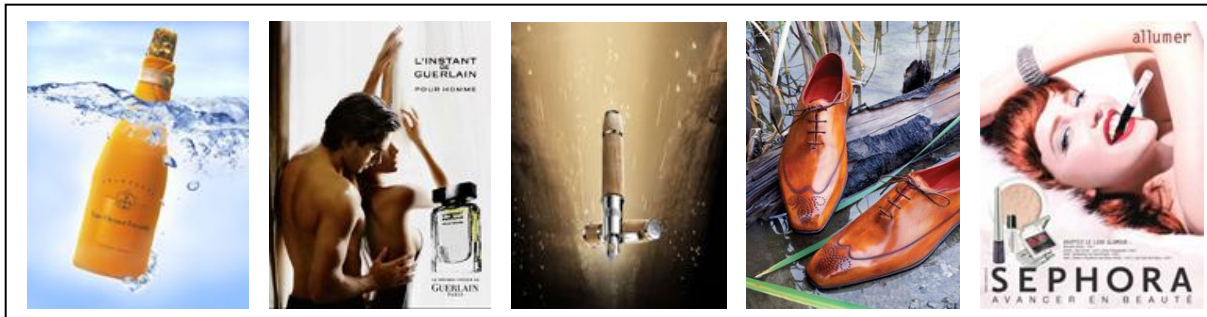


# LVMH Risk Management



***CESAM***

# Agenda

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- I. LVMH Presentation : key figures**
- II. LVMH Corporate Risk Management**
- III. Marine exposures: Profile & treatment**

# LVMH, global leading luxury group

## *2009 data*

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- A unique portfolio of more than 60 prestigious brands
- More than 2,400 stores worldwide
- 17.2 billion euros in revenue in 2009
- 77,000 employees, 75% based outside France

# LVMH, a unique heritage

## *A group based on timeless brands*

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### 16e

1593 Château d'Yquem

### 18e

1729 Ruinart  
1743 Moët & Chandon  
1765 Hennessy  
1772 Veuve Clicquot  
1780 Chaumet

### 19e

1815 Ardbeg  
1828 Guerlain  
1843 Krug  
1843 Glenmorangie  
1845 La Brosse et Dupont  
1846 Loewe (Couture puis Parfums en 1972)  
1849 Royal Van Lent  
1852 Le Bon Marché  
1854 Louis Vuitton  
1858 Mercier  
1860 Jardin d'Acclimatation  
1860 TAG Heuer  
1865 Zenith  
1895 Berluti  
1897 Franck & Fils

### 20e

1908 Les Echos  
1916 Acqua di Parma  
1925 Fendi  
1936 Dom Pérignon  
1936 Fred  
1945 Céline  
1947 Dior (fashion and perfumes, then watches in 1985)  
1947 Emilio Pucci  
1952 Givenchy (fashion then perfumes in 1957)  
1954 Connaissance des Arts  
1960 DFS  
1960 Bodegas Chandon  
1963 Miami Cruiseline Services  
1970 Kenzo (fashion then perfumes in 1987)  
1972 Chandon do Brasil  
1973 Domaine Chandon California  
1973 Sephora  
1974 Investir  
1976 Cape Mentelle  
1977 Newton  
1978 La Grande Epicerie  
1978 Le Monde de la Musique  
1980 Hublot  
1982 Radio Classique  
1984 Donna Karan  
1984 Make Up For Ever  
1984 Marc Jacobs

1984 Thomas Pink  
1985 Cloudy Bay  
1985 SID Presse  
1986 Arléa  
1986 Domaine Chandon Australia  
1991 Fresh  
1991 StefanoBi  
1993 Chopin  
1995 BeneFit Cosmetics  
1996 Belvedere  
1998 Numanthia  
1999 Terrazas de los Andes  
1999 Sephora.com

### 21e

2001 De Beers  
2003 Cheval des Andes  
2005 10 Cane

# LVMH, global leading luxury group

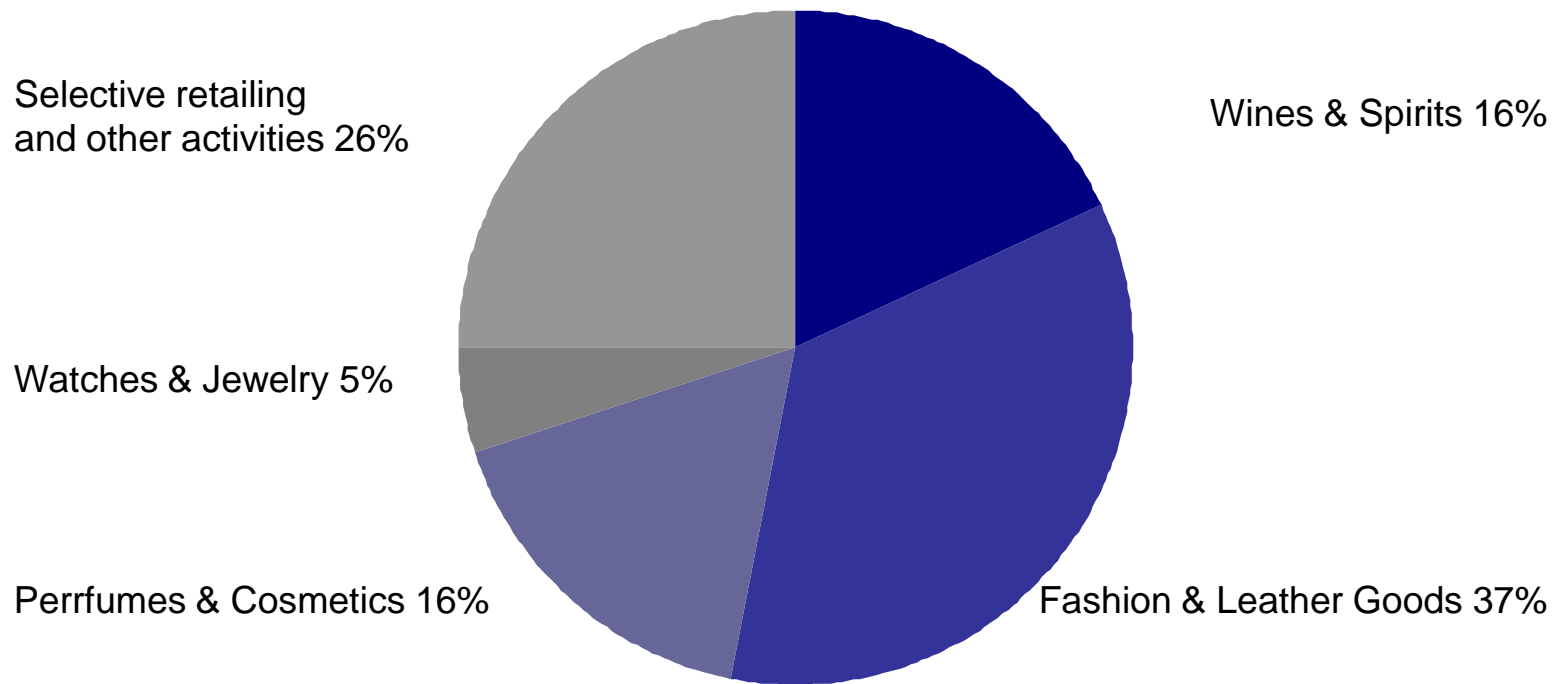
## *Key figures*

Euro Millions	2008	2009
<b>Revenue</b>	17,193	17,053
% change		- 1%
<b>Profit from recurring operations</b>	3,628	3,352
% change		- 8%
<b>Group share of net profit</b>	2,026	1,755
% change		- 13%
<b>Free cash flow*</b>	1,331	2,025
% change		+ 66%

# LVMH, global leading luxury group

## *Revenue by business group*

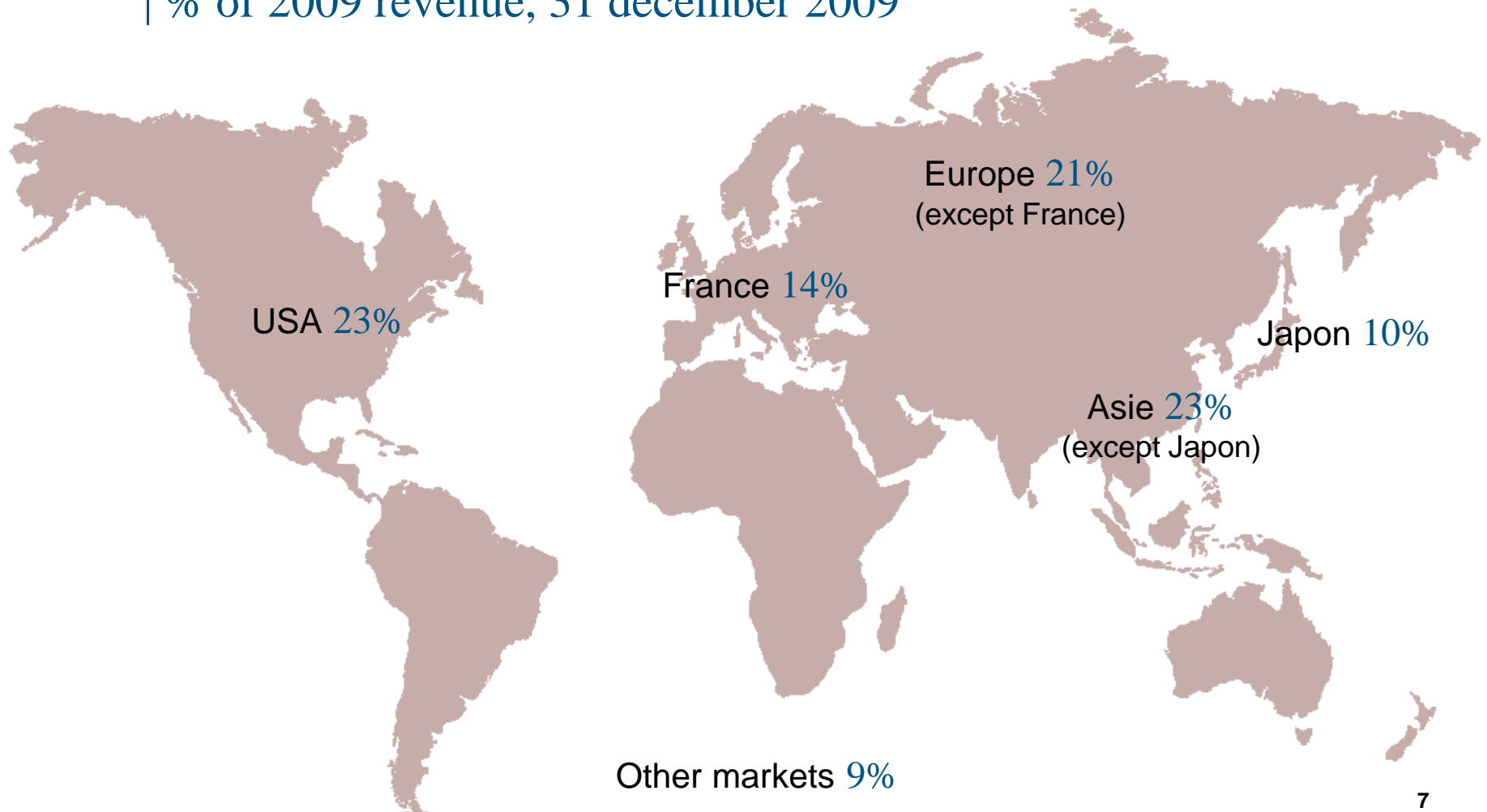
| % of 2009 revenue, 31 december 2009



# LVMH, global leading luxury group

## *Well-balanced geographical presence*

| % of 2009 revenue, 31 december 2009



# Organization

## Corporate Risk Management

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### **Centralized** function at the LVMH Corporate level

- Team of 3 people based in Paris + 1 in the USA
- Reporting to the LVMH Group CFO in Paris
- Defining the risk management policy and strategy worldwide

### **Decentralized** actions (local implementation)

- **at regional level, CRM works in close cooperation with :**

#### *Regional correspondents*

- ✓ based in the USA, South America, Asia/Pacific and Japan.

- **at operational level, CRM relies on :**

#### *In-house resources :*

- ✓ Finance Directors, Safety managers, insurance managers, internal auditors

#### *Outside resources :*

- ✓ Brokers network and international underwriters
- ✓ Loss control specialists (logistics, IT, weather, environment, ...)
- ✓ Risks consultants ( risk mapping, business continuity plan, ...)

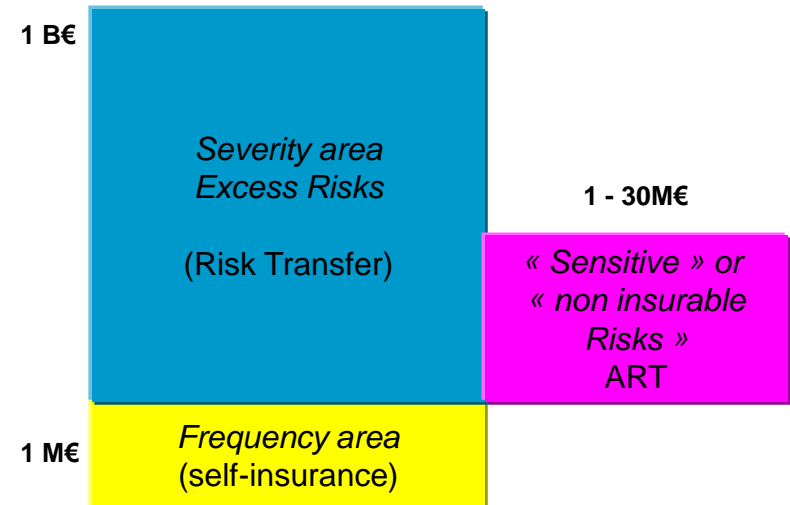


# General Braod Approach

## Corporate Risk Management

LVMH Group has a global approach to finance its risks, based on thorough technical analysis leading to arbitration between :

- Self-insurance for frequency risks (employing loss control / risk prevention)
- Risk transfer to insurance markets for « excess » unpredictable large risks
- Alternative risk transfer mechanisms for non-insurable or « sensitive » risks (of medium severity)



# LVMH Marine exposures

## Risk Profile

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- Diverse activities = diversifies local entity needs
- Highly attractive products = target
- High seasonality/high margins = vulnerability
- Image/reputation (need to recover and/or destroy goods)
- Means of transportation:
  - Sea (60%)
  - Road (30%)
  - Air (10%)
- Loss profile:
  - Contained frequency given high volume of shipments
  - Low severity. 1mill€+ claims once every 5 years
  - Active risk prevention: careful selection of transporter, loss analysis and treatment, control of distribution channels, safety measures, legal prevention, etc...

# LVMH Marine exposures

## Risk treatment

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- **Worldwide « umbrella » program** implemented from France with an international pool of insurers.
- **Coverage** : « All Risks » (door-to-door basis).
- **Limits** : sufficient to cover high risk accumulation
- **Broad and flexible coverage** to match LVMH specificities (taylor made).
- **Interests** : All goods and merchandise of every description being part of the Insured business activities.
- **Captive retention** : LVMH loss profile (predictable , low volatility) allows high self-insurance (up to 75%). Catastrophic risk transferred to insurers.