Total revenue	1,302	3,516	1,441	443	2,419	151	(173)	9,099
Profit from recurring operations	326	1,179	181	49	176	(81)	(14)	1,816
Other operating income and expenses	(4)	(11)	(28)	(1)	(7)	(12)	-	(63)
Operating investments ⁽²⁾	38	148	48	24	75	62	(9)	386
Depreciation and amortization expense	46	144	51	14	91	20	-	366
Impairment expense	-	10	-	-	3	5	-	18
Brands, trade names, licenses and goodwill ⁽³⁾	2,302	4,709	950	1,614	2,835	889	-	13,299
Inventories	3,700	822	278	405	916	137	(86)	6,172
Other operating assets	2,261	1,911	610	300	1,435	2,633	4,608 ⁽⁴⁾	13,758
Total assets	8,263	7,442	1,838	2,319	5,186	3,659	4,522	33,229
Equity	-	-	-	-	-	-	16,491	16,491
Operating liabilities	900	1,291	865	213	987	552	11,930 ⁽⁵⁾	16,738
Total liabilities and equity	900	1,291	865	213	987	552	28,421	33,229

(1) Eliminations relate to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing.

Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.

(2) Operating investments correspond to amounts capitalized during the fiscal year rather than payments made during the fiscal year with respect to these investments.

(3) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 3 and 4.

(4) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables. As of June 30, 2011, they include the 21.4% shareholding in Hermès International, representing an amount of 4,609 million euros (3,345 million euros as of December 31, 2010, and 568 as of June 30, 2010, of which 489 million euros classified under "Other non-current assets" and 79 million euros classified under "Non-current available for sale financial assets"), see Note 7.

(5) Liabilities not allocated include borrowings and both current and deferred tax liabilities.

21.2 Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
France	1,302	2,725	1,247
Europe (excluding France)	1,957	4,236	1,757
United States	2,308	4,611	2,079
Japan	810	1,784	819
Asia (excluding Japan)	2,881	4,991	2,335
Other	1,034	1,973	862
Revenue	10,292	20,320	9,099

Operating investments by geographic region are as follows:

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
France	360	389	169
Europe (excluding France)	70	230	82
United States	63	134	47
Japan	13	31	7
Asia (excluding Japan)	64	152	65
Other	16	48	16
Operating investments ⁽¹⁾	586	984	386

(1) Operating investments correspond to the amounts capitalized during the period rather than payments made during the period.

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.

21.3 Quarterly information

Quarterly sales by business group break down as follows:

(EUR millions)	June 30, 2011			June 30, 2010		
	First quarter	Second quarter	Total	First quarter	Second quarter	Total
Wines and Spirits	762	673	1,435	635	667	1,302
Fashion and Leather Goods	2,029	1,942	3,971	1,729	1,787	3,516
Perfumes and Cosmetics	803	715	1,518	736	705	1,441
Watches and Jewelry	261	315	576	204	239	443
Selective Retailing	1,421	1,410	2,831	1,181	1,238	2,419
Other and holding companies	74	83	157	77	74	151
Eliminations	(103)	(93)	(196)	(90)	(83)	(173)
Total revenue	5,247	5,045	10,292	4,472	4,627	9,099

22. EXPENSES BY NATURE

Profit from recurring operations includes the following expenses:

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Advertising and promotion expenses	1,203	2,267	992
Commercial lease expenses	700	1,335	650
Personnel costs	1,883	3,589	1,721
Research and development expenses	25	46	23

23. OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	June 30, 2011	Dec. 31, 2010	June 30, 2010
Net gains (losses) on disposals of fixed assets	(4)	(36)	-
Restructuring costs	-	(32)	(8)
Remeasurement of shares purchased prior to their initial consolidation	22	-	-
Transaction costs relating to the acquisition of consolidated companies	(16)	-	-
Impairment or amortization of brands, trade names, goodwill and other property	(51)	(87)	(35)
Other, net	3	3	(20)
Other operating income and expenses	(46)	(152)	(63)

The investments in Bulgari and Ile de Beauté held prior to the acquisition date of a controlling interest were revalued at market value. Transaction costs relate essentially to these two transactions.

24. NET FINANCIAL INCOME/EXPENSE

<i>(EUR millions)</i>	June 30, 2011	Dec. 31, 2010	June 30, 2010
Borrowing costs	(91)	(168)	(78)
Income from cash, cash equivalents and current available for sale financial assets	16	18	3
Fair value adjustment of borrowings and interest rate hedges	-	(1)	(2)
Cost of net financial debt	(75)	(151)	(77)
Dividends received from non-current available for sale financial assets	44	14	7
Ineffective portion of foreign currency hedges	(73)	(96)	(100)
Net gain/(loss) related to available for sale financial assets and other financial instruments	20	865	30
Other items – net	(11)	(20)	(10)
Other financial income and expenses	(20)	763	(73)
Net financial income/(expense)	(95)	612	(150)

25. INCOME TAXES

<i>(EUR millions)</i>	June 30, 2011	Dec. 31, 2010	June 30, 2010
Current income taxes for the period	(673)	(1,501)	(444)
Current income taxes relating to previous periods	(6)	(5)	5
Current income taxes	(679)	(1,506)	(439)
Change in deferred income taxes	57	35	(24)
Impact of changes in tax rates on deferred taxes	1	2	-
Deferred income taxes	58	37	(24)
Total tax expense per income statement	(621)	(1,469)	(463)
Tax on items recognized in equity	(131)	(3)	116

The effective tax rate is as follows:

<i>(EUR millions)</i>	June 30, 2011	Dec. 31, 2010	June 30, 2010
Profit before tax	2,082	4,781	1,603
Total income tax expense	(621)	(1,469)	(463)
Effective tax rate	29.8%	30.7%	28.9%

The effective rate tax used at June 30, 2011 is the forecast effective tax rate for the fiscal year.

As was the case as of June 30, 2010, this takes into consideration the difference between French and foreign tax rates, which lower the effective tax rate by 6%

26. EARNINGS PER SHARE

	June 30, 2011	Dec. 31, 2010	June 30, 2010
Net profit, Group share (EUR millions)	1,310	3,032	1,050
Average number of shares in circulation during the period	489,717,563	490,124,174	489,924,303
Average number of treasury shares owned during the period	(10,451,587)	(13,253,254)	(14,017,161)
Average number of shares on which the calculation before dilution is based	479,265,976	476,870,920	475,907,142
Basic Group share of profit per share (EUR)	2.73	6.36	2.21
Average number of shares on which the above calculation is based	479,265,976	476,870,920	475,907,142
Dilution effect of stock option plans	3,689,739	2,868,777	3,171,373
Other dilution effects	-	-	-
Average number of shares in circulation after dilution	482,955,715	479,739,697	479,078,515
Diluted Group share of profit per share (EUR)	2.71	6.32	2.19

27. OFF BALANCE SHEET COMMITMENTS

The Group's off balance sheet commitments did not change significantly during the six-month period, except for the effects of the integration of Bulgari, whose lease commitments amounted to 380 million euros as of June 30, 2011.

28. LITIGATION

In connection with LVMH's entry into the capital of Hermès International, the AMF has decided to carry out an investigation, which is currently in progress, into the market and financial disclosures relating to Hermès and LVMH securities.

Following the cancellation, in January 2011, of the building permit granted to Fondation Louis Vuitton for the construction of a modern and contemporary art museum in the Bois de Boulogne, on April 14, 2011, the Administrative Court of Appeal granted a stay of execution of this decision, so that construction work may proceed.

No significant developments occurred during the first half of 2011 with respect to any of the other legal proceedings in which the Group is involved.

29. RELATED PARTIES

In the first half of 2011, relationships between the LVMH group and its related parties remained comparable with those of fiscal year 2010.

In particular, no transactions of unusual types or amounts occurred during the period.

30. SUBSEQUENT EVENTS

There were no significant subsequent events as of July 26, 2011, the date on which the financial statements were approved for publication by the Board of Directors.

STATUTORY AUDITORS' REVIEW REPORT

STATUTORY AUDITORS' REVIEW REPORT

To the Shareholders,

In compliance with the assignment entrusted to us by the Shareholders' Meeting and in accordance with the Article L. 451-1-2 III of the French Monetary and Financial Code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of LVMH Moët Hennessy - Louis Vuitton, for the period from January 1 to June 30, 2011;
- the verification of the information contained in the interim management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

1. CONCLUSION ON THE FINANCIAL STATEMENTS

We conducted our review in accordance with the professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the professional standards applicable in France and consequently does not enable us to obtain assurance that the financial statements, taken as a whole, are free from material misstatements, as we would not become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that these condensed half-year consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – IFRS as adopted by the European Union applicable to interim financial information.

2. SPECIFIC VERIFICATION

We have also verified the information provided in the interim management report in respect of the condensed half-year financial statements that were the object of our review.

We have no matters to report on the fairness and consistency of this information with the condensed half-year financial statements.

Neuilly-sur-Seine, July 26, 2011

The Statutory Auditors

French original signed by

DELOITTE & ASSOCIES

Thierry Benoit

ERNST & YOUNG et Autres

Olivier Breillot

Gilles Cohen

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

LVMH MOËT HENNESSY • LOUIS VUITTON SA

SIMPLIFIED ACCOUNTING INFORMATION

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INCOME STATEMENT

Income / (Expenses) (EUR millions - French accounting principles)	June 30, 2011	31 December 2010	June 30, 2010
Income from investments and other revenue	2,420	2,172	1,083
Operating income before tax	2,309	1,500	540
Net exceptional items	87	713	1,120
Income taxes	(31)	105	152
Net profit	2,365	2,318	1,812

CHANGE IN EQUITY

(EUR millions - French accounting principles)	Share capital	Share premium	Reserves and regulated provisions	Other reserves	Retained earnings	Interim dividend	Net profit	Total equity
As of December 31, 2010 before appropriation of 2010 income	147	1,782	387	195	2,596	(335)	2,318	7,090
Appropriation of 2010 net income	-	-	-	-	2,318	-	(2,318)	-
Dividend 2010: final dividend	-	-	-	-	(1,028)	335	-	(693)
Impact of treasury shares	-	-	-	-	22	-	-	22
Exercise of share subscription options	-	41	-	-	-	-	-	41
Retirement of LVMH shares	-	(79)	-	-	-	-	-	(79)
Contribution of Bulgari shares	5	2,032	1	-	-	-	-	2,038 ⁽¹⁾
Net profit for the six-month period	-	-	-	-	-	-	2,365	2,365
As of June 30, 2011	152	3,776	388	195	3,908	-	2,365	10,784

(1) Amount of the reserved capital increase carried out as consideration for the Bulgari shares contributed by the family shareholders (See Note 2 of condensed consolidated financial statements).

STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

STATEMENT BY THE COMPANY OFFICER RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

We declare that, to the best of our knowledge, the condensed interim consolidated financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the interim management report presented on page 6 gives a true and fair picture of the significant events during the first six months of the fiscal year and their impact on the financial statements, of the main related party transactions as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Paris, July 26, 2011

Under delegation from the Chairman and Chief Executive Officer

Jean-Jacques GUIONY

Chief Financial Officer, Member of the Executive Committee

LVMH

MOËT HENNESSY ♦ LOUIS VUITTON

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