Christian Dior

TRANSLATION OF THE FRENCH "RAPPORT ANNUEL"
AS OF DECEMBER 31, 2016

Combined Shareholders' Meeting
April 13, 2017

This document is a free translation into English of the original French "Rapport annuel", hereafter referred to as the "Annual 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.

This is a provisional version of the English translation and may be subject to change before the final version is published.

Christian Dior

Annual Report as of December 31, 2016

Chairman's message

Once again, strong creative momentum across each of the Group's businesses helped Christian Dior achieve a fiscal year of strong growth. The exceptional performances of Christian Dior Couture, Louis Vuitton, Fendi and Moët Hennessy, Christian Dior's new market share gains in fragrances, TAG Heuer's return to robust growth, and Sephora's steady advances as it consolidates its position as the top selective beauty retailer in the United States: these are just some of the achievements made possible by the commitment and talent of our teams.

A fiscal year replete with new projects and investments

In the second half of 2016, the Group reaffirmed its ambition to be at the forefront of innovation and creativity. Louis Vuitton continues to demonstrate its talent for reinventing itself and creating surprises. The announcement of a collection of fragrances, after a seventy-year pause, was one of the year's most highly anticipated events. Louis Vuitton lived up to its promise, with the passion for perfection that imbues everything it does. The new fragrances were an immediate success, rapidly attracting a strong following despite only being available at Louis Vuitton stores.

In the fall of 2016, coinciding with this launch, both Christian Dior's and Louis Vuitton's Master Perfumers set up their creative ateliers in Grasse, the undisputed capital of perfume, at Les Fontaines Parfumées. This newly restored jewel allows our perfumers to work even more closely with rose and jasmine producers, and represents a new phase in the quest for excellence of our perfume houses, while enhancing the economic vitality of this exceptional region.

Bvlgari has also inaugurated a new jewelry manufacturing facility in the northern Italian town of Valenza, combining artisanal excellence with the latest advances in technology and environmental performance, and giving it the production capacity to meet its growth plans.

In Wines and Spirits, Ao Yun's first vintage, made in the Himalayan foothills, has crowned years of research to bring an audacious dream to reality. The singular qualities of this terroir and its expert, highly talented winemaking team leave no doubt that Ao Yun has what it takes to become China's finest wine.

Last but not least, we welcomed Rimowa into our Fashion and Leather Goods business group. Renowned worldwide for the quality, innovative spirit and design of its premium luggage, Rimowa – a jewel in that class of robust, dynamic, family-owned businesses known as the Mittelstand – thus becomes our first German Maison.

Continuity to secure the future

Innovation was a core focus for all our businesses in 2016, but so was continuity, an essential investment for the future of our Maisons. Under the aegis of the Institut des Métiers d'Excellence (IME), our professional training organization dedicated to passing down our expertise to younger generations, which currently has several hundred apprentices, we created a new watchmaking program, the École d'Horlogerie LVMH. We take particular pride in the IME's accomplishments: many of its apprentices obtain the most coveted professional distinctions in their fields, and it is also a valuable talent pool for our Maisons.

At Hennessy, the Master Blender – a member of the same Cognac family that has served in this position for seven generations – will soon hand the reins over to his nephew, after an exceptional career. As he steps into his predecessor's shoes, the new Master Blender gains privileged access to Hennessy's wealth of knowledge about eaux-de-vie, spanning more than two centuries. He will be continuing this long tradition, the art of selecting and blending that gives Hennessy a style all its own.

Honoring its timeless heritage, its wealth of expertise and its highly creative staff, the House of Dior is preparing a grand celebration paying tribute to seventy years of French refinement and absolute elegance. Maria Grazia Chiuri, the first woman to be appointed Creative Director of Dior's womenswear collections, is the latest standard-bearer of this long line of excellence, ensuring sustained momentum at the highest level.

A decisive step for the Fondation Louis Vuitton's artistic project

Lastly, I would like to mention "Icons of Modern Art: The Shchukin Collection", a landmark event paying tribute to one of the greatest collectors of the early 20th century, a visionary and exemplary patron of the art of his time, whose approach finds deep resonance with the Fondation Louis Vuitton's artistic project. The Shchukin Collection set a new attendance record for exhibitions in France, attracting more than 1,200,000 visitors in just over four months, indisputably placing the Fondation Louis Vuitton among the world's foremost cultural institutions.

In this same vein, I put forward a proposal, which has been accepted by the City of Paris, for another major cultural project: to convert the former Musée National des Arts et Traditions Populaires, located near the Fondation Louis Vuitton, into a center for craftsmanship, art and live performance. Frank Gehry will be giving this building designed by Jean Dubuisson a new lease on life.

Prudence and determination for 2017

Despite strong global demand, geopolitical and monetary uncertainties are a significant part of the picture in early 2017. We are therefore viewing the coming months with prudence. There is a clear risk that the world economy will not be able to avoid a serious crisis in the coming months or years, given the imbalances of all kinds it currently faces. But come what may, we can count on the Group's financial stability, the appeal of our brands, and the agility of our teams to face the future head-on and further consolidate our global leadership position.

A forward-looking Group

Christian Dior is driven by its long-term vision. All of our avenues for progress – strengthening our supply chains and reinforcing our commitment to protect natural resources; attracting young, creative and talented individuals and giving them the means to fully realize their potential; exploring and conquering new realms in the digital economy; inventing the customer experience of tomorrow – as distinct from any unexpected obstacles that may appear in our paths, depend on the efforts of everyone, throughout the Group. Our teams have their sights set on the future as they continue to focus on the values that have built the Group's success and that guarantee the longevity of our Maisons.

Christian Dior is a group with a family spirit. Creativity and innovation are central to everything we do. We are committed to continuing the artisanal traditions that form the cornerstone of all our Maisons. Christian Dior also aims to ensure that its development remains as sustainable as possible.

Taking a long view – that's what the Christian Dior group is all about.

Bernard ARNAULT

Executive and Supervisory Bodies
Statutory Auditors

BOARD OF DIRECTORS [a]

Bernard ARNAULT [b]
Chairman of the Board of Directors

Sidney TOLEDANO [b]
Vice-Chairman
Chief Executive Officer

Delphine ARNAULT

Denis DALIBOT

Hélène DESMARAIS [c]

Renaud DONNEDIEU de VABRES [c]

Ségolène GALLIENNE [c]

Pierre GODÉ [d] [f]

Christian de LABRIFFE [c]

Maria Luisa LORO PIANA [e]

ADVISORY BOARD MEMBER

Jaime de MARICHALAR y SÁENZ de TEJADA

PERFORMANCE AUDIT COMMITTEE

Christian de LABRIFFE [c]
Chairman

Denis DALIBOT

Renaud DONNEDIEU de VABRES [c]

NOMINATIONS AND COMPENSATION COMMITTEE

Hélène DESMARAIS [c]
Chairman

Denis DALIBOT

Christian de LABRIFFE [c]

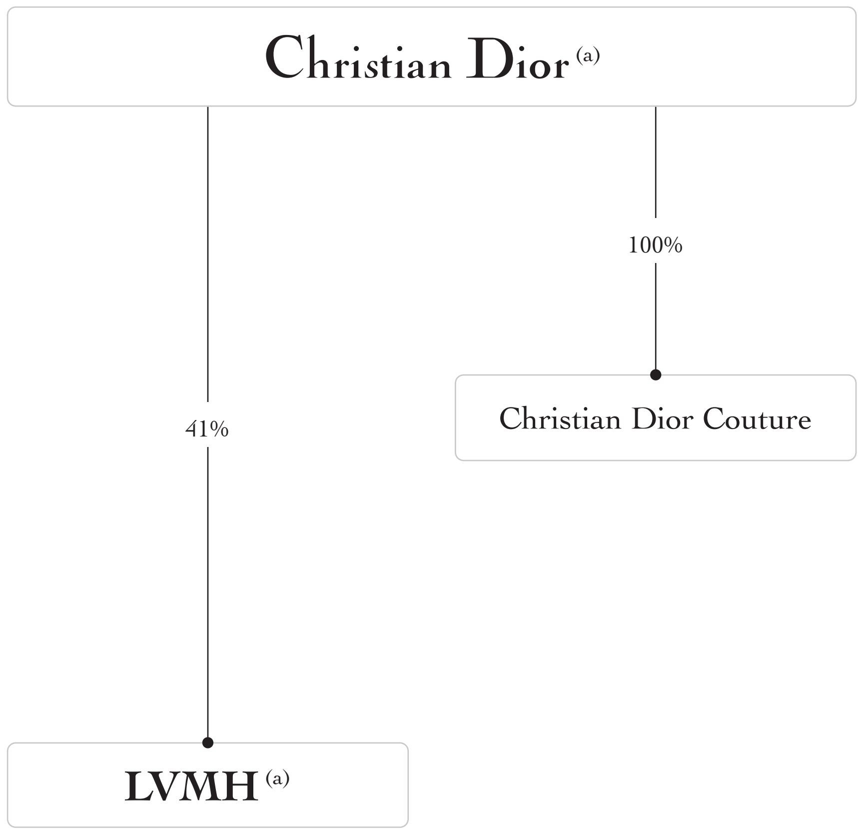
STATUTORY AUDITORS

ERNST & YOUNG et Autres
represented by Benoit Schumacher

MAZARS
represented by Simon Beillevaire

(a) The list of Directors' appointments can be found on pages 224 to 232 of the Other information – Governance section.
(b) Renewal proposed at the Shareholders' Meeting of April 13, 2017.
(c) Independent Director.
(d) Until the Shareholders' Meeting of April 13, 2017.
(e) Appointment as a Director proposed at the Shareholders' Meeting of April 13, 2017.
(f) Appointment as an Advisory Board member proposed at the Shareholders' Meeting of April 13, 2017.

Simplified organizational chart of the Group as of December 31, 2016



(a) Listed company.

Financial highlights

Key consolidated data

(EUR millions and %)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Revenue	21,436	37,968	35,081
Profit from recurring operations	4,238	6,792	6,296
Net profit	2,724	4,164	6,165 [(a)]
Net profit, Group share	1,058	1,569	2,378
Cash from operations before changes in working capital [(b)]	5,343	8,566	7,611
Operating investments arising from change in net cash position	1,467	2,242	1,947
Net cash from operating activities and operating investments (free cash flow)	3,305	3,659	3,481
Equity [(c)]	30,084	28,129	26,320
Net financial debt [(d)]	4,753	6,777	7,478
Net financial debt/Equity ratio	16%	24%	28%

Data per share

(EUR)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Earnings per share			
Basic Group share of net profit per share	5.90	8.75	13.29 [(e)]
Diluted Group share of net profit per share	5.86	8.69	13.18 [(e)]
Dividend per share			
Exceptional dividends in kind in the form of Hermès shares	-	-	4.20 [(h)]
Interim cash dividend	-	1.35	1.25
Final cash dividend	1.40	2.20	1.95
Gross amount paid in cash for the fiscal year [(f)]	**1.40 [(g)]**	**3.55**	**3.20**

Information by business group

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Revenue by business group			
Christian Dior Couture	1,043	1,854	1,765
Wines and Spirits	2,779	4,729	4,226
Fashion and Leather Goods	6,890	12,321	11,731
Perfumes and Cosmetics	2,616	4,780	4,347
Watches and Jewelry	1,859	3,365	3,068
Selective Retailing	6,493	11,398	10,423
Other activities and eliminations	(244)	(479)	(479)
TOTAL	**21,436**	**37,968**	**35,081**
Profit from recurring operations by business group			
Christian Dior Couture	178	209	226
Wines and Spirits	939	1,446	1,168
Fashion and Leather Goods	2,243	3,474	3,363
Perfumes and Cosmetics	279	547	456
Watches and Jewelry	253	432	381
Selective Retailing	509	917	922
Other activities and eliminations	(163)	(233)	(220)
TOTAL	**4,238**	**6,792**	**6,296**

(a) Of which 2,623 million euros resulting from the distributions of Hermès shares.
(b) Before tax and interest paid.
(c) Including minority interests.
(d) Excluding purchase commitments for minority interests, included in Other non-current liabilities. See Note 18.1 to the consolidated financial statements.
(e) Including the impact of the distributions of Hermès shares.
(f) Excluding the impact of tax regulations applicable to the recipients.
(g) For the fiscal year ended December 31, 2016, amount proposed at the Shareholders' Meeting of April 13, 2017.
(h) Exceptional interim dividend in kind.

Management report of the Board of Directors

CHRISTIAN DIOR GROUP

1. Consolidated results

At the Combined Shareholders' Meeting of December 1, 2015, the shareholders adopted a resolution to change the dates on which the fiscal year begins and ends to January 1 and December 31 of each calendar year (Article 24 of the Bylaws). Exceptionally, the fiscal year that began on July 1, 2016 ended on December 31, 2016. The main aim of this modification, which realigns Christian Dior's fiscal year with LVMH's, is to facilitate the Group's financial communications. It was made possible by the very substantial increase in the Company's retained earnings (generated by the distributions in kind of Hermès shares in December 2014), which gave Christian Dior SE a great deal of flexibility in terms of dividend distribution. To aid understanding and appraisal of the results, activity and figures for the first half of fiscal year 2015/2016 (corresponding to the period from July 1 to December 31, 2015) are also presented.

Revenue for the Christian Dior group for the fiscal year ended December 31, 2016 was 21,436 million euros, up 8% compared to the first half of fiscal year 2015/2016.

The following changes have been made to the Group's scope of consolidation since July 1, 2015: in Other activities, the newspaper Le Parisien/Aujourd'hui en France was acquired in October 2015; in Wines and Spirits, the Wenjun brand was divested in November 2016; and in Fashion and Leather Goods, the Donna Karan brand was divested in December 2016. These changes in the scope of consolidation had a very limited impact on revenue growth in the fiscal year.

At constant consolidation scope and exchange rates, revenue increased by 7%.

The Group delivered a gross margin of 14,035 million euros, up 8% compared to the first half of fiscal year 2015/2016. Gross margin as a percentage of revenue was stable at 65%.

Marketing and selling expenses totaled 8,180 million euros, up 6% relative to the first half of fiscal year 2015/2016. This increase was mainly driven by the development of retail networks, but also by higher communications investments, especially in Perfumes and Cosmetics. As a percentage of revenue, these expenses increased by 1 point to 38%.

Administrative expenses increased 11% to 1,618 million euros. They equated to 8% of revenue, up 1 point relative to December 31, 2015 (six months).

Group profit from recurring operations came in at 4,238 million euros, up 12% relative to the first half of fiscal year 2015/2016. The current operating margin as a percentage of revenue was 19.8%, up 0.8 points compared to the first half of fiscal year 2015/2016.

Other operating income and expenses amounted to a net expense of 93 million euros, compared with a net expense of 156 million euros in the first half of fiscal year 2015/2016. Other operating income and expenses for the fiscal year included 144 million euros in amortization and impairment charges for brands and goodwill. The remainder mainly consisted of gains and losses on disposals.

Operating profit was 4,145 million euros, up 14% from the first half of fiscal year 2015/2016.

The net financial expense amounted to 284 million euros for the fiscal year, compared with an expense of 180 million euros for the first half of fiscal year 2015/2016. This item comprises:

- the aggregate cost of net financial debt, which amounted to an expense of 63 million euros, compared with an expense of 46 million euros as of December 31, 2015 (six months). This change was the result of lower returns on current available for sale financial assets and the impact on profit of fair value adjustments on borrowings and interest rate hedges which became unfavorable;
- other financial income and expenses, which showed a net expense of 221 million euros, compared with a net expense of 134 million euros a year earlier. The amount related to the ineffective portion of foreign exchange derivatives was an expense of 199 million euros, compared with an expense of 145 million euros in the first half of fiscal year 2015/2016. Lastly, the remaining amount of other financial income and expenses, which mainly arose from capital gains on disposals and impairment of short-term investments, was a net expense of 22 million euros, compared with net income of 11 million euros in the first half of fiscal year 2015/2016.

The Group's effective tax rate was 29%, compared with 33% in the first half of fiscal year 2015/2016. This change in the tax rate mainly resulted from the impact on the consolidated financial statements of the reduction in the tax rate in France, passed in the 2017 Budget Act (see Note 28.1 to the consolidated financial statements).

Profit attributable to minority interests was 1,666 million euros, compared with 1,431 million euros in the first half of fiscal year 2015/2016. Minority interests are essentially composed of LVMH SE shareholders excluding Christian Dior's controlling interest, namely shareholders owning 59% of LVMH SE, and minority interests in Moët Hennessy and DFS.

The Group share of net profit totaled 1,058 million euros, up 23% relative to the first half of fiscal year 2015/2016. It equated to 4.9% of revenue in the fiscal year, up 0.6 points compared to the first half of fiscal year 2015/2016.

The main financial items for the fiscal year ended December 31, 2016 are as follows:

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**First half of fiscal year 2015/2016** [(a)] (6 months)
Revenue	21,436	37,968	19,903
Profit from recurring operations	4,238	6,792	3,778
Operating profit	4,145	6,596	3,622
Net profit	2,724	4,164	2,294
Of which: Group share	1,058	1,569	863

(a) Limited review carried out, with a report issued by the Statutory Auditors.

Relative to the first half of fiscal year 2015/2016, revenue growth by business group was as follows:

- Revenue from Christian Dior Couture grew by 9% at actual exchange rates and by 10% at constant exchange rates. Revenue from retail and other activities grew by 8% at actual exchange rates and 10% at constant exchange rates. This growth was reflected across all geographic regions.
- Wines and Spirits saw revenue grow by 4% at actual exchange rates. At constant consolidation scope and exchange rates, revenue for this business group grew by 5%; adverse foreign exchange effects reduced this growth by 1 point. This performance was largely driven by an increase in volumes. Demand remained very strong in the United States and Europe, while China saw a clear improvement during the fiscal year.
- Revenue for Fashion and Leather Goods grew by 7% based on published figures and 7% at constant consolidation scope and exchange rates. This business group's performance was boosted by very solid momentum at Louis Vuitton, as well as at Kenzo, Fendi, Loewe, Céline and Berluti, which confirmed their high growth potential.
- Revenue for Perfumes and Cosmetics grew by 7% based on published figures and 8% at constant consolidation scope and exchange rates. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures. The Perfumes and Cosmetics business group saw very appreciable revenue growth in the United States, Europe and Asia.
- Revenue for Watches and Jewelry grew by 6% based on published figures and 5% at constant consolidation scope and exchange rates. This business group saw strong performance at TAG Heuer, Chaumet and Fred as well as growth at Bvlgari. Asia and Europe (excluding France) were the most buoyant regions.
- Revenue for Selective Retailing grew by 10% based on published figures and 9% at constant consolidation scope and exchange rates. This performance was driven by Sephora, which generated very appreciable growth in revenue across all world regions.

Revenue by invoicing currency

(as %)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**First half of fiscal year 2015/2016** [(a)] (6 months)
Euro	23	23	23
US dollar	31	31	31
Japanese yen	7	7	7
Hong Kong dollar	6	7	7
Other currencies	33	32	32
TOTAL	**100**	**100**	**100**

(a) Limited review carried out, with a report issued by the Statutory Auditors.

The breakdown of revenue by invoicing currency varied little compared to the first half of fiscal year 2015/2016: the contribution of the Hong Kong dollar decreased by 1 point to 6%, while the contribution of other currencies increased by 1 point to 33%. The proportions of revenue in euros, US dollars and Japanese yen held steady at 23%, 31% and 7% respectively.

Revenue by geographic region of delivery

(as %)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	First half of fiscal year 2015/2016 [(a)] (6 months)
France	10	10	10
Europe (excluding France)	19	18	19
United States	26	26	27
Japan	7	7	7
Asia (excluding Japan)	26	27	26
Other markets	12	12	11
TOTAL	**100**	**100**	**100**

(a) Limited review carried out, with a report issued by the Statutory Auditors.

By geographic region, the relative contributions of France, Europe (excluding France), Japan and Asia to consolidated revenue remained stable compared to the first half of fiscal year 2015/2016 at 10%, 19%, 7% and 26% respectively. The proportion attributable to the United States decreased by 1 point to 26%, while the contribution from other markets increased by 1 point to 12%.

Revenue and profit from recurring operations by business group

Revenue *(EUR millions)*	**December 31, 2016** (6 months)	%	**June 30, 2016** (12 months)	%	**First half of fiscal year 2015/2016** [(a)] (6 months)	%
Christian Dior Couture	1,043	5	1,854	5	961	5
Wines and Spirits	2,779	13	4,729	12	2,673	13
Fashion and Leather Goods	6,890	32	12,321	32	6,436	32
Perfumes and Cosmetics	2,616	12	4,780	13	2,443 [(b)]	12
Watches and Jewelry	1,859	9	3,365	9	1,756	9
Selective Retailing	6,493	30	11,398	30	5,918 [(b)]	30
Other activities and eliminations	(244)		(479)	-	(284) [(b)]	-
TOTAL	**21,436**	**100**	**37,968**	**100**	**19,903**	**100**

(a) Limited review carried out, with a report issued by the Statutory Auditors.
(b) Taking into account the reclassification of the Kendo cosmetics company from Selective Retailing to Perfumes and Cosmetics. See Note 24.1 to the consolidated financial statements.

By business group, the breakdown of Group revenue remained stable compared to the first half of fiscal year 2015/2016. The contributions of Christian Dior Couture, Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing came in at 5%, 13%, 32%, 12%, 9% and 30% respectively.

Profit from recurring operations *(EUR millions)*	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**First half of fiscal year 2015/2016** [(a)] (6 months)
Christian Dior Couture	178	209	135
Wines and Spirits	939	1,446	881
Fashion and Leather Goods	2,243	3,474	1,844
Perfumes and Cosmetics	279	547	275 [(b)]
Watches and Jewelry	253	432	227
Selective Retailing	509	917	507 [(b)]
Other activities and eliminations	(163)	(233)	(91) [(b)]
TOTAL	**4,238**	**6,792**	**3,778**

(a) Limited review carried out, with a report issued by the Statutory Auditors.
(b) Taking into account the reclassification of the Kendo cosmetics company from Selective Retailing to Perfumes and Cosmetics. See Note 24.1 to the consolidated financial statements.

Investments

Net cash used in investing activities (acquisitions and disposals) equated to an outflow of 1,236 million euros. This includes net operating investments totaling 1,467 million euros (mainly relating to acquisitions of property, plant and equipment) and cash generated by disposals of non-current available for sale financial assets, net of acquisitions, totaling 231 million euros. In particular, Donna Karan International was divested during the fiscal year (see Note 2.1 to the consolidated financial statements).

Research and development

As of December 31, 2016, research and development costs recognized in the six-month fiscal year totaled 61 million euros (compared with 108 million euros at June 30, 2016 and 86 million euros as of June 30, 2015). Most of these amounts cover scientific research and development costs for skincare and makeup products of the Perfumes and Cosmetics business group.

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

The impact of exchange rate fluctuations is determined by translating the accounts for the period of entities having a functional currency other than the euro at the prior fiscal year's exchange rates.

The impact of changes in the scope of consolidation is determined by deducting:
- for acquisitions in the period, revenue generated during the period by the acquired entities, as of their initial consolidation;
- for acquisitions in the prior period, revenue generated during the months of the prior period in which the acquired entities were not yet consolidated;

and by adding:
- for disposals in the period, prior period revenue generated during the months of the prior period in which the entities sold were no longer consolidated;
- for disposals in the prior period, prior period revenue generated by divested entities.

2. Comments by business group

As an exception to the resolution to change the dates on which the fiscal year begins and ends (Combined Shareholders' Meeting of December 1, 2015), the fiscal year that began on July 1, 2016 ended on December 31, 2016. To aid understanding and appraisal of the results, activity and figures for the first half of fiscal year 2015/2016 (corresponding to the period from July 1 to December 31, 2015) are also presented.

2.1. CHRISTIAN DIOR COUTURE

2.1.1. Highlights

The key highlights of the six-month fiscal year ended December 31, 2016 were as follows:

Revenue generated by retail and Other activities grew by 8% at actual exchange rates and by 10% at constant exchange rates relative to the first half of fiscal year 2015/2016 (July 1 to December 31, 2015). All regions contributed to this growth.

New stores were added to the network, for example in Barcelona, the United States (Atlanta) and China (Harbin Charter). A number of existing stores were extended or renovated, notably in Paris (Montaigne Joaillerie), Rome, the United States (Short Hills) and China (Guangzhou).

The appointment of Maria Grazia Chiuri, the first female creative Director of Dior's womenswear collections, was widely related in the press and on social media. A number of contemporary artists gave their impressions of the iconic *Lady Dior* handbag. Their *Lady Dior Art* interpretations were displayed in pop-up stores in Miami and Los Angeles, as well as in the Paris, London, Dubai, Beijing and Seoul stores. The *Dior à Versailles* high-end jewelry collection was exceptionally well received.

2.1.2. Consolidated results of Christian Dior Couture

Consolidated revenue totaled 1,043 million euros, up 9% at actual exchange rates and 10% at constant exchange rates compared to the first half of fiscal year 2015/2016 (July 1 to December 31, 2015).

Profit from recurring operations came in at 178 million euros, up 33%.

Operating profit totaled 167 million euros, up 24%.

Net financial income/(expense) was a net expense of 9 million euros.

The tax expense totaled 47 million euros.

The Group share of net profit was 107 million euros, with the amount attributable to minority interests totaling 5 million euros.

2.1.3. Analysis of revenue by business activity

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	Dec. 31, 2015 (6 months)	Change between Dec. 31, 2015 and Dec. 31, 2016: Actual rates	Constant rates
License royalties	15	29	13	17%	17%
Wholesale	56	96	48	18%	18%
Retail and other activities	971	1,729	900	8%	10%
TOTAL	**1,043**	**1,854**	**961**	**9%**	**10%**

License royalties

License royalties were up 17%.

Wholesale

Wholesale revenue was up 18%. The strategy pursued by Christian Dior Couture remained extremely selective.

Retail and Other activities

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	Dec. 31, 2015 (6 months)	Change between Dec. 31, 2015 and Dec. 31, 2016 Actual rates	Constant rates
Europe and the Middle East	427	764	405	5%	10%
Americas	116	202	103	13%	13%
Asia-Pacific	428	763	392	9%	9%
TOTAL	**971**	**1,729**	**900**	**8%**	**10%**

- Revenue from retail and other activities increased 8% at actual exchange rates and 10% at constant exchange rates.
- Retail revenue increased in all regions. In the Americas, in particular, it rose by 13% at actual and constant exchange rates.
- In Leather Goods, the success of the iconic *Lady Dior* line was supplemented by that of the *Diorama* and *Diorever* lines. The *Automne* and *Croisière* ready-to-wear lines were well received.
- Jewelry had a remarkable fiscal year.

2.1.4. Outlook

Christian Dior Couture plans to continue its development in the next fiscal year, supported by the creativity of its people and its world-class collections, store network and communication campaigns.

For the House of Dior, 2017 will be a time to celebrate the company's 70th birthday in style.

2.2. WINES AND SPIRITS

2.2.1. Highlights

In the fiscal year from July 1 to December 31, 2016, Wines and Spirits posted revenue of 2,779 million euros, up 4% at actual exchange rates and 5% at constant structure and exchange rates compared to the first half of the 2015/2016 fiscal year.

Profit from recurring operations reached 939 million euros. The current operating margin as a percentage of revenue for this business group was 34%.

2.2.2. Main developments

Driven by its commitment to excellence and innovation and backed by its powerful and agile distribution network, the Wines and Spirits business group won market share in all its key countries. Strong growth was recorded in the US market, even though the distribution contract for Grand Marnier products expired in the fiscal year. Momentum improved in China, while revenue rose in Europe despite the less-than-favorable economic climate.

Champagnes and wines

Delivering its third consecutive year of record revenue, **Moët & Chandon** reaffirmed its leading position. Building on the strength of its innovations and the launch of its 2008 vintages, the brand saw solid growth particularly in North America.

Dom Pérignon continued to develop internationally and roll out its range of premium products. The brand made further inroads with its value-enhancing strategy, increasing its desirability by showcasing its Second Plenitude series, *Dom Pérignon P2*.

Mercier expanded its product range, focusing in particular on its *Blanc de Noirs* and *Brut Réserve* lines.

Ruinart achieved growth at historic levels, driven by its iconic cuvées. The brand further consolidated its positions in France and continued to expand rapidly around the globe. Ruinart's close ties with the contemporary art scene were reaffirmed.

Veuve Clicquot kept up its momentum. The success of its *Brut Rosé* as well as innovations including *Vintage 2008*, *Rich* and *Rich Rosé* spurred the brand's growth in its mature markets, while *Carte Jaune* made considerable headway in the key markets of Japan, the United States and Australia.

Moving ahead on a solid growth trajectory, **Krug** saw its momentum improve considerably, invigorated by the remarkable success of *Krug 2002*. An original brand image strategy, combined with innovative digital communications, helped raise its profile.

Estates & Wines was buoyed by the upturn in the US market and expanded its portfolio of *Icons* wines. **Chandon** continued its expansion efforts in its main markets, backed by its innovation policy and its partnership with the McLaren-Honda Formula 1 team.

Cognacs and spirits

Hennessy once again recorded a strong increase in its sales volumes, fueled by the solid results achieved in all its key markets. The brand saw unprecedented growth in the United States, driven by its *Hennessy Very Special* cognac and thanks to its highly successful communications campaign. In China and in other Asian markets like South Korea and Singapore, shipping levels continued to recover, while distributor stocking levels remained healthy. Hennessy forged ahead with its strategy to move its product portfolio upscale, reinventing its fundamentals through iconic limited-edition releases like *Hennessy 8*, a tribute to the expertise handed down through eight successive generations of the same family of Master Blenders since 1800.

Glenmorangie and **Ardbeg** continued their advances in the United States, Europe and the Asia-Pacific region. Glenmorangie reaffirmed its leadership position as an innovator in the single malt category. Both brands received a number of international awards.

Belvedere remained on a steady growth track, reinforcing its position in ultra-premium vodka with innovations such as *Belvedere Bespoke*, offering customers the option to create their own personalized bottles.

2.2.3. Outlook

In line with its strategic vision, 2017 will be an eventful year, with many new product launches further enhancing the appeal of the wines and spirits brands. This approach will be accompanied by an ambitious and creative communications strategy aimed at consolidating the leading positions held in the business group's main export markets and winning over new consumers. The Wines and Spirits business group will continue to invest in its production capacities, essential to maintaining the unparalleled quality of its products. Among other highlights, the year will see the entry into operation of two new facilities for **Hennessy**, one for aging its eaux-de-vie and the other for bottling and shipping. Faced with an uncertain global landscape, the agility of Moët Hennessy's distribution network represents a major asset for successful adaptation in a shifting environment while making the most of the geographic diversity of its business activities.

2.3. FASHION AND LEATHER GOODS

2.3.1. Highlights

In the fiscal year from July 1 to December 31, 2016, Fashion and Leather Goods posted revenue of 6,890 million euros, up 7% at actual exchange rates and 7% at constant structure and exchange rates compared to the first half of the 2015/2016 fiscal year.

Profit from recurring operations totaled 2,243 million euros, up 22% compared to the first half of fiscal year 2015/2016.

The business group's current operating margin as a percentage of revenue was 33%.

2.3.2. Main developments

Louis Vuitton

Buoyed by the creative approach adopted in everything it does, **Louis Vuitton** had an impressive year marked by abundant innovation and development. In leather goods, there was strong demand for the *Twist* model, a modern classic inspired by a former Vuitton design, and the iconic *Capucines*. Small leather goods collections also posted solid growth. The new *Horizon* luggage range, designed for Louis Vuitton by Marc Newson, highlights the House's pioneering spirit thanks to its high levels of functionality and travel convenience. The high point of the fiscal year was the September launch of Louis Vuitton perfumes, a collection of seven fragrances. As is the case in everything it does, Louis Vuitton set its sights on excellence by entrusting the design of its perfumes to Jacques Cavallier Belletrud and establishing its design laboratory in Grasse, the cradle and beating heart of the perfume world. Actress Léa Seydoux, the new icon of ready-to-wear fashion, is also ambassador for this new business of Louis Vuitton. Louis Vuitton continued the quality-driven development of its retail network, including the renovation of flagship stores in Hong Kong (Canton Road and Landmark).

Other brands

Fendi had another remarkable calendar year, with revenue exceeding the symbolic billion-euro mark thanks to sustained growth, new market share gains and the expansion of its international presence. A highlight was the Rome-based Fashion house's 90th birthday, culminating in an Haute Couture show at the Trevi Fountain in July. With its increasingly confident style, ready-to-wear fashion went from strength to strength. The leather goods business was buoyed by strong demand for the iconic *Peekaboo*.

Driven by its constant pursuit of excellence, **Loro Piana** continued to grow, expressing itself through a campaign celebrating its passion for the treasures of nature. It expanded its offering with its new *The Blend* collection, combining vicuña down and baby cashmere.

The robust momentum achieved by **Céline** was driven by the development of all its product categories. Céline continued to expand its network of boutiques, notably re-opening its flagship store in Milan.

Kenzo had a very good year, with revenue up and visibility boosted by an adapted communications and digital strategy. In the latter part of the year, the collection born out of the "Kenzo x H&M" cooperation, launched in 80 countries and online, met with good success.

Reflecting the success of its stylistic evolution, business strongly accelerated at **Loewe** in the fiscal year. Two years after its launch, the *Puzzle* bag confirmed its best-seller status. At the same time as gradually developing its ready-to-wear offering, the company continued to improve its store network, as witnessed by the opening of its new Casa Loewe flagship store in Madrid.

Berluti made solid progress across all its markets by strengthening its top-end collections and successfully launching new products in the "casual" segment, including the new *Fast Track* sneaker. Haider Ackermann joined Berluti as Creative Director in September.

Givenchy focused on the selective development of its retail network. **Marc Jacobs** continued with the strategic repositioning of its collections. **Thomas Pink** recorded strong growth in online revenue. **Pucci** enriched its collection of silk scarves, celebrating several iconic cities of the world.

Donna Karan was sold to US group G-III in December.

The Group announced the acquisition of a majority stake in **Rimowa**, a global leader in high-quality luggage. This makes Rimowa the Group's first German brand.

2.3.3. Outlook

In 2017, **Louis Vuitton** will seek to maintain its strong creative momentum and continue with its quest for excellence across all its businesses. With different initiatives, the brand will in particular continue to strengthen and revisit its iconic and timeless product lines. Growth will be supported by communications that always revolve around key events in the year and by continued exhibitions around the world focusing on Louis Vuitton's history and universe. Quality improvements in the retail network will continue, with the constant aim of offering customers a unique experience and unparalleled service. To continue its developments, **Fendi** will place innovation center stage with a number of product launches that will help reinforce the bold and sophisticated style of its products. It will continue to expand geographically, moving into key cities and new markets. **Loro Piana** will expand its collections with an emphasis on its iconic products as well as continuing to develop its store network, particularly in Asia. Each of the business group's brands will pursue its strategic goals and continue to strengthen its business model, with the key drivers of growth being creativity in collections, product desirability and retail excellence.

2.4. PERFUMES AND COSMETICS

2.4.1. Highlights

Perfumes and Cosmetics recorded revenue of 2,616 million euros in the fiscal year from July 1 to December 31, 2016. Revenue increased by 8% at constant structure and exchange rates, and by 7% at actual exchange rates, compared with the first half of fiscal year 2015/2016.

Profit from recurring operations amounted to 279 million euros. The business group's operating margin as a percentage of revenue was 11%.

2.4.2. Main developments

The Perfumes and Cosmetics business group recorded good growth and new market share gains in a competitive environment. The key drivers of this momentum were the brands' image, innovation and the vibrancy of the flagship product lines as well as a commitment to excellence, from product design to distribution.

Parfums Christian Dior

Momentum in the **Christian Dior** perfume category was driven by the unprecedented success of the men's fragrance *Sauvage* and by the strong vitality of its women's fragrances. The launch of *Poison Girl* reenergized the entire product line, while *J'adore* reinvented itself with a new eau de toilette and *Miss Dior* gained ever further in popularity due to the success of its *Absolutely Blooming* version. The brand reaffirmed its reputation as one of the world's great perfume brands with the opening of its new fragrance-creation laboratory in Grasse, Les Fontaines Parfumées, where François Demachy, the House's perfumer-designer, will create Dior's future fragrances. Inspired by the creative flair of Peter Philips, makeup maintained its leadership position thanks to its bold collections and the reinvention of certain core Dior products, such as *Diorskin Forever* foundation and *Rouge Dior*, whose icon is Natalie Portman. Skincare benefited from a number of launches in the "cushions" product category and the continued international success of *Dreamskin*.

Other brands

Guerlain's development was buoyed by the success of the new *Intense* version of its fragrance *La Petite Robe Noire*.

Parfums Givenchy made significant inroads in Asia. Its makeup posted strong growth, driven by the success of the *Le Rouge* lipstick line and *Prisme Libre* face powder.

Kenzo Parfums benefited from the launch of its new women's fragrance, *Kenzo World*, designed in collaboration with Kenzo's creative directors Carol Lim and Humberto Leon, and promoted by a commercial that received extensive attention.

Benefit Cosmetics maintained its momentum. The success of its *Brow Collection*, the brand's biggest launch, earned it the leading position in this fast-growing segment of the makeup market. The fiscal year was marked by the launch of a new website in 24 countries, with a version in each local language perfectly adapted for mobile devices. **Make Up For Ever** recorded strong revenue growth in every region in the world, a momentum largely driven by the *Ultra HD* and *Artist Rouge* lines. **Fresh** recorded solid gains, opened a point of sale in Paris and introduced a highly innovative skincare line named *Vitamin Nectar*. **Acqua di Parma** launched three *Note di Colonia* fragrances. **Parfums Loewe** did well in Asian markets with the launch of *Loewe 001*, in close collaboration with the couture house.

2.4.3. Outlook

Going into 2017, the Group's Perfumes and Cosmetics brands are setting new targets for market share gains and will again make innovation a core pillar of their accomplishments. **Parfums Christian Dior** will place special emphasis on strengthening its flagship perfumes, *J'adore*, *Miss Dior* and *Sauvage*, and will focus on making *Poison Girl* and *Dior Homme Sport* more attractive to young generations. Makeup will benefit from major innovations and the increased use of digital communications. *Prestige* and *Capture Totale* will be given a boost to drive growth in the skincare sector. The brand will continue to cultivate its aura in synergy with Couture Dior as well as its reputation as one of the world's great perfume houses, while continuing to invest in boutiques and sales counters devoted to excellence and contemporary trends. In addition to supporting *La Petite Robe Noire*, its iconic skincare lines and lip and foundation segments in the makeup sector, **Guerlain** will launch a women's fragrance in March. **Parfums Givenchy** will take advantage of major innovations to accelerate the development of its makeup business, while launching a new communications campaign for its perfumes. **Kenzo Parfums** will continue the global roll-out of *Kenzo World* and will launch a new version of *Flower by Kenzo*. **Benefit Cosmetics** will continue its international expansion while striving to strengthen its global leadership position in the eyebrow segment. **Make Up For Ever** will maintain its strong innovation policy in the complexion, lip and eye segments. **Kat Von D** will begin its international expansion with the French market. Lastly, a new full makeup line will be launched in collaboration with the singer Rihanna.

2.5. WATCHES AND JEWELRY

2.5.1. Highlights

In the fiscal year from July 1 to December 31, 2016, Watches and Jewelry posted revenue of 1,859 million euros, up 6% at actual exchange rates and 5% at constant structure and exchange rates compared to the first half of the 2015/2016 fiscal year.

Profit from recurring operations for Watches and Jewelry was 253 million euros. The business group's current operating margin came to 14%.

2.5.2. Main developments

The Watches and Jewelry business group continued to grow in an uncertain economic environment, winning market share thanks to its masterful watchmaking and jewelry-making expertise, the strength of its brands' iconic product lines and the creativity of their new products. Targeted communications investments and selective expansion of the group's networks of boutiques helped improve the profile and momentum of the business group's brands.

Revenue growth at **Bvlgari** outpaced the market, with strong progress in China, South Korea and the Middle East, especially in jewelry. The *Diva* and *Lvcea* watches confirmed their growth potential, while in the challenging market for men's watches *Octo* continued to make progress following a record year in 2015. Leather goods continued to post solid growth thanks to the *Serpenti* collection. The recent *Serpenti Seduttori* collection also contributed to business growth. Store performance was boosted by the program of selective boutique openings and major renovations, as seen in the Washington D.C. and Moscow Petrovska boutiques. Bvlgari's Italian excellence and deep reserves of creativity were illustrated by new exhibitions around the world and events designed around key company themes such as *Roman Heritage* and *Mediterranean Eden*.

The significant revenue growth reported by **TAG Heuer** in a challenging overall watch market underscored the relevance of the brand's strategy of developing its core product range. Highlighting TAG Heuer's reputation as a pioneer, the brand continued to successfully roll out its connected watch across all markets. The company continued to improve its store network, opening new stores in Melbourne and Kuala Lumpur. The brand's visibility among its target customers and its social media presence were strengthened by new ambassadors and a number of partnerships, including those with the BMC cycling team and the Red Bull Racing Team.

Hublot continued to expand, particularly in Japan, China and the Middle East. The company expressed its creative flair through a variety of new models, some surprising and others highly technical. Combined with its expertise and manufacturing capability, this ability to innovate puts it among the leading high-end Swiss watchmakers. Brand awareness was boosted by a busy communications calendar including prestigious partnerships, a strong digital presence, and sporting and cultural events.

Zenith will soon unveil its revolutionary new *El Primero 21* movement. The brand continued to consolidate its organization while benefiting from the synergies offered by the Group and its other watchmaking businesses.

Growth at **Chaumet**, particularly in Asia, was stimulated by its continued shift further upmarket. Fine jewelry was boosted by the launch of a new *Nature de Chaumet* collection whose products were presented in a traveling exhibition in Europe and Asia.

De Beers consolidated its position as industry leader in the solitaire diamonds segment. **Fred** continued to grow, buoyed by its iconic *Force 10* line. The brand opened two stores in South Korea.

2.5.3. Outlook

The Watches and Jewelry business group is actively pursuing its market share growth target. Over the coming months, the brands will focus on boosting their visibility and reputation for excellence in the most buoyant regions through sustained investment, particularly in the digital arena. Selective new store openings will take place at prestigious, high-traffic locations. **Bvlgari** plans to open its new Fifth Avenue boutique in New York in late 2017. **Hublot** will accelerate the targeted expansion of its own stores, while **Chaumet** will continue rolling out the new store concept it launched in Hong Kong at the end of 2016. As well as their masterful watchmaking and jewelry-making expertise, the brands' innovation – a key driver of growth – will remain at center stage, allowing them to enhance their collections while maintaining a constant focus on excellence and creativity. **TAG Heuer** will continue to develop its smartwatch, in particular. In an uncertain economic and geopolitical environment, this proactive strategy will go hand-in-hand with a highly attentive approach to markets and strict control over costs. Investment will be targeted at improving the quality, productivity and profitability of retail networks. Production capacity will be developed to enable the group to maintain its world-class craftsmanship and technological leadership. Bvlgari's growth will be supported by its new jewelry manufacturing facility in Valenza, which started operating in January 2017. The facility will eventually create more than 300 new jobs for craftspeople, reflecting Bvlgari's focus on developing skilled jobs in the jewelry profession.

2.6. SELECTIVE RETAILING

2.6.1. Highlights

In the fiscal year from July 1 to December 31, 2016, Selective Retailing posted revenue of 6,493 million euros, up 10% at actual exchange rates and 9% at constant structure and exchange rates compared to the first half of the 2015/2016 fiscal year.

Profit from recurring operations amounted to 509 million euros. Current operating margin for the Selective Retailing business group totaled 8%.

2.6.2. Main developments

The particularly remarkable performance of **Sephora** in the United States propelled the brand to highest echelon of the selective beauty market. Sephora currently has over 1,700 stores in 33 countries and is growing steadily. In 2016, the company opened new stores in iconic locations, including in particular the World Trade Center in New York City. Sephora continued to upgrade its existing network to provide an enhanced customer experience focused on digital engagement and services. The ION Orchard store in Singapore was fully renovated. The brand's strategy was more "omni-channel" than ever, with efforts focused on developing mobile applications, offering in-store digital features and reducing delivery time. The online sales offering rapidly expanded its scope, with six new countries including the United Arab Emirates.

A selective offering combined with excellent customer service helped **Le Bon Marché** achieve strong growth, especially in accessories. 2016 witnessed the transformation of its Women's Fashion department, which is now dotted with trees beneath its magnificent glass ceilings. The launch of La Grande Épicerie de Paris' own-label products was a great success. Promotional activity peaked in September, with the "Paris!" event receiving exceptional media coverage. The "24 Sèvres" loyalty program continued to win over customers, helping expand and strengthen ties with the store's French clientele. International customers, won over by the store's culturally rich, Parisian atmosphere, also contributed to its growth.

During the fiscal year, the challenging tourism context in Asia continued to affect the travel retail sector, causing a drop in revenue for **DFS** and other businesses operating in the Hong Kong and Macao tourist markets. DFS responded to this situation by innovating and stepping up its efforts to adapt to fluctuating customer levels and changing purchasing behavior. Stores have tailored their offerings in particular by introducing new brands and enriching their ranges with new product categories. In Macao, the *T Galleria City of Dreams* underwent an innovative expansion that included creating the largest luxury shoe salon in Southeast Asia. A new two-story wines and spirits boutique was opened at Changi Airport in Singapore. Lastly, the inauguration of a *T Galleria* in an iconic, historic building by the Grand Canal in Venice – a first in Italy – marked the beginning of DFS's expansion into Europe.

Starboard Cruise Services was buoyed by the development of cruise routes in Asia, and continued to enhance its boutiques and fine-tune its selection of products to best serve each cruise line's specific customers.

2.6.3. Outlook

Driven by the ambition to offer its customers a fresh new experience in the world of beauty, **Sephora** continued to focus on the strategic foundations on which it has built its success: highly dedicated, expert staff; an innovative selection of products; a growing range of exclusive, customized services; and more and more digital initiatives. It will go on opening new stores and renovating its network at a sustained pace. **Le Bon Marché** will continue to cultivate its uniqueness, its identity as a major trendsetter and its cultural agenda. This year's highlights will include the completed transformation of the Women's Fashion department and, at the end of the year, a new Grande Épicerie de Paris on the city's Right Bank. At **DFS**, the concession at Hong Kong International Airport is expected to post another loss. However, DFS will benefit from the ramp-up of its new stores in Cambodia, Macao and Venice. The expanded *Loyal T* program, the launch of its new e-commerce platform and the renovation of its historic stores in Auckland and Sydney will help DFS continue its transformation while raising the profile and enhancing the appeal of the *T Galleria* brand. **Starboard Cruise Services** will continue fine-tuning its offerings by cruise route and investing in the transformation of its boutiques to win over customers and provide them with unique experiences.

3. Business risk factors and insurance policy

3.1. STRATEGIC AND OPERATIONAL RISKS

3.1.1. Group's image and reputation

Around the world, the Group is known for its brands, unrivaled expertise and production methods unique to its products. The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks, and the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives, inappropriate behavior by brand ambassadors, the Group's employees, distributors or suppliers, as well as detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands, trade names and goodwill recorded in the Group's balance sheet as of December 31, 2016 amounted to 25.9 billion euros.

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

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

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

3.1.2. Counterfeit and parallel retail networks

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

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

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

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

Anti-counterfeiting measures generated approximately 19 million euros in internal and external costs between July 1 and December 31, 2016.

3.1.3. Contractual constraints

In the context of its business activities, the Group enters into multi-year agreements with its partners and some of its suppliers (especially lease, concession, distribution and procurement agreements). Should any of these agreements be terminated before its expiration date, compensation is usually provided for under the agreement in question, which would represent an expense without any immediate offsetting income item. As of December 31, 2016, the total amount of minimum commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 13.2 billion euros. Detailed descriptions of these commitments may be found in Notes 31.1 and 31.2 to the consolidated financial statements.

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

In addition, the Group has entered into commitments to its partners in some of its business activities to acquire the stakes held by the latter in the activities in question should they express an interest in such a sale, according to a contractual pricing formula. As of December 31, 2016, this commitment is valued at 7.9 billion euros and is recognized in the Group's balance sheet under "Other non-current liabilities" (see Note 21 to the consolidated financial statements).

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

3.1.4. Anticipating changes in expectations of Group customers

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

3.1.5. International exposure of the Group

The Group conducts business internationally and as a result is subject to various types of risks and uncertainties. These include changes in customer purchasing power and the value of operating assets located abroad, economic changes that are not necessarily simultaneous from one geographic region to another, and provisions of corporate or tax law, customs regulations or import restrictions imposed by some countries that may, under certain circumstances, penalize the Group. Some of the Group's activities were thus penalized in 2014 and 2015 by the "anti-extravagance" measures instated by China in late 2012. This was notably the case of the cognac business, which, affected by the decline in receptions and banquets, suffered a drop in sales volumes in during 2014 and 2015 related to the substantial volumes of inventories held by its distributors at the end of 2013. The fall in volumes of corporate gift-giving also had an adverse impact on the Watches and Jewelry business in 2014.

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

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

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

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

3.1.6. Consumer safety

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

In addition to industrial safety, the Group's companies also work to ensure greater product safety and traceability to reinforce the Group's anticipation and responsiveness in the event of a product recall.

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

See also §2.6 "Consumer health and safety" in the "Effects of operations on the environment" section of the Management report of the Board of Directors – Workforce, Environmental and Social Report.

3.1.7. Seasonality

Nearly all of the Group's activities are subject to seasonal variations in demand. A significant proportion of the Group's sales – approximately 30% of the annual total for all of LVMH's businesses and around 28% for Christian Dior Couture – is generated during the peak holiday season in the fourth quarter of the calendar year. Unexpected events in the final months of the calendar year may have a significant effect on the Group's business volume and earnings.

3.1.8. Supply sources and strategic competencies

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

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

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

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

3.1.9. Information systems

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

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

3.1.10. Industrial, environmental and climate risks

A detailed presentation of the Group's environmental risk factors and of the measures taken to ensure compliance by its business activities with legal and regulatory provisions is provided in the "Effects of operations on the environment" section of the Management report of the Board of Directors – Workforce, Environmental and Social Report.

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

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

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

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

This approach is combined with an industrial and environmental risk-monitoring program. In 2016, engineering consultants audited about 50 LVMH sites.

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

3.2. INSURANCE POLICY

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

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

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

Compared with the Group's financial capacity, its level of self-insurance is not significant. The deductibles payable by Group companies in the event of a claim reflect an optimal balance between coverage and the total cost of risk. Insurance costs borne by Group companies are around 0.15% of consolidated revenue at LVMH and 0.17% of consolidated revenue at Christian Dior Couture.

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

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

3.2.1. Property and business interruption insurance

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

Property damage insurance limits are in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. For the LVMH group, the coverage limit of this program is 2 billion euros per claim, an amount determined based on an analysis of the LVMH group's maximum possible losses. This limit amounts to 350 million euros per claim for Christian Dior Couture.

Coverage for "natural events" provided under the LVMH group's international property insurance program totals 75 million euros per claim and per year; for Christian Dior Couture, coverage is up to 350 million euros per claim and per year. Following a Japanese earthquake risk modeling study performed in 2014, as well as an update of the major risk areas in 2016, specific coverage for 18 billion yen was taken out for this risk at the LVMH group. For Christian Dior Couture, specific coverage for 40 million euros was taken out. These limits are in line with the Group companies' risk exposures.

3.2.2. Transportation insurance

All Group operating entities are covered by an international cargo and transportation insurance contract. The coverage limit of this program (around 60 million euros for LVMH and 5 million euros for Christian Dior Couture) corresponds to the maximum possible transport loss arising as a result of transportation in progress at a given moment.

3.2.3. Third-party liability

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

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

This program covers environmental losses arising from gradual or sudden accidental pollution and environmental liability (Directive 2004/35/EC).

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

Subject to certain conditions and limitations, the Group covers its senior executives and employees either directly or via an insurance policy for any individually or jointly incurred personal liability to third parties in the event of professional misconduct committed in the course of their duties.

3.2.4. Coverage for special risks

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

3.3. FINANCIAL RISKS

3.3.1. Credit risk

Because of the nature of its activities, a significant portion of the Group's sales is not exposed to customer credit risk. Sales are made directly to customers by Christian Dior Couture and through the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Watches and Jewelry stores. Together, these sales accounted for approximately 74% of revenue for LVMH and 93% for Christian Dior Couture during the fiscal year ended December 31, 2016.

Furthermore, for the remaining revenue, the Group's businesses are not dependent on a limited number of customers whose default would have a significant impact on Group activity level or earnings. The extent of insurance against customer credit risk is satisfactory, with around 90% of LVMH's credit coverage requests granted by insurers as of December 31, 2016.

3.3.2. Counterparty risk

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

3.3.3. Foreign exchange risk

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

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

The Group actively manages its exposure to foreign exchange risk in order to reduce its sensitivity to unfavorable currency fluctuations by implementing hedges such as forward sales and options.

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

3.3.4. Interest rate risk

The Group's exposure to interest rate risk may be assessed with respect to the amount of its consolidated net financial debt, which totaled approximately 4.8 billion euros as of December 31, 2016. After hedging, 54% of gross financial debt outstanding was subject to a fixed rate of interest and 46% was subject to a floating rate at December 31, 2016. An analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates are presented in Notes 19.5 and 19.7 to the consolidated financial statements.

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

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

3.3.5. Equity market risk

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

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

The Group may use derivatives in order to reduce its exposure to risk. Derivatives may serve as a hedge against fluctuations in share prices. For instance, coverage of compensation plans or financial instruments index-linked to the LVMH share price may be implemented. Derivatives may also be used to create a synthetic long position.

3.3.6. Commodity market risk

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers, or directly by purchasing hedges from top-ranking banks. In the latter case, hedging consists of purchasing gold from banks, or taking out future and/or options contracts with physical delivery upon maturity.

3.3.7. Liquidity risk

The Group's local liquidity risks are generally of low significance. Its overall exposure to liquidity risk can be assessed either (a) with regard to aggregate outstanding amounts in respect of its commercial paper programs, i.e. 1.2 billion euros or (b) with regard to the short-term portion of its financial debt, excluding the impact of derivatives (3.9 billion euros), net of cash and cash equivalents (3.8 billion euros), i.e. 0.1 billion euros as of December 31, 2016. Should any of these instruments not be renewed, the Group has access to undrawn confirmed credit lines totaling 4.8 billion euros.

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

The Group has undertaken to maintain a customary financial ratio in connection with certain long-term credit lines ("assets to net financial debt"). As of December 31, 2016, no significant loan agreements are concerned by those covenants.

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

The breakdown of financial liabilities by contractual maturity is presented in Note 23.7 to the consolidated financial statements.

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

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

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

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

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

Hedging decisions are made according to a clearly established process that includes regular presentations to the various management bodies concerned and detailed documentation.

4. Financial policy

During the fiscal year from July 1 to December 31, 2016, the Group's financial policy focused on the following areas:

- improving the Group's financial structure and flexibility, as evidenced by the following key indicators:
  - a significant increase in equity:

    Equity before appropriation of profit came to 30.1 billion euros as of December 31, 2016, up 7% from 28.1 billion euros as of June 30, 2016. The increase in equity, of 2.0 billion euros, reflects the Group's strong earnings,
  - lower net debt:

    Net debt came to 4.8 billion euros as of December 31, 2016, compared with 6.8 billion euros as of June 30, 2016 and 5.8 billion euros as of December 31, 2015;
  - access to plentiful, low-cost liquidity:

    The commercial paper issuance program benefits from very favorable rates and spreads, while the Group has the option of calling on bond markets on a regular basis over medium/long-term maturities, with very low issue spreads,
  - continued substantial volumes of cash and cash equivalent investment with a diversified group of leading bank counterparties, with a special focus on returns on these investments to avoid any potential negative yields, as a corollary to the European Central Bank's interest rate policy;
  - the Group's financial flexibility, facilitated by a significant reserve of undrawn confirmed credit lines totaling 4.8 billion euros, including a 2 billion euro syndicated loan to LVMH SE with a remaining residual term of four years, and a 0.6 billion euro syndicated loan to Christian Dior SE;
- maintaining a prudent foreign exchange and interest rate risk management policy designed primarily to hedge risks generated directly and indirectly by the Group's operations and to hedge its assets;
- greater concentration of Group liquidity owing to the ongoing rollout of cash pooling arrangements worldwide, ensuring fluid cash flows within the Group and optimal management of surplus cash. As a rule, the Group applies a diversified short-term and long-term investment policy;
- pursuing a dynamic policy of dividend payouts to shareholders, enabling them to benefit from strong performance over the fiscal year, with the proposal of a gross cash dividend payment of 1.40 euros per share for the six-month fiscal year ended December 31, 2016.

Total payouts to shareholders of Christian Dior SE in respect of the six-month fiscal year ended December 31, 2016 would thus amount to 253 million euros, before the impact of treasury shares. Interim and final dividends paid to minority shareholders of consolidated subsidiaries in the fiscal year amounted to 465 million euros.

4.1. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

ASSETS *(EUR billions)*	**Dec. 31, 2016**	**June 30, 2016**	**Change**
Tangible and intangible fixed assets	40.1	39.6	+0.5
Other non-current assets	4.5	4.3	+0.2
Non-current assets	**44.6**	**43.9**	**+0.7**
Inventories	10.9	11.1	-0.2
Other current assets	9.3	7.9	+1.4
Current assets	**20.2**	**19.0**	**+1.2**
ASSETS	**64.8**	**62.9**	**+1.9**

LIABILITIES AND EQUITY *(EUR billions)*	Dec. 31, 2016	June 30, 2016	Change
Equity	30.1	28.1	+2.0
Long-term borrowings	5.2	5.5	-0.3
Other non-current liabilities	15.8	16.1	-0.3
Equity and non-current liabilities	**51.1**	**49.7**	**+1.4**
Short-term borrowings	3.9	4.9	-1.0
Other current liabilities	9.8	8.3	+1.5
Current liabilities	**13.7**	**13.2**	**+0.5**
LIABILITIES AND EQUITY	**64.8**	**62.9**	**+1.9**

The Christian Dior group's consolidated balance sheet totaled 64.8 billion euros as of end-December 2016, up 1.9 billion euros, or 3%, from June 30, 2016.

Non-current assets rose by 0.7 billion euros, equating to 69% of total assets, down 1 point compared to June 30, 2016.

Tangible and intangible fixed assets grew by 0.5 billion euros, including an adverse impact of 0.1 billion euros arising from the revaluation of commitments to buy out minority interests and a positive impact of 0.3 billion euros due to exchange rate fluctuations. Investments for the fiscal year, net of amortization and depreciation charges and disposals, represented an additional increase of 0.6 billion euros. The comments on the cash flow statement provide further information on investments. Conversely, changes in scope had a negative impact of 0.5 billion euros, mainly arising from the disposal of Donna Karan in December 2016.

Other non-current assets increased by 0.2 billion euros. The carrying amount of equity-accounted investments was stable at 0.8 billion euros. The value of loans and receivables recognized in the balance sheet increased by 0.1 billion euros, as did the carrying amount of non-current available for sale financial assets.

Inventories totaled 10.9 billion euros, compared with 11.1 billion euros as of June 30, 2016. Further information on this change can be found in the comments on the cash flow statement.

Other current assets amounted to 9.3 billion euros, up 1.4 billion euros due primarily to the 0.7 billion euro increase in the balance of cash and cash equivalents and the 0.5 billion euro increase in trade receivables.

Other non-current liabilities totaled 15.8 billion euros, compared with 16.1 billion euros as of end-June 2016, a reduction of 0.3 billion euros, mainly due to the 0.7 billion euro reduction in deferred taxes on brands, partly offset by a 0.4 billion euro increase in long-term provisions.

Other current liabilities increased by 1.5 billion euros to 9.8 billion euros, of which 1.0 billion euros related to the increase in other operating debt (including a 0.5 billion euro increase in tax and social security payables) and 0.5 billion euros related to the increase in trade payables.

(EUR billions)	Dec. 31, 2016	June 30, 2016	Change
Long-term borrowings	5.2	5.5	-0.3
Short term borrowings and derivatives	3.8	4.8	-1.0
Gross borrowings after derivatives	**9.0**	**10.3**	**-1.3**
Cash and cash equivalents, and current and non-current available for sale financial assets used to hedge financial debt	(4.2)	(3.5)	-0.7
Net financial debt	**4.8**	**6.8**	**-2.0**
Equity	**30.1**	**28.1**	**+2.0**
Net financial debt/Equity ratio	**15.8%**	**24.1%**	**-8.3 pts**

The ratio of net financial debt to equity was 15.8% as of December 31, 2016, down 8.3 points from June 30, 2016, under the combined impact of the 2.0 billion euro reduction in net financial debt and the 2.0 billion euro increase in equity.

Total equity stood at 30.1 billion euros as of December 31, 2016, compared with 28.1 billion euros as of June 30, 2016. The Group's earnings, net of dividends paid out, generated an increase of 1.9 billion euros. After taking into account the 0.5 billion euro positive impact of changes in gains and losses in equity, and the 0.4 billion euro negative impact of acquisitions and disposals of minority interests, equity increased by 2.0 billion euros. As of December 31, 2016, total equity accounted for 46.4% of the balance sheet total, compared with 44.7% as of June 30, 2016.

Gross borrowings after derivatives totaled 9.0 billion euros as of end-December 2016, down 1.3 billion euros compared to end-June 2016.

This decrease was mainly due to the following:

- outstanding bonds and EMTNs fell by 0.7 billion euros following redemption of the 650 million euro bond issued by LVMH in 2013 and supplemented by a tap issue in 2014;
- commercial paper outstanding decreased by 1.0 billion euros in the fiscal year, from 2.2 billion euros to 1.2 billion euros;
- conversely, other financial debt and bank borrowings increased gross financial debt by 0.4 billion euros.

Cash and cash equivalents, current available for sale financial assets, and non-current available for sale financial assets used to hedge financial debt totaled 4.2 billion euros as of end-December 2016, up 0.7 billion euros from June 30, 2016.

At the fiscal year-end, available undrawn confirmed credit lines totaled 4.8 billion euros, substantially exceeding the outstanding portion of its commercial paper programs, which totaled 1.2 billion euros.

4.2. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement, presented in the consolidated financial statements, details the main financial flows in the fiscal year ended December 31, 2016.

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	Dec. 31, 2015 (6 months)
Cash from operations before changes in working capital	**5,343**	**8,566**	**4,784**
Cost of net financial debt: interest paid	(44)	(88)	(35)
Tax paid on operating activities	(1,082)	(1,998)	(1,079)
Net cash from operating activities before changes in working capital	**4,217**	**6,480**	**3,670**
Change in working capital	555	(579)	561
Operating investments	(1,467)	(2,242)	(1,270)
Free cash flow	**3,305**	**3,659**	**2,961**
Non-current available for sale financial assets	231	(839)	(530)
Transactions related to equity	(1,258)	(1,986)	(748)
Change in cash before financing activities	**2,278**	**834**	**1,683**

Cash from operations before changes in working capital totaled 5,343 million euros in the fiscal year, up 12% from 4,784 million euros one year earlier.

Interest paid over the fiscal year totaled 44 million euros, up from 35 million euros in the previous year.

Tax paid on operating activities in the fiscal year totaled 1,082 million euros, stable relative to the same period in 2015.

Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) came to 4,217 million euros, up 15% from the first half of fiscal year 2015/2016.

The change in working capital requirement generated a net cash inflow of 555 million euros. While the change in trade accounts receivable, mainly in Wines and Spirits and Perfumes and Cosmetics, generated a cash requirement of 509 million euros, the increase in trade accounts payable and in other receivables and payables generated net cash inflows of 506 million and 591 million euros, respectively. Lastly, cash generated by changes in inventories totaled 33 million euros. These changes reflect the seasonal nature of the Group's business activities.

Operating investments net of disposals equated to a net cash outflow of 1,467 million euros. This consisted mainly of investments by Louis Vuitton, Sephora, DFS, Bvlgari and Christian Dior Couture in their retail networks; investments by the Group's champagne brands in their production facilities; and real estate investments for administrative, commercial or rental purposes.

Non-current available for sale financial assets and transactions in consolidated investments generated 231 million euros in the fiscal year. Purchases and disposals of non-current available for sale financial assets had a positive impact of 9 million euros. Disposals of consolidated investments generated 420 million euros, mainly from the disposal of Donna Karan. Tax paid on non-current available for sale financial assets and consolidated investments totaled 202 million euros, relating primarily to the disposal of Donna Karan.

Transactions relating to equity generated an outflow of 1,258 million euros. This includes 395 million euros in cash dividends paid by Christian Dior, excluding the impact of treasury shares; 465 million euros in dividends paid to minority shareholders in consolidated subsidiaries (mainly shareholders of LVMH SE, excluding Christian Dior's controlling interest representing 59% of LVMH SE; and Diageo as a result of its 34% stake in Moët Hennessy); and 59 million euros in income taxes paid relating to dividends paid. Acquisitions and disposals of minority interests resulted in an outflow of 370 million euros, of which 284 million euros related to the acquisition of LVMH shares by LVMH and 86 million euros related to the exercise of put options by minority shareholders.

All operating, investment, and equity-related activities thus generated an inflow of 2,278 million euros in the fiscal year.

The majority of these resources were allocated to the repayment of financial debt: financing activities consumed cash in the amount of 1,552 million euros.

With the positive impact of changes in the cumulative translation adjustment amounting to 13 million euros, the cash balance as of the fiscal year-end was 3,555 million euros, up 739 million euros from June 30, 2016.

5. Stock option and bonus share plans

Detailed information on the stock option and bonus share plans is provided on pages 32 et seq. of the Management report of the Board of Directors – Christian Dior parent company.

6. Subsequent events

On January 23, 2017, pursuant to the agreement announced on October 4, 2016, LVMH acquired, for 640 million euros, an 80% stake in Rimowa, the luggage and leather goods maker founded in Cologne in 1898 and known for its innovative, high-quality luggage. The 20% of the share capital that has not been acquired is covered by a put option granted by LVMH, exercisable from 2020. Rimowa will be fully consolidated with effect from January 2017. Rimowa's revenue for 2016 is expected to exceed 400 million euros.

On January 20, 2017, the Loro Piana family's put option to sell its remaining Loro Piana shares to LVMH was partially exercised. The sale took place in February 2017 and increased LVMH's stake in Loro Piana by 4.8%, bringing its shareholding to 84.8%.

No other significant subsequent events occurred between December 31, 2016 and February 9, 2017, the date at which the financial statements were approved for publication by the Board of Directors.

7. Recent developments and prospects

Despite a climate of geopolitical and currency uncertainties, the Christian Dior group is well equipped to continue its growth momentum across all business groups in 2017. The Group will maintain a strategy focused on developing its brands by continuing to build on strong innovation and a constant quest for quality in their products and their distribution.

Driven by the agility of its teams, their entrepreneurial spirit and the balance of its different businesses and geographic diversity, the Christian Dior group enters 2017 with caution but has, once again, set an objective of increasing its global leadership position in luxury goods.

Management report of the Board of Directors

CHRISTIAN DIOR PARENT COMPANY

1. Results of Christian Dior SE

The results of Christian Dior SE consist primarily of dividend income related to its indirect investment in LVMH Moët Hennessy - Louis Vuitton SE, less financial expenses corresponding to the financing of the Company.

Net financial income totaled 292,853 thousand euros. It mainly consisted of dividends received from subsidiaries totaling 295,305 thousand euros and net interest expense totaling 7,119 thousand euros.

The tax expense recognized under the tax consolidation agreement totaled 6,152 thousand euros as of December 31, 2016.

Net profit was 270,124 thousand euros.

The proposed appropriation of the distributable profit for the fiscal year ended December 31, 2016 is as follows:

Amount available for distribution *(EUR)*	
Net profit	270,124,458.43
Retained earnings	2,123,162,791.07
DISTRIBUTABLE EARNINGS	**2,393,287,249.50**
Proposed appropriation	
Distribution of a gross dividend of 1.40 euros per share	252,710,522.40
Retained earnings	2,140,576,727.10
TOTAL	**2,393,287,249.50**

Should this appropriation be approved, the gross cash dividend distributed would be 1.40 euros per share. It will be paid on April 21, 2017.

Under existing applicable tax law as of December 31, 2016, with respect to this dividend distribution, individuals whose tax residence is in France will be entitled to the 40% tax deduction provided for in Article 158 of the French Tax Code.

Lastly, should the Company hold, at the time of payment of this dividend, any treasury shares under authorizations granted, the corresponding amount of unpaid dividends would be allocated to retained earnings.

Distribution of dividends

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

Fiscal year	Type	Payment date	Gross dividend (a) (EUR)	Tax deduction (b) (EUR)
June 30, 2016	Interim	April 21, 2016	1.35	0.54
	Final	December 13, 2016	2.20	0.88
	TOTAL		**3.55**	**1.42**
June 30, 2015 (c)	Interim	April 23, 2015	1.25	0.50
	Final	December 15, 2015	1.95	0.78
	TOTAL		**3.20**	**1.28**
June 30, 2014 (d)	Interim	April 17, 2014	1.20	0.48
	Final	December 15, 2014	1.90	0.76
	TOTAL		**3.10**	**1.24**

(a) Excludes the impact of tax regulations applicable to recipients.
(b) For individuals with tax residence in France.
(c) Excluding the exceptional interim dividend in kind in the form of Hermès International shares paid as of December 17, 2014, corresponding to 4.20150 euros per Christian Dior share, the entire amount of which qualifies as distributed income for tax purposes.
(d) Excluding the exceptional dividend in kind in the form of Hermès International shares voted for by the Combined Shareholders' Meeting of December 9, 2014, corresponding to 11.67083 euros per Christian Dior share, of which 1.34223 euros qualifies as distributed income for tax purposes and 10.32860 euros qualifies as a repayment of capital for tax purposes.

Information relating to payment terms

Pursuant to Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we hereby inform you that as of December 31, 2016, there was an outstanding unpaid invoice, which was more than 91 days past due, for a total of 61,991.20 euros excluding tax, representing 2.11% of the total amount of purchases excluding tax for the fiscal year.

In addition, there were no trade accounts receivable as of December 31, 2016.

2. Share ownership of the Company

2.1. MAIN SHAREHOLDERS

As of December 31, 2016, the Arnault Family Group directly and indirectly controlled 73.96% of the share capital, compared with 73.03% as of June 30, 2016, and held 84.90% of the voting rights exercisable at Shareholders' Meetings, compared with 84.36% as of June 30, 2016.

2.2. SHARES HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

As of December 31, 2016, the members of the Board of Directors held directly, personally and in the form of registered shares, less than 0.32% of the share capital.

2.3. EMPLOYEE SHARE OWNERSHIP

As of December 31, 2016, the employees of the Company and of affiliated companies, as defined under Article L. 225-180 of the French Commercial Code, held shares in employee savings plans equivalent to less than 0.04% of the Company's share capital.

2.4. INFORMATION ON SHARE PURCHASES AND SALES

Pursuant to Article L. 225-211 of the French Commercial Code, it is specifically stated that:

- at fiscal year-end, the number of shares allocated to cover current or future share purchase option plans and bonus share plans totaled 1,091,618 with a net value of 104,232,507.97 euros. They were purchased at an average price of 95.48 euros. Their par value is 2 euros. These shares represent 0.60% of the share capital;
- information on prior purchases and sales of shares acquired during the fiscal year that began on July 1, 2016 and ended December 31, 2016 under the terms described in Article L. 225-209 of the French Commercial Code as part of share repurchase programs authorized at the Combined Shareholders' Meetings of December 1, 2015 and December 6, 2016 is provided in Section 5 below.

In accordance with legal requirements, all of these shares are stripped of their voting rights.

3. Stock option and bonus share plans

3.1. OPTIONS GRANTED BY THE PARENT COMPANY, CHRISTIAN DIOR

Option plan recipients are selected in accordance with the following criteria: performance, development potential and contribution to a key position.

Three share purchase option plans set up by Christian Dior between 2007 and 2009 were in force as of December 31, 2016. The exercise price of options as of the plan's commencement date was calculated in accordance with applicable laws. As a result of the exceptional distributions in kind in the form of Hermès International shares on December 17, 2014, and to preserve the rights of the recipients, the exercise price and the number of options granted that had not been exercised as of December 17, 2014 were adjusted as of that date as provided by law. Each plan has a term of ten years. Provided the conditions set by the plan are met, options may be exercised after the end of a period of four years from the plan's commencement date.

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

Apart from conditions relating to attendance within the Group, the exercise of options granted in 2009 was contingent on performance conditions, based on the following three indicators: profit from recurring operations, net cash from operating activities and operating investments, and the Group's current operating margin.

Options granted to senior executive officers could only be exercised if, in three of the four fiscal years from 2009 to 2012, at least one of those three indicators showed a positive change compared to 2008. The performance condition was met in 2009, 2010, 2011 and 2012.

Options granted to other recipients could only be exercised if, for fiscal years 2009 and 2010, at least one of these indicators showed a positive change compared to fiscal year 2008. The performance condition was met in 2009 and 2010.

Company officers of the Company (senior executives or employees) must also comply with a number of other restrictions relating to the exercise period for their options.

For plans put in place since 2007, if the Chairman of the Board of Directors and the Chief Executive Officer decide to exercise their options, they must retain possession, in pure registered form and until the end of their respective terms in office, of a number of shares representing one half of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date.

3.1.1. Share purchase option plans

Date of Shareholders' Meeting	05/11/2006	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	**01/31/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options granted at plan inception	**480,000**	**484,000**	**332,000**	**1,296,000**
o/w Company officers [a]	285,000	320,000	150,000	**755,000**
Bernard Arnault [b]	200,000	200,000	100,000	**500,000**
Delphine Arnault [b]	25,000	25,000	25,000	**75,000**
Denis Dalibot [b]	35,000	70,000	-	**105,000**
Sidney Toledano [b]	50,000	50,000	50,000	**150,000**
o/w Top ten employee recipients [c]	133,000	147,000	159,000	**439,000**
Number of recipients	28	25	26	
Earliest option exercise date	01/31/2011	05/15/2012	05/14/2013	
Expiry date	01/30/2017	05/14/2018	05/13/2019	
Exercise price [d] *(EUR)*	78.11	67.31 [e]	47.88	
Number of options exercised [d]	58,613	-	2,600	**61,213**
Number of options expired	-	-	-	**-**
Total number of options exercised [d]	195,165	148,752	88,584	**432,501**
Total number of options expired [d]	66,000	32,000	45,000	**143 000**
OPTIONS OUTSTANDING AS OF FISCAL YEAR-END [d]	**244,936**	**332,415**	**218,328**	**795,679**

(a) Options granted to active company officers as of the plan's commencement date.
(b) Company officers serving as of December 31, 2016.
(c) Options granted to active employees other than company officers as of the plan's commencement date.
(d) After adjusting for the distributions in kind of Hermès International shares on December 17, 2014.
(e) Purchase price for Italian residents:

Plan	Exercise price [d] *(EUR)*
05/15/2008	67.52

Exercise of such options does not lead to any dilution for shareholders, since they are options to purchase existing shares.

3.1.2. Share subscription option plans

None.

3.2. OPTIONS GRANTED BY ITS SUBSIDIARY, LVMH

3.2.1. Share purchase option plans

No share purchase option plans were in effect as of December 31, 2016.

3.2.2. Share subscription option plans

Date of Shareholders' Meeting	05/11/2006	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	**05/10/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options granted at plan inception	**1,679,988**	**1,698,320**	**1,301,770**	**4,680,078**
o/w Company officers [(a)]	805,875	766,000	541,000	**2,112,875**
o/w Top ten employee recipients [(b)]	311,544	346,138	327,013	**984,695**
Number of recipients	524	545	653	
Earliest option exercise date	05/10/2011	05/15/2012	05/14/2013	
Expiry date	05/09/2017	05/14/2018	05/13/2019	
Subscription price *(EUR)* [(c)]	77.526	65.265 [(d)]	50.861 [(d)]	
Number of options exercised [(c)]	127,820	40,210	51,199	**219,229**
Number of options expired [(c)]	139	139	139	**417**
Total number of options exercised [(c)]	1,072,051	907,656	799,609	**2,779,316**
Total number of options expired [(c)]	96,430	91,969	50,692	**239,091**
OPTIONS OUTSTANDING AS OF FISCAL YEAR-END [(C)]	**595,722**	**787,386**	**519,902**	**1,903,010**

(a) Options granted to active company officers as of the plan's commencement date.
(b) Options granted to active employees other than company officers as of the plan's commencement date.
(c) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.
(d) Subscription price for Italian residents:

Plans	Subscription price [(c)] *(EUR)*
05/15/2008	65.445
05/14/2009	50.879

As of December 31, 2016, the potential dilutive effect of allocating these options equated to 0.375% of the LVMH share capital. However, since LVMH retires a number of shares equivalent to the number of shares issued in connection with the exercise of options, there is no dilutive effect for shareholders when the subscription options are exercised.

3.3. OPTIONS GRANTED TO AND EXERCISED DURING THE FISCAL YEAR BY THE GROUP'S TOP TEN EMPLOYEE RECIPIENTS, OTHER THAN COMPANY OFFICERS

Information on company officers can be found in §6.4 of the "Compensation of company officers" section of the Management report of the Board of Directors – Christian Dior parent company.

3.3.1. Options granted

No option plans were created during the financial period that began on July 1, 2016 and ended December 31, 2016.

3.3.2. Options exercised by the ten employees of the Group, other than company officers, having exercised the largest number of options [(a)]

Company granting the options	Date of the plan	Number of options	Exercise price/ Subscription price *(EUR)*
Christian Dior	01/31/2007	4,204	78.11
	05/14/2009	2,600	47.88
LVMH Moët Hennessy - Louis Vuitton	05/10/2007	10,615	77.526
	05/15/2008	16,292	65.265 [(b)]
	05/14/2009	41,134	50.861

(a) After adjusting for the distributions in kind of Hermès International shares on December 17, 2014.
(b) The subscription price for Italian residents is 65.445 euros.

3.4. ALLOCATION OF BONUS SHARES AND PERFORMANCE SHARES BY THE PARENT COMPANY, CHRISTIAN DIOR

Bonus share recipients are selected among the employees and senior executives of the Group's companies on the basis of their level of responsibility and their individual performance.

For plans set up in 2013 and 2014, shares vest after a three-year period for French tax residents and may be freely transferred after an additional two-year holding period. Bonus shares allocated to recipients who are not French residents for tax purposes vest after a period of four years and become freely transferable at that time.

For the plans set up in 2015 and 2016, shares vest after a three-year period, with no holding period.

The plans combine awards of bonus shares and of performance shares in proportions determined in accordance with the recipient's level in the hierarchy and status.

Performance shares granted under the plan set up on July 25, 2013 only vest if Christian Dior's consolidated financial statements for the calendar year in which the plan was set up (calendar year "Y") and year Y+1 show a positive change compared to calendar year Y-1 in relation to at least one of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, and current operating margin, hereafter referred to as the "Indicators". The performance condition was met in 2013 and 2014; shares allocated to recipients who were French residents for tax purposes as of July 26, 2016 were fully vested as of that date.

For the plan set up on October 16, 2014, performance shares only vest if Christian Dior's consolidated financial statements for calendar year 2015 show a positive change compared to calendar year 2014 in relation to at least one of the aforementioned Indicators. This condition was satisfied.

As a result of the distributions in kind in the form of Hermès International shares on December 17, 2014 and to preserve the rights of the recipients, the number of shares granted to them and still in their vesting period was adjusted as of December 17, 2014 as provided by law.

Lastly, under the plans set up in 2015 and 2016, performance shares only vest if Christian Dior's consolidated financial statements for calendar years Y+1 and Y+2 show a positive change compared to calendar year Y (the year in which the plan was set up) in relation to at least one of the aforementioned Indicators. For the plan set up in 2015, the performance condition was satisfied in 2016.

From 2012 to December 31, 2016, Christian Dior's fiscal year did not correspond to the calendar year. For this reason, changes in these Indicators are determined on the basis of the pro forma consolidated financial statements as of December 31 of each calendar year concerned.

If their shares vest, the Chairman of the Board of Directors and the Chief Executive Officer must retain possession, in pure registered form and until the conclusion of their respective terms in office, of a number of shares corresponding to one-half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the closing share price on the day before the vesting date.

Vesting of such shares does not lead to any dilution for shareholders, since they are allocations of existing shares.

Date of Shareholders' Meeting	10/26/2012		10/26/2012		12/01/2015		12/01/2015		
Date of Board of Directors' meeting	**07/25/2013**		**10/16/2014**		**12/01/2015**		**12/06/2016**		
	Bonus shares	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Total**
Total number of shares provisionally allocated at plan inception	**6,000**	**82,521**	**6,000**	**89,185**	**5,000**	**64,511**	**5,000**	**64,851**	**323,068**
o/w Company officers (a)	-	36,694	-	39,302	-	28,585	-	26,724	**131,305**
Bernard Arnault (b)	-	19,108	-	20,466	-	14,656	-	13,702	**67,932**
Delphine Arnault (b)	-	6,095	-	6,528	-	4,675	-	4,371	**21,669**
Sidney Toledano (b)	-	11,491	-	12,308	-	9,254	-	8,651	**41,704**
o/w Top ten employee recipients (c)	6,000	24,370	6,000	27,653	5,000	18,296	5,000	18,717	**111,036**
Number of recipients	1	40	1	40	1	44	1	52	
Vesting date	07/25/2016	07/25/2016 (d)	10/16/2017	10/16/2017 (d)	12/01/2018	12/01/2018	12/06/2019	12/06/2019	
Date as of which the shares may be sold	07/25/2018	07/25/2018 (d)	10/16/2019	10/16/2019 (d)	12/01/2018	12/01/2018	12/06/2019	12/06/2019	
Performance conditions	**-**	**Satisfied**	**-**	**Satisfied**	**-**	**Satisfied in 2016**	**-**	**Not applicable in 2016**	
Number of share allocations vested between 07/01/2016 and 12/31/2016 (e)	6,529	80,284	-	-	-	-	-	-	**86,813**
Number of share allocations expired between 07/01/2016 and 12/31/2016	-	-	-	-	-	-	-	-	**-**
Total number of share allocations vested as of 12/31/2016 (e)	6,529	80,284	-	-	-	-	-	-	**86,813**
Total number of share allocations expired as of 12/31/2016 (e)	-	715	-	-	-	-	-	-	**715**
REMAINING ALLOCATIONS AS OF FISCAL YEAR-END (e)	**-**	**8,758**	**6,529**	**97,071**	**5,000**	**64,511**	**5,000**	**64,851**	**251,720**

(a) Bonus shares allocated to company officers serving as of the provisional allocation date.
(b) Company officers serving as of December 31, 2016.
(c) Bonus shares allocated to employees – other than company officers – serving as of the provisional allocation date.
(d) Shares vest and become available on July 25, 2017 and October 16, 2018 for recipients who are not French residents for tax purposes.
(e) After adjusting for the distributions of Hermès International shares on December 17, 2014.

3.5. ALLOCATION OF BONUS SHARES AND PERFORMANCE SHARES BY ITS SUBSIDIARY, LVMH

Date of Shareholders' Meeting	03/31/2011	04/18/2013	04/18/2013	04/18/2013	04/18/2013	04/16/2015	04/16/2015	04/14/2016	04/14/2016	
Date of Board of Directors' meeting	**07/26/2012**	**07/25/2013**	**10/24/2013**	**07/24/2014**	**10/23/2014**	**04/16/2015**	**10/22/2015**	**10/20/2016**	**10/20/2016**	
	Bonus shares	**Performance shares**	**Performance shares**	**Bonus shares**	**Performance shares**	**Performance shares**	**Performance shares**	**Bonus shares**	**Performance shares**	**Total**
Total number of shares provisionally allocated at plan inception	**45,000**	**397,406**	**6,228**	**61,000**	**307,548**	**73,262**	**315,532**	**50,010**	**310,509**	**1,566,495**
o/w Company officers [(a)]	45,000	78,572	-	-	19,235	41,808	46,990	-	43,452	**275,057**
o/w Top ten employee recipients [(b)]	-	69,606	6,228	61,000	36,280	31,454	61,858	50,010	57,734	**374,170**
Number of recipients	1	748	3	2	772	14	740	2	740	
Vesting date	07/26/2015 [(c)]	07/25/2016 [(c)]	10/24/2016 [(c)]	07/24/2017 [(c)]	10/23/2017 [(c)]	04/16/2018 [(c)]	10/22/2018 [(c)]	10/20/2019	10/20/2019	
Date as of which the shares may be sold	07/26/2017 [(c)]	07/25/2018 [(c)]	10/24/2018 [(c)]	07/24/2019 [(c)]	10/23/2019 [(c)]	04/16/2020 [(c)]	10/22/2020 [(c)]	10/20/2019	10/20/2019	
Performance conditions	**-**	**Satisfied**	**Satisfied**	**-**	**Satisfied**	**Satisfied**	**Satisfied in 2016**	**-**	**Not applicable in 2016**	
Number of share allocations vested between 07/01/2016 and 12/31/2016 [(d)]	49,989	214,037	4,698	-	-	-	-	-	-	**268,724**
Number of share allocations expired between 07/01/2016 and 12/31/2016 [(d)]	-	2,880	-	-	5,034	-	3,332	-	-	**11,246**
Total number of share allocations vested as of 12/31/2016 [(d)]	49,989	214,264	4,698	-	-	-	-	-	-	**268,951**
Total number of share allocations expired as of 12/31/2016 [(d)]	-	37,666	2,222	-	28,647	-	5,627	-	-	**74,162**
REMAINING ALLOCATIONS AS OF FISCAL YEAR-END [(d)]	**-**	**188,106**	**-**	**67,764**	**313,031**	**73,262**	**309,905**	**50,010**	**310,509**	**1,312,587**

(a) Bonus shares allocated to company officers serving as of the provisional allocation date.
(b) Bonus shares allocated to employees – other than LVMH company officers – serving as of the provisional allocation date.
(c) Shares vest and become available on July 26, 2016; July 25, 2017; October 24, 2017; July 24, 2018; October 23, 2018; April 16, 2019 and October 22, 2019 for recipients who are not French residents for tax purposes.
(d) After adjusting for the exceptional distribution of a dividend in Hermès International shares on December 17, 2014.

3.6. SHARES VESTED DURING THE FISCAL YEAR TO THE GROUP'S TOP TEN EMPLOYEE RECIPIENTS, OTHER THAN COMPANY OFFICERS

Information on company officers can be found in §6.5 of the "Compensation of company officers" section of the Management report of the Board of Directors – Christian Dior parent company.

Bonus shares and performance shares vested to the Group's top ten employee recipients (a), other than company officers, having received the largest number of shares (b)

Company granting the shares	Initial allocation date of the shares	Number of bonus shares	Number of performance shares
Christian Dior	07/25/2013	6,529	26,464
LVMH Moët Hennessy - Louis Vuitton	07/25/2013	-	41,894
	10/24/2013	-	4,390

(a) Active employees as of the vesting date.
(b) After adjusting for the distributions of Hermès International shares on December 17, 2014.

4. Financial authorizations

4.1. STATUS OF CURRENT DELEGATIONS AND AUTHORIZATIONS

4.1.1. Share repurchase programs (L. 225-209 et seq. of the French Commercial Code)

Type	Authorization date	Expiry/ Duration	Amount authorized	Use as of Dec. 31, 2016
Share repurchase program Maximum purchase price: 300 euros	December 6, 2016 (12th resolution)	June 5, 2018 (18 months)	10% of the share capital 18,050,751 shares	Movements during the fiscal year (a) Purchases: 51,591 Sales: -
Reduction of capital through the retirement of shares purchased under the share repurchase program	December 6, 2016 (14th resolution)	June 5, 2018 (18 months)	10% of the share capital per 24-month period 18,050,751 shares	Shares retired during the fiscal year: None

(a) Movements occurring between December 6 and December 31, 2016 are addressed in the following section on the share repurchase program approved by the Combined Shareholders' Meeting of December 6, 2016. For purchases, including calls exercised, see also §5.1 below in the "Share repurchase programs" section.

4.1.2. Authorizations to increase the share capital

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

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of Dec. 31, 2016
Through capitalization of reserves (L. 225-130)	December 6, 2016 (13th resolution)	February 5, 2019 (26 months)	80 million euros [(a)] 40,000,000 shares	Not applicable	None
With preferential subscription rights: ordinary shares and securities giving access to the share capital	December 6, 2016 (15th resolution)	February 5, 2019 (26 months)	80 million euros [(a)] [(b)] 40,000,000 shares	Free	None
Without preferential subscription rights: ordinary shares and securities giving access to the share capital:					
• by means of public offering (L. 225-135 et seq.)	December 6, 2016 (16th resolution)	February 5, 2019 (26 months)	80 million euros [(a)] [(b)] 40,000,000 shares	At least equal to the minimum price required by regulations [(c)]	None
• by means of private placement (L. 225-135 et seq.)	December 6, 2016 (17th resolution)	February 5, 2019 (26 months)	80 million euros [(a)] [(b)] 40,000,000 shares	At least equal to the minimum price required by regulations [(c)]	None
In connection with a public exchange offer (L. 225-148)	December 6, 2016 (20th resolution)	February 5, 2019 (26 months)	80 million euros [(a)] 40,000,000 shares	Free	None
In connection with in-kind contributions (L. 225-147)	December 6, 2016 (21st resolution)	February 5, 2019 (26 months)	10% of the share capital [(a)] 18,050,751 shares	Free	None

(a) Maximum nominal amount. The nominal amount of any capital increase decided upon pursuant to other delegations of authority would be offset against this amount.
(b) Provided the overall maximum of 80 million euros referred to in (a) is not exceeded, this amount may be increased to a maximum of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of December 6, 2016 – 19th resolution) (L. 225-135-1).
(c) Up to 10% of the share capital, the Board of Directors may freely determine the issue price, provided that this price is equal to at least 90% of the weighted average share price over the three days preceding the date on which it is determined (Shareholders' Meeting of December 6, 2016 – 18th resolution).

4.1.3. Employee share ownership

Type	Authorization date	Expiry/ Duration	Amount authorized	Issue price determination method	Use as of Dec. 31, 2016
Bonus share allocations (L. 225-197-1 et seq.)	December 1, 2015 (14th resolution)	January 31, 2018 (26 months)	1% of the share capital (a) (b) 1,805,075 shares	Not applicable	Granted: 139,362 shares Available to be granted: 1,665,713 shares
Share subscription or purchase option allocations (L. 225-177 et seq.)	December 6, 2016 (22nd resolution)	February 5, 2019 (26 months)	1% of the share capital (a) (b) 1,805,075 shares	Average share price over the 20 trading days preceding the grant date (c) No discount	Granted: - Available to be granted: 1,805,075 shares
Capital increase reserved for employees who are members of a company savings plan (L. 225-129-6)	December 6, 2016 (23rd resolution)	February 5, 2019 (26 months)	1% of the share capital (a) (b) 1,805,075 shares	Average share price over the 20 trading days preceding the grant date Maximum discount: 20%	None

(a) Maximum of 1% of the share capital as of the Combined Shareholders' Meetings of December 1, 2015 and December 6, 2016.
(b) Subject to the maximum total limit of 80 million euros set out above, against which this amount would be offset.
(c) For purchase options, the price may not be lower than the average purchase price of the shares.

4.2. AUTHORIZATIONS PROPOSED AT THE SHAREHOLDERS' MEETING

No authorizations will be proposed at the Shareholders' Meeting of April 13, 2017.

5. Share repurchase programs

5.1. INFORMATION ON SHARE REPURCHASE PROGRAMS

The purpose of this subsection is to inform the Shareholders' Meeting of the purchase transactions in treasury shares that were carried out by the Company in the fiscal year from July 1 to December 31, 2016 as part of the share repurchase programs authorized by the Combined Shareholders' Meetings held on December 1, 2015 and December 6, 2016, respectively.

The Company acquired 51,591 Christian Dior shares at an average share price of 173.97 euros. No shares were sold.

These transactions generated expenses of 29 thousand euros.

The table below provides a summary by purpose of the transactions carried out at value date during the period from July 1 to December 31, 2016:

(number of shares unless otherwise stated)	Liquidity contract	Coverage of plans	Coverage of securities giving access to Company shares	Exchange or payment in connection with acquisitions	Shares pending retirement	Total
Balance as of July 1, 2016	**-**	**318,334**	**-**	**-**	**-**	**318,334**
Purchases	-	51,591	-	-	-	51,591
Average price *(EUR)*	-	173.97	-	-	-	173.97
Sales	-	-	-	-	-	-
Average price *(EUR)*	-	-	-	-	-	-
Share purchase options exercised	-	-	-	-	-	-
Average price *(EUR)*	-	-	-	-	-	-
Call options exercised	-	-	-	-	-	-
Average price *(EUR)*	-	-	-	-	-	-
Bonus share awards	-	(41,684)	-	-	-	(41,684)
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	-	-	-	-	-
Balance as of December 6, 2016	**-**	**328,241**	**-**	**-**	**-**	**328,241**
Purchases	-	-	-	-	-	-
Average price *(EUR)*	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Average price *(EUR)*	-	-	-	-	-	-
Share purchase options exercised	-	-	-	-	-	-
Average price *(EUR)*	-	-	-	-	-	-
Call options exercised	-	-	-	-	-	-
Average price *(EUR)*	-	-	-	-	-	-
Bonus share awards	-	-	-	-	-	-
Reallocations for other purposes	-	-	-	-	-	-
Shares retired	-	-	-	-	-	-
Balance as of December 31, 2016	**-**	**328,241**	**-**	**-**	**-**	**328,241**

Information on the number of shares registered in the Company's name as of the fiscal year-end date, other than that provided in the table above, is presented in §2.4 of the "Share ownership of the Company" section of the Management report of the Board of Directors – Christian Dior parent company.

5.2. SUMMARY TABLE DISCLOSING TRANSACTIONS UNDERTAKEN BY THE ISSUER IN ITS OWN SHARES FROM JULY 1 TO DECEMBER 31, 2016

The table below, prepared in accordance with the provisions of AMF Instruction 2005-06 of February 22, 2005, issued pursuant to the AMF's General Regulation, summarizes transactions undertaken by the Company in its own shares from July 1 to December 31, 2016:

As of December 31, 2016	
Percentage of own share capital held directly or indirectly	0.18% (a)
Number of shares retired in the last 24 months	1,200,000 (b)
Number of shares held in the portfolio	328,241
Book value of the portfolio *(EUR)*	53,410,389
Market value of the portfolio *(EUR)*	65,402,019

(a) Not taking into account shares acquired prior to the implementation of the share repurchase programs (§2.4 of the "Share ownership of the Company" section).
(b) In addition, 19,532 shares acquired before the share purchase programs were set up were retired on February 12, 2015.

	Cumulative gross transactions		Open positions as of December 31, 2016			
	Purchases	Sales/ Transfers	Open "buy" positions		Open "sell" positions	
			Purchased call options	Forward purchases	Sold call options	Forward sales
Number of shares	51,591	-	-	-	-	-
Of which:						
- liquidity contract	-	-	-	-	-	-
- purchases to cover plans	51,591	-	-	-	-	-
- exercise of purchase options	-	-	-	-	-	-
- exercise of call options	-	-	-	-	-	-
- bonus share allocations	-	-	-	-	-	-
- purchases of shares to be retired	-	-	-	-	-	-
- share retirements	-	-	-	-	-	-
Average maximum maturity	-	-	-	-	-	-
Average trading price (a) *(EUR)*	173.97	-	-	-	-	-
Average exercise price *(EUR)*	-	-	-	-	-	-
Amounts (a) *(EUR)*	8,975,267.43	-	-	-	-	-

(a) Excluding bonus share allocations and share retirements.

6. Compensation of company officers

6.1. SUMMARY OF COMPENSATION, OPTIONS AND PERFORMANCE SHARES GRANTED TO SENIOR EXECUTIVE OFFICERS [(a)]

Senior executive officers	Compensation due in respect of the fiscal year		Valuation of options granted during the fiscal year [(b)]		Valuation of bonus performance shares granted during the fiscal year [(b)]	
(EUR)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Bernard Arnault	1,675,814	2,246,949	-	-	4,482,204	4,491,698
Sidney Toledano	1,185,000	1,699,905	-	-	1,505,187	1,505,256

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, subject to the provisions of Article L. 225-102-1 of the French Commercial Code, excluding directors' fees.
(b) The breakdown of equity securities or securities conferring entitlement to capital allocated to members of the Board of Directors during the fiscal year is presented in §6.5, and the performance conditions to be met for the vesting of shares are presented in §3.4 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company.

6.2. SUMMARY OF THE COMPENSATION OF EACH SENIOR EXECUTIVE OFFICER [(a)]

Christian Dior SE does not pay any fixed or variable compensation to Bernard Arnault. The fixed and variable compensation amounts listed below exclusively concern compensation due or paid to him by the LVMH group.

Bernard Arnault	Amounts due for the fiscal year		Amounts paid during the fiscal year	
Compensation *(EUR)*	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Fixed compensation [(b)]	575,814	1,146,949	575,814	1,146,949
Variable compensation [(b)]	1,100,000 [(c)]	1,100,000 [(d)]	2,200,000 [(e)]	-
Exceptional compensation	-	-	-	-
Directors' fees [(f)]	57,659	115,345	115,345	116,413
Benefits in kind	Company car	Company car	Company car	Company car
TOTAL	**1,733,473**	**2,362,294**	**2,891,159**	**1,263,362**

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, subject to the provisions of Article L. 225-102-1 of the French Commercial Code.
(b) Compensation due or paid by the LVMH group, with no compensation being due or paid by Christian Dior.
(c) Amount corresponding to the six-month portion (from July 1 to December 31, 2016) of variable annual compensation of 2,200,000 euros decided with respect to the 2016 calendar year.
(d) Amount corresponding to the six-month portion (from July 1 to December 31, 2015) of variable annual compensation decided with respect to the 2015 calendar year.
(e) Variable compensation paid by LVMH with respect to the 2015 calendar year.
(f) The rules for allocating directors' fees at the Company are presented in the Report of the Chairman of the Board of Directors, §1.11, page 102.

Sidney Toledano [b]	Amounts due for the fiscal year		Amounts paid during the fiscal year	
Compensation *(EUR)*	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Fixed compensation	535,000	1,069,905	540,471	1,069,905
Variable compensation	650,000 [c]	630,000 [d]	-	1,260,000
Exceptional compensation	-	-	-	-
Directors' fees [e]	18,424	36,590	9,590	35,206
Benefits in kind	Company car	Company car	Company car	Company car
TOTAL	**1,203,424**	**1,736,495**	**550,061**	**2,365,111**

(a) Gross compensation and benefits in kind paid or borne by the Company and companies controlled, subject to the provisions of Article L. 225-102-1 of the French Commercial Code.
(b) Medium-term incentive plan adopted by the Board of Directors on February 11, 2016.
(c) Amount corresponding to the six-month portion (from July 1 to December 31, 2016) of variable annual compensation of 1,300,000 euros decided with respect to the 2016 calendar year.
(d) Amount corresponding to the six-month portion (from July 1 to December 31, 2015) of variable annual compensation decided with respect to the 2015 calendar year.
(e) The rules for allocating directors' fees at the Company are presented in the Report of the Chairman of the Board of Directors, §1.11, page 102.

The variable portion of the compensation paid to senior executive officers is based on the attainment of both financial and qualitative targets. The variable portion of the compensation of the Chairman of the Board of Directors is paid by the LVMH group; quantitative and qualitative objectives carry an equal weighting for the purpose of determining the bonus.

For the Chief Executive Officer, quantitative and qualitative objectives carry the weighting of 2/3 and 1/3, respectively. The financial criteria are growth in revenue, operating profit and cash flow as compared to the budget, with each of these items representing one-third of the total determination. The qualitative criteria have been precisely established but are not made public for reasons of confidentiality. The variable portion is capped at 150% of the fixed portion for the Chief Executive Officer. The Chief Executive Officer also benefits from a medium-term incentive plan covering calendar years 2014 to 2017, primarily based on growth in Christian Dior Couture's consolidated profit from recurring operations. The benefit of this plan is subject to an attendance condition and its amount is capped at 16 million euros.

6.3. SUMMARY OF DIRECTORS' FEES, COMPENSATION, BENEFITS IN KIND AND COMMITMENTS GIVEN TO OTHER COMPANY OFFICERS [(a)]

Members of the Board of Directors	Directors' fees [(b)] paid during the fiscal year		Fixed compensation paid during the fiscal year		Variable compensation paid during the fiscal year	
(EUR)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Members of the Board of Directors						
Delphine Arnault [(c)]	53,314	65,339	420,077	848,949	-	1,596,000 [(d)]
Denis Dalibot	40,031	33,929	25,000 [(e)]	60,426 [(e)]	-	-
Hélène Desmarais	17,257	13,848	-	-	-	-
Renaud Donnedieu de Vabres	14,385	13,848	-	-	-	-
Ségolène Gallienne	8,314	8,206	-	-	-	-
Pierre Godé	108,343	124,763	432,702	867,287	-	-
Christian de Labriffe	23,975	23,080	-	-	-	-
Advisory Board member						
Jaime de Marichalar y Sáenz de Tejada	9,590	24,041	-	-	-	-

(a) Directors' fees, gross compensation and/or fees and benefits in kind paid or borne by the Company and companies it controls, subject to the provisions of Article L. 225-102-1 of the French Commercial Code, and received by the company officer or a company he or she controls.
(b) The rules for allocating directors' fees at the Company are presented in the Report of the Chairman of the Board of Directors, §1.11, page 102.
(c) The breakdown of equity securities or securities conferring entitlement to capital allocated to members of the Board of Directors during the fiscal year is presented in §3.4 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company, and in §6.5 below.
(d) Including 1,066,000 euros under the medium-term incentive plan.
(e) Contract as a consultant.

6.4. OPTIONS GRANTED TO AND EXERCISED BY COMPANY OFFICERS DURING THE FISCAL YEAR

See also §3.1 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company for the terms and conditions of allocating and holding shares.

No option plans were created during the period from July 1 to December 31, 2016.

6.4.1. Options exercised by senior executive officers of the Company [(a)]

Recipient	Company granting the options	Date of the plan	Number of options	Exercise price/ Subscription price *(EUR)*
Sidney Toledano	Christian Dior	01/31/2007	54,409	78.11

(a) After adjusting for the distributions of Hermès International shares on December 17, 2014.

6.4.2. Options exercised by other company officers of the Company

No options were exercised by other company officers of the Company between July 1 and 31 December, 2016.

6.5. SHARE ALLOCATIONS TO COMPANY OFFICERS DURING THE FISCAL YEAR

See also §3.4 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company for the terms and conditions of allocating and holding shares.

6.5.1. Provisional allocations of performance shares to senior executive officers of the Company

Recipients	Company granting the shares	Date of Shareholders' Meeting	Date of the plan	Number of shares	% of share capital	Valuation of shares *(EUR)*
Bernard Arnault	Christian Dior	12/01/2015	12/06/2016	13,702	0.0076	2,384,011
	LVMH	04/14/2016	10/20/2016	13,528	0.0027	2,098,193
Sidney Toledano	Christian Dior	12/01/2015	12/06/2016	8,651	0.0048	1,505,187

6.5.2. Provisional allocations of performance shares to other company officers of the Company

Recipient	Company granting the shares	Date of the plan	Number of performance shares
Delphine Arnault	Christian Dior	12/06/2016	4,371
	LVMH	10/20/2016	1,936

6.5.3. Performance shares vested to senior executive officers of the Company [(a)]

Recipients	Company granting the shares	Date of the plan	Number of performance shares
Bernard Arnault	Christian Dior	07/25/2013	20,793
	LVMH	07/25/2013	19,960
Sidney Toledano	Christian Dior	07/25/2013	12,505

(a) After adjusting for the distribution of Hermès International shares on December 17, 2014.

6.5.4. Bonus and performance shares vested to other company officers of the Company [(a)]

Recipients	Company granting the shares	Date of the plan	Number of bonus shares	Number of performance shares
Delphine Arnault	Christian Dior	07/25/2013	-	6,633
	LVMH	07/25/2013	-	1,827
Pierre Godé	LVMH	07/26/2012	49,989	-

(a) After adjusting for the distribution of Hermès International shares on December 17, 2014.

6.6. PRIOR ALLOCATIONS OF OPTIONS TO COMPANY OFFICERS

6.6.1. Share subscription option plans

No share subscription option plans were in effect as of December 31, 2016.

6.6.2. Share purchase option plans

The terms and conditions of exercising purchase options and, for the plan set up in 2009, the performance conditions related to exercising options are presented in §3.1 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company.

For plans set up since 2007, if the Chairman of the Board of Directors and the Chief Executive Officer decide to exercise their options, they must retain possession, in pure registered form and until the end of their respective terms in office, of a number of shares representing one-half of the notional capital gain, net of tax and social security contributions, determined on the basis of the closing share price on the day before the exercise date.

Date of Shareholders' Meeting	05/11/2006	05/11/2006	05/11/2006	
Date of Board of Directors' meeting	**01/31/2007**	**05/15/2008**	**05/14/2009**	**Total**
Total number of options granted at plan inception	**480,000**	**484,000**	**332,000**	**1,296,000**
o/w Company officers [(a)]	285,000	320,000	150,000	**755,000**
Bernard Arnault [(b)]	200,000	200,000	100,000	**500,000**
Delphine Arnault [(b)]	25,000	25,000	25,000	**75,000**
Denis Dalibot [(b)]	35,000	70,000	-	**105,000**
Sidney Toledano [(b)]	50,000	50,000	50,000	**150,000**
o/w Top ten employee recipients [(c)]	133,000	147,000	159,000	**439,000**
Number of recipients	28	25	26	
Earliest option exercise date	01/31/2011	05/15/2012	05/14/2013	
Expiry date	01/30/2017	05/14/2018	05/13/2019	
Exercise price [(d)] *(EUR)*	78.11	67.31 [(e)]	47.88	

(a) Options granted to active company officers as of the plan's commencement date.
(b) Company officers serving as of December 31, 2016.
(c) Options granted to active employees other than company officers as of the plan's commencement date.
(d) After adjusting for the distributions in kind of Hermès International shares on December 17, 2014.
(e) Purchase price for Italian residents:

Plan	Exercise price [(d)] *(EUR)*
05/15/2008	67.52

Exercise of such options does not lead to any dilution for shareholders, since they are options to purchase existing shares.

6.7. PRIOR ALLOCATIONS OF BONUS SHARES AND PERFORMANCE SHARES

The terms and conditions of allocation and performance conditions related to the vesting of shares are presented in §3.4 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company.

If their shares vest, the Chairman of the Board of Directors and the Chief Executive Officer must retain possession, in pure registered form and until the conclusion of their respective terms in office, of a number of shares corresponding to one-half of the notional capital gain, net of tax and social security contributions, calculated at the vesting date of those shares on the basis of the closing share price on the day before the vesting date.

Date of Shareholders' Meeting	10/26/2012		10/26/2012		12/01/2015		12/01/2015		
Date of Board of Directors' meeting	**07/25/2013**		**10/16/2014**		**12/01/2015**		**12/06/2016**		
	Bonus shares	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Bonus shares**	**Perfor-mance shares**	**Total**
Total number of shares provisionally allocated at plan inception	**6,000**	**82,521**	**6,000**	**89,185**	**5,000**	**64,511**	**5,000**	**64,851**	**323,068**
o/w Company officers [(a)]	-	36,694	-	39,302	-	28,585	-	26,724	**131,305**
Bernard Arnault [(b)]	-	19,108	-	20,466	-	14,656	-	13,702	**67,932**
Delphine Arnault [(b)]	-	6,095	-	6,528	-	4,675	-	4,371	**21,669**
Sidney Toledano [(b)]	-	11,491	-	12,308	-	9,254	-	8,651	**41,704**
o/w Top ten employee recipients [(c)]	6,000	24,370	6,000	27,653	5,000	18,296	5,000	18,717	**111,036**
Number of recipients	1	40	1	40	1	44	1	52	
Vesting date	07/25/2016	07/25/2016 [(d)]	10/16/2017	10/16/2017 [(d)]	12/01/2018	12/01/2018	12/06/2019	12/06/2019	
Date as of which the shares may be sold	07/25/2018	07/25/2018 [(d)]	10/16/2019	10/16/2019 [(d)]	12/01/2018	12/01/2018	12/06/2019	12/06/2019	
Performance conditions	**-**	**Satisfied**	**-**	**Satisfied**	**-**	**Satisfied in 2016**	**-**	**Not applicable in 2016**	

(a) Bonus shares allocated to company officers serving as of the provisional allocation date.
(b) Company officers serving as of December 31, 2016.
(c) Bonus shares allocated to employees – other than company officers – serving as of the provisional allocation date.
(d) Shares vest and become available on July 25, 2017 and October 16, 2018 for recipients who are not French residents for tax purposes.

6.8. SENIOR EXECUTIVE OFFICERS' EMPLOYMENT CONTRACTS, SPECIFIC PENSIONS, SEVERANCE BENEFITS AND NON-COMPETE CLAUSES

	Work contract		Supplementary pension		Indemnities or benefits due or likely to become due on the cessation or change of functions		Indemnities relating to a non-competition clause	
Senior executive officers	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Bernard Arnault Chairman of the Board of Directors		X	X			X		X
Sidney Toledano Chief Executive Officer	X [(a)]			X		X	X [(a)]	

(a) Covenant not to compete for a period of twenty-four months included in the employment contract – suspended for the duration of the term of office of Chairman and Chief Executive Officer of Christian Dior Couture – allowing for the payment during each month of its application of a compensating indemnity equivalent to the average gross salary received over the previous twelve-month period.

LVMH SE has set up a defined-benefit pension plan, in accordance with the provisions of Article L. 137-11 of the French Social Security Code, for senior executives.

The supplementary pension only vests if the recipient has served for at least six years on the LVMH group's Executive Committee and claims all of his or her retirement benefits, acquired under the basic and mandatory supplementary plans, simultaneously with the end of his or her service at the Group. However, this last condition is not required if the recipient leaves at the Group's request after the age of 55, provided that the recipient does not engage in any other professional activity between his or her departure from the Group and the pension claim. Furthermore, in the event of the death of the potential recipient before his or her benefits are claimed, the derived rights are maintained with the surviving spouse as the beneficiary.

This supplementary pension is determined on the basis of a benchmark compensation amount equal to the average of the three highest amounts of annual compensation received or reconstituted over the course of the recipient's career with the Group, capped at 35 times the French annual social security ceiling (i.e. 1,351,560 euros as of December 31, 2016).

The annual supplementary pension is equal to the difference between 60% of the benchmark compensation (i.e. 810,936 euros as of December 31, 2016) and all benefits paid under basic plans in France and abroad, as well as under supplementary pension plans in France and abroad. The maximum annual amount payable to pension recipients under this plan would be 45% of the fixed and variable compensation paid to them in 2016, in accordance with the rules laid down in the AFEP/MEDEF Code. As of December 31, 2016, the maximum amount of these payouts is estimated at 682,000 euros per year. The supplementary pension only vests when retirement benefits are claimed. Given the characteristics of the plan set up by LVMH SE and Bernard Arnault's personal situation, the supplementary pension that he may qualify for no longer gives rise to the annual vesting of additional benefits.

Recipients' potential benefits are funded by contributions paid to an insurer, which are deductible from the corporate tax base and subject to the contribution tax provided for under Article L. 137-11, I, 2°, a) of the French Social Security Code, the rate of which is set at 24%.

7. Summary of transactions in Christian Dior securities during the fiscal year by senior executives and related persons [(a)]

Director concerned	Type of transaction	Number of shares/ other securities	Average price (EUR)
Person(s) related to Bernard Arnault	Share purchases	1,650,000	174.32
	Monetization [(b)]	2,074,357	178.37
	Pledge	894,127	179.50
Sidney Toledano	Share purchases [(c)]	54,409	78.11
Person(s) related to Sidney Toledano	Sale	22,897	175.30

(a) Related persons defined in Article R. 621-43-1 of the French Monetary and Financial Code.
(b) Financing or redemption by monetization.
(c) Exercise of share purchase options.

8. Governance

8.1. LIST OF POSITIONS AND OFFICES HELD BY MEMBERS OF THE BOARD OF DIRECTORS

The list of all offices and positions held by each member of the Board of Directors, currently and during the last five years, is provided in the Other information – Governance section.

8.2. PROPOSED RESOLUTIONS

8.2.1. Approval of the financial statements for the fiscal year and of related-party agreements

The first items of business relate to:

- approval of the financial statements: you will be asked to vote on the approval of the financial statements of the parent company Christian Dior SE (first resolution) as well as the Group's consolidated financial statements (second resolution);
- approval of related-party agreements (third resolution): details of these agreements are set out in the Statutory Auditors' special report;
- allocation of net profit (fourth resolution): the dividend to be distributed in cash will amount to 1.40 euros per share. This will be paid on April 21, 2017.

8.2.2. Board of Directors and Statutory Auditors

Membership of the Board of Directors

It is proposed that you:

- renew the appointments of Bernard Arnault and Sidney Toledano as Directors (fifth and sixth resolutions);
- appoint Maria Luisa Loro Piana as Director (seventh resolution);
- appoint Pierre Godé as Advisory Board member (eighth resolution).

8.2.3. Compensation of senior executive officers

8.2.3.1. Compensation due or awarded with respect to the fiscal year ended December 31, 2016

Pursuant to the guidelines expressed in the AFEP/MEDEF Code, you are hereby asked to give an opinion on the items of compensation due or awarded to Bernard Arnault and Sidney Toledano in respect of the fiscal year ended December 31, 2016 (ninth and tenth resolutions).

See also Section 6.

Summary of the compensation of each senior executive officer

Christian Dior SE does not pay any fixed or variable compensation to Bernard Arnault. The fixed and variable compensation amounts listed below exclusively concern compensation due or paid to him by the LVMH group.

Bernard Arnault	**Amounts due for the fiscal year**	**Amounts paid during the fiscal year**
Gross compensation *(EUR)*	**December 31, 2016** (6 months)	**December 31, 2016** (6 months)
Fixed compensation [a]	575,814	575,814
Variable compensation [a]	1,100,000 [b]	2,200,000 [c]
Exceptional compensation	-	-
Directors' fees [d]	57,659	115,345
Benefits in kind	Company car	Company car
TOTAL	**1,733,473**	**2,891,159**

(a) Compensation due or paid by the LVMH group, with no compensation being due or paid by Christian Dior.
(b) Amount corresponding to the six-month portion (from July 1 to December 31, 2016) of variable annual compensation of 2,200,000 euros set for the 2016 calendar year.
(e) Variable compensation paid by LVMH with respect to the 2015 calendar year.
(d) The rules for allocating directors' fees at the Company are presented in the Report of the Chairman of the Board of Directors, §1.11, page 102.

Sidney Toledano	**Amounts due for the fiscal year**	**Amounts paid during the fiscal year**
Gross compensation *(EUR)*	**December 31, 2016** (6 months)	**December 31, 2016** (6 months)
Fixed compensation	535,000	540,471
Variable compensation	650,000 [a]	-
Exceptional compensation	-	-
Directors' fees [b]	18,424	9,590
Benefits in kind	Company car	Company car
TOTAL	**1,203,424**	**550,061**

(a) Amount corresponding to the six-month portion (from July 1 to December 31, 2016) of variable annual compensation of 1,300,000 euros set for the 2016 calendar year.
(b) The rules for allocating directors' fees at the Company are presented in the Report of the Chairman of the Board of Directors, §1.11, page 102.

Summary of the compensation due and performance shares granted to senior executive officers

Senior executive officers *(EUR)*	Gross compensation due in respect of the fiscal year (6 months)	Valuation of bonus performance shares granted during the fiscal year [(a)]
Bernard Arnault	1,675,814	4,482,204
Sidney Toledano	1,185,000	1,505,197

(a) The breakdown of equity securities or securities conferring entitlement to capital allocated to members of the Board of Directors during the fiscal year is presented in §6.5, and the performance conditions to be met for the vesting of shares are presented in §3.4 of the "Stock option and bonus share plans" section of the Management report of the Board of Directors – Christian Dior parent company.

8.2.3.2. Specific pension

LVMH SE has set up a defined-benefit pension plan, in accordance with the provisions of Article L. 137-11 of the French Social Security Code, for senior executives.

The supplementary pension is only acquired if the potential recipient has been present for at least six years on the LVMH group's Executive Committee and simultaneously asserts his or her rights to his or her standard legal pension entitlement. This is not required however if the potential recipient leaves at the Group's request after the age of 55 and resumes no other professional activity until his or her external pension plans are liquidated. It is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,351,560 euros as of December 31, 2016). The annual supplementary pension benefit is equal to the difference between 60% of the reference compensation amount (capped at 810,936 euros as of December 31, 2016) and all pension payments made in France (under the general social security regime and the ARRCO and AGIRC supplementary regimes) and abroad.

As of December 31, 2016, the maximum amount of this supplementary pension is estimated at 682,000 euros per year. It does not vest until retirement benefits are claimed. Given the characteristics of the plan set up by LVMH SE and his personal situation, the supplementary pension that Bernard Arnault may qualify for no longer gives rise to the annual vesting of additional benefits.

8.2.3.3. Compensation policy

In accordance with Article L. 225-37-2 of the French Commercial Code, it is proposed that you approve the principles and criteria used to determine, allocate and award the fixed and variable components of the total compensation and benefits in kind payable to Bernard Arnault and Sidney Toledano for performing their duties during the 2017 fiscal year and constituting the compensation policy applicable to them (eleventh resolution).

These principles and criteria approved by the Board of Directors on the recommendation of the Nominations and Compensation Committee are set out in the Report of the Board of Directors on the compensation policy for senior executive officers (page 93 of the Annual Report) as provided for in the aforementioned article. Starting in 2018, the payment to the Chief Executive Officer of the multi-year variable portion of his compensation will be subject to prior approval of the amount at the Ordinary Shareholders' Meeting under the conditions provided by Article L. 225-100 of the French Commercial Code.

8.2.4. Amendments to the Bylaws

It is proposed that the Bylaws be amended to take account of the new legal requirements resulting from French Law No. 2016-1691 of December 9, 2016, known as the Sapin II law, concerning the transfer of the registered office anywhere in France pursuant to the decision of the Board of Directors, subject to the decision being ratified by the next Ordinary Shareholders' Meeting (Article 4 of the Bylaws), maintaining the double voting right in the event of a merger or spin-off (Article 17 of the Bylaws) and the option for the Extraordinary Shareholders' Meeting to delegate to the Board of Directors the power to amend the Bylaws in order to harmonize them with new legal or regulatory requirements (Article 21 of the Bylaws) (twelfth resolution).

8.2.5. Delegation granted to the Board of Directors to amend the Bylaws to comply with new legal and regulatory requirements

It is proposed that you delegate to the Board of Directors full powers to make any amendments needed to the Bylaws to ensure that they comply with legal and regulatory requirements, subject to these amendments being ratified by the next Extraordinary Shareholders' Meeting (thirteenth resolution).

9. Information that could have a bearing on a takeover bid or exchange offer

Pursuant to the provisions of Article L. 225-100-3 of the French Commercial Code, information that could have a bearing on a takeover bid or exchange offer is presented below:

- capital structure of the Company: the Company is controlled by the Arnault Family Group, which controlled 73.96% of the share capital and 84.90% of the voting rights as of December 31, 2016;
- share issues and repurchases under various resolutions:
  - at the Shareholder's Meeting, the shareholders have delegated to the Board of Directors the power to:
    - acquire Company shares within the limit of 10% of the share capital,
    - increase the share capital, with or without preferential subscription rights and via public offering or private placement, up to a total nominal amount not exceeding 80 million euros, i.e. 22% of the Company's current share capital,
    - increase the share capital in connection with a public exchange offer or in-kind contributions.

    These delegations of authority are suspended during takeover bids or exchange offers.
  - at the Shareholder's Meeting, the shareholders have also delegated to the Board of Directors the power to:
    - allocate share subscription options or bonus shares to be issued within the limit of 1% of the share capital,
    - increase the share capital through an issue for employees within the limit of 1% of the share capital.

    These delegations of authority are not suspended during takeover bids or exchange offers.

Management report of the Board of Directors

WORKFORCE, ENVIRONMENTAL AND SOCIAL REPORT

1. Group reporting on employee-related issues

1.1. NOTE ON METHODOLOGY

Since 2010, all staff members involved in Group reporting on employee-related issues have had access to an e-learning module. The purpose of this online training tool is to familiarize users with the objectives of reporting on employee-related issues, and deepen understanding of key indicators and the calculation methodology used. Control procedures have also been reinforced within each organizational entity. To ensure the quality of the data reported, Group companies' Directors of Human Resources appoint a reporter for each company under their responsibility, who is in charge of collecting and reporting all employee-related data, as well as a reviewer who is responsible for checking the data reported by the reporter and certifying that it is accurate by providing an electronic signature during the validation phase of the questionnaire completed online. Following these two preliminary validation stages, the Group company's Director of Human Resources – the supervisor – provides his or her final sign-off by signing a letter of representation.

The reconciliation of organizational and legal entities ensures consistency between the workforce and financial reporting systems. Accordingly, the scope of reporting on employee-related issues covers all staff employed by fully consolidated Group companies, but does not include equity-accounted associates.

For each of the social responsibility metrics, a description states its relevance, defines the data, and sets out the procedure to be applied to collect the data and the various checks made when entering the data. Furthermore, computer checks are implemented throughout the reporting cycle to confirm the reliability and consistency of the data entered.

The headcounts provided below include all consolidated companies as of December 31, 2016, including LVMH's and Christian Dior Couture's shares in joint ventures. Donna Karan International, sold to G-III Apparel Group in December 2016, is not included in employee-related indicators. Other employee-related indicators have been calculated across a scope of 679 organizational entities covering more than 99% of the global workforce and encompass all staff employed during the fiscal year, including those employed by joint ventures. The period-end indicators are those as of December 31, 2016. Indicators for the six-month reporting period are calculated by applying coefficients reflecting the average change in the workforce over the second half relative to the full year over the past three years. The ratio-based indicators are calculated over twelve-month periods.

Since the 2007 fiscal year, selected employee-related disclosures for the Group have been audited each year by one of the Group's Statutory Auditors. For fiscal year 2016, company data was verified by Ernst & Young, in accordance with Article R. 225-105-2 of the French Commercial Code. Its findings are expressed in the statement of opinion included at the end of the Workforce, Environmental and Social report.

Group companies provide an overview of their corporate social responsibility initiatives in a yearly Corporate Social Responsibility (CSR) reporting survey, which supplements the Group's reporting on employee-related issues. This survey, which is carried out in all Group companies, covers the most common social responsibility issues: respect for human rights, diversity and the prevention of discrimination, skills development, working conditions, listening to and dialoguing with employees, and engaging with local communities. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

The Christian Dior group's employees in China are included in the number of staff working under permanent contracts (11,172 as of December 31, 2016). Although Chinese law limits the duration of employment contracts, which become permanent only after several years, the Christian Dior group considers employees working under such contracts as permanent, given the nature of Chinese labor law.

1.2. BREAKDOWN OF AND CHANGES IN THE WORKFORCE

1.2.1. Breakdown of the workforce

The total workforce as of December 31, 2016 was 139,838 employees, up 6% relative to June 30, 2016. Of this total, 125,093 employees were working under permanent contracts and 14,745 under fixed-term contracts. Part-time employees represented 20% of the total workforce, or 27,560 individuals. Staff outside France represented 80% of the worldwide workforce.

The Group's average total full-time equivalent (FTE) workforce in 2016 comprised 124,424 employees, up 5% relative to 2015/2016.

The tables below show the breakdown of the workforce by business group, geographic region and professional category.

Breakdown by business group

	December 31, 2016		June 30, 2016	
Total workforce as of fiscal year-end [(a)]		%		%
Christian Dior Couture	5,362	4	5,452	4
Wines and Spirits	6,938	5	7,479	6
Fashion and Leather Goods	32,887 [(b)]	23	33,102	25
Perfumes and Cosmetics	24,170	17	23,328	18
Watches and Jewelry	7,937	6	7,828	6
Selective Retailing	57,428	41	49,400	37
Other activities	5,116	4	4,934	4
TOTAL	**139,838**	**100**	**131,523**	**100**

(a) Total permanent and fixed-term headcount.
(b) The reduction in headcount in the Fashion and Leather Goods division is due to the sale of Donna Karan International to G-III Apparel Group in December 2016.

Breakdown by geographic region

	December 31, 2016		June 30, 2016	
Total workforce as of fiscal year-end [(a)]		%		%
France	28,406	20	27,957	21
Europe (excluding France)	32,090	23	30,812	24
United States	32,656	23	28,051	21
Japan	6,237	5	6,262	5
Asia (excluding Japan)	29,514	21	28,862	22
Other markets	10,935	8	9,579	7
TOTAL	**139,838**	**100**	**131,523**	**100**

(a) Total permanent and fixed-term headcount.

Breakdown by professional category

	December 31, 2016		June 30, 2016	
Total workforce as of fiscal year-end [(a)]		%		%
Executives and managers	24,866	18	24,416	19
Technicians and supervisors	13,304	10	13,240	10
Administrative and sales employees	84,480	60	76,380	58
Production workers	17,188	12	17,487	13
TOTAL	**139,838**	**100**	**131,523**	**100**

(a) Total permanent and fixed-term headcount.

Average age and breakdown by age

As of December 31, 2016, the average age of the worldwide workforce employed under permanent contracts was 36 and the median age was 33. The youngest age ranges are found among sales personnel, mainly in Asia, the United States and Other markets.

(as %)		Global workforce	France	Europe [(a)]	United States	Japan	Asia [(b)]	Other markets
Age:	under 25	12.7	5.7	7.3	24.1	3.7	11.4	25.2
	25-29	20.8	15.3	16.0	23.0	11.7	29.2	23.9
	30-34	19.1	15.2	18.6	16.1	20.3	25.6	19.6
	35-39	14.7	14.2	17.0	10.8	24.1	15.0	13.0
	40-44	10.9	13.5	14.8	7.0	20.8	7.5	7.7
	45-49	8.4	12.1	11.5	6.3	10.8	4.8	4.7
	50-54	6.6	11.5	7.9	5.2	5.6	3.4	3.1
	55-59	4.4	8.7	4.7	3.7	2.8	2.0	1.7
	60 and over	2.4	3.8	2.2	3.8	0.2	1.1	1.1
		100.0	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE AGE		**36**	**40**	**38**	**34**	**38**	**33**	**33**

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

Average length of service and breakdown by length of service

As of December 31, 2016, the average length of service within the Group was 10 years in France and ranged from 4 to 8 years in other geographical regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a higher rate of turnover. It is also the result of recent expansion by Group companies into high-growth markets, where there is a greater fluidity of employment.

(as %)	Global workforce	France	Europe [(a)]	United States	Japan	Asia [(b)]	Other markets
Length of service: less than 5 years	58.9	39.0	47.1	75.0	44.3	70.2	78.6
5-9 years	19.9	21.7	25.6	14.8	22.5	18.9	13.0
10-14 years	8.9	12.0	12.9	5.4	19.5	5.1	3.9
15-19 years	5.9	11.4	8.2	2.6	8.7	2.3	2.5
20-24 years	2.5	5.1	3.0	0.9	2.5	1.8	0.8
25-29 years	2.1	5.5	1.8	0.5	2.0	1.1	0.5
30 years and over	1.8	5.3	1.4	0.8	0.5	0.6	0.7
	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE LENGTH OF SERVICE	**7**	**10**	**8**	**5**	**8**	**5**	**4**

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

1.2.2. Recruitment policy: attracting a diverse array of talent

Identifying and recruiting talent are decisive elements in the success of the Christian Dior group and each of its entities in the short, medium and long term. In this highly competitive world, where creativity and expertise are of the utmost importance, it is essential to be able to enlist the highest-performing, most appropriate and most promising talent.

The Group has put several ambitious action plans in place to make the career opportunities within what it calls its "ecosystem" better known. Thanks to the wide reach of its brands, growth and international expansion, the Christian Dior group naturally attracts talent from the world of luxury goods and, beyond that, from all innovative fields. The Group also focuses on raising awareness of the full extent of its highly diverse range of professions to guarantee excellence across all its business lines.

The Group wanted to strengthen its ties with the younger generation in 2016 by creating Inside LVMH, an event designed to give 220 students from Europe's top business, engineering and design schools access to the Group and some of its companies. The day provided the opportunity for close discussion and sharing of ideas on the topics of innovation and luxury. The day was divided into three parts: a morning small-group session providing an in-depth introduction to 16 of the Group's companies (including Berluti, Louis Vuitton, Parfums Christian Dior, Make Up For Ever, Moët Hennessy and Chaumet); an afternoon group workshop on innovation at the Group's head office; and an evening at the Fondation Louis Vuitton. Students were welcomed by Chantal Gaemperle, the LVMH group's Director of Human Resources and Synergies, who talked about how integral the passing on and sharing of knowledge is to the Group's HR policy. Bernard Arnault then gave a presentation of his vision for the Group and the opportunities it offers. At the end of the masterclass, guests could visit the "Icons of Modern Art: The Shchukin Collection" exhibition.

The event was a real success, receiving very positive feedback from the universities, students and Group employees involved. The students that attended made connections that will help them consider a potential career with the Group.

In 2016, the Group also deepened its strong ties with schools and universities thanks to two new additions to its portfolio of international partnerships:

- "Creation & Sustainability" partnership with Central Saint Martins in London;
- chair in Savoir-Faire d'Exception (exceptional expertise) in partnership with ESSEC business school.

In addition to these programs, the Christian Dior group has developed new digital tools to reach a wider audience of students, optimize the job application experience and encourage a diverse pool of candidates to apply. Examples of these innovative initiatives include the "InMind" application (for digitizing CVs submitted on student forums), virtual job forums, pre-recorded video interviews and an online presence on platforms such as jobteaser.com.

Alongside these Group-wide initiatives, several Group companies, such as Sephora, Parfums Christian Dior, Louis Vuitton and Guerlain, regularly launch their own employer communication campaigns in order to attract the best candidates.

The Group's determination to provide itself and Group companies with the resources needed to bolster its image as an employer of choice is widely recognized. Initiatives taken by all Group companies have been popular with business school students in France, who ranked LVMH first among preferred employers for the eleventh consecutive year in the Universum poll.

The LVMH Code of Conduct for Recruitment has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical hiring principles to be observed at the Christian Dior group in the form of fourteen commitments. Special emphasis is placed on preventing any form of discrimination and on promoting diversity. It is backed by the Group's launch of the "Recruitment without Discrimination" in-house training program. Since 2011, this training program has been mandatory for all human resource managers involved in recruiting. Specific training sessions have gradually been rolled out on a country-by-country basis to ensure the Group's practices are in line with domestic legislation. To verify this system's effectiveness, since 2008 the Group has arranged for ongoing checks of its hiring practices by having an independent firm test its published job offers for discrimination. A global campaign was launched in fall 2014 and ended in spring 2016, with tests carried out in five countries: China, the United States, France, Italy and Switzerland. At the end of the test campaign, the findings were shared with Group companies' human resources departments. Campaigns to test for discrimination help monitor compliance with our commitments while managing the system for preventing discrimination in recruitment.

1.2.3. Movements during the year: joiners, leavers and internal mobility

Over the six-month period ended December 31, 2016, 17,501 individuals were hired under permanent contracts, 2,093 of them in France. A total of 3,980 people were recruited in France under fixed-term contracts. The seasonal sales peaks, at the end-of-year holiday season and the harvest season, are two main reasons for using fixed-term contracts.

A total of 13,113 employees working under permanent contracts left Group companies in the fiscal year (for any reason); of these, 45% were employed within the Selective Retailing business group, which traditionally experiences a high rate of turnover. The leading causes for departure were resignation (74%) and individual dismissal (13%).

The overall turnover rate varied significantly by geographical region: the highest rates were seen in North America, Asia and Other markets, where labor markets are more fluid.

Turnover by geographic region

(as %)	Dec. 31, 2016	France	Europe [d]	United States	Japan	Asia [e]	Other markets	June 30, 2016
Total turnover [a]	**10.4**	**5.9**	**7.4**	**14.5**	**5.1**	**13.4**	**14.3**	**21.5**
Of which:								
Voluntary turnover [b]	7.7	2.5	5.3	12.5	4.7	10.2	7.7	15.8
Involuntary turnover [c]	2.5	2.8	2.0	1.9	0.3	3.1	3.9	5.2

(a) All reasons.
(b) Resignations.
(c) Dismissals/end of trial period.
(d) Excluding France.
(e) Excluding Japan.

The Christian Dior group's human resources philosophy hinges on offering a wealth of career development options and international opportunities. With more than 1,250 internal transfers of management personnel, this year was no exception. This process was given greater impetus by MOVe, the internal jobs portal accessible via the Group's Intranet.

As the Group's companies develop in evolving marketplaces and new growth drivers such as digital technology come to the fore, the Group is able to provide a diverse range of career opportunities at every level of the organization, prompting cross-pollination of skills between the various business segments.

Thanks to the engagement and close cooperation of HR managers at Group companies around the world, in particular through regular talent reviews, 74% of senior management vacancies have been filled through internal promotions. Specific working groups are now in place for retail, digital, finance and supply chain jobs, in addition to the 53 internal transfer review boards for various seniority levels and regions. This approach is underpinned by far-reaching changes in the increasingly digital tools and information systems used for human resource management and the integration of social media into an even more proactive talent outreach process.

Special care is taken to get to know employees and foster their professional development. The personalized support they receive has been improved by upgrading the quality of career discussions and annual appraisals, with training for human resources managers and line managers worldwide.

Lastly, the standard organizational and talent review was performed with special attention to indicators of cultural and gender diversity. This approach revealed a talent pool of 1,000 key individuals from 43 different countries, with women accounting for 57% of the "high-potential" group.

1.3. WORKING TIME

1.3.1. Organization of working time

As of December 31, 2016, 13% of employees benefited from variable or adjusted working hours and 49% worked as part of a team or alternated their working hours.

Global workforce covered by various forms of working time adjustment: breakdown by geographical region

Employees concerned [a] *(as %)*	Global workforce	France	Europe [b]	United States	Japan	Asia [c]	Other markets
Variable/adjusted schedules	13	30	19	2	16	5	6
Part-time	20	14	17	41	4	4	28
Teamwork or alternating hours	49	9	30	79	79	70	58

(a) Percentages are calculated on the basis of total headcount (employees under both permanent and fixed-term contracts) in France. For the other regions, they are calculated based on the number of employees under permanent contracts, except for part-time workers, for which percentages are calculated based on the total headcount. Data are reported as of December 31, 2016.
(b) Excluding France.
(c) Excluding Japan.

Workforce in France affected by various forms of working time adjustment: breakdown by professional category

Employees concerned [(a)] *(as %)*	**Workforce in France**	**Executives and managers**	**Technicians and supervisors**	**Administrative and sales employees**	**Production workers**
Variable/adjusted schedules	30	18	49	57	2
Part-time	14	2	6	19	30
Teamwork or alternating hours	9	0	8	2	28
Employees benefiting from time off in lieu	9	0	12	16	8

(a) Percentages are calculated on the basis of total headcount (employees under both permanent and fixed-term contracts) as of December 31, 2016.

1.3.2. Overtime

The cost of total overtime hours was more than 45 million euros, averaging 1.7% of the worldwide payroll.

Overtime by region [(a)]

(as % of total payroll)	**Global workforce**	**France**	**Europe** [(b)]	**United States**	**Japan**	**Asia** [(c)]	**Other markets**
Overtime	1.7	1.5	1.7	1.6	3.0	1.9	0.9

(a) Data are reported as of December 31, 2016.
(b) Excluding France.
(c) Excluding Japan.

1.3.3. Absence rate

The Group's worldwide absence rate for employees working under permanent and fixed-term contracts was 5.1%. The overall absence rate at entities in France and the rest of Europe is twice as high as that recorded in other geographic regions.

Absence rate [(a)] ***by region and by reason***

(as %)	**Global workforce**	**France**	**Europe** [(b)]	**United States**	**Japan**	**Asia** [(c)]	**Other markets**
Illness	2.4	4.3	3.2	1.2	0.5	1.8	1.3
Work/commuting accidents	0.2	0.5	0.1	0.1	0.1	0.0	0.1
Maternity leave	1.6	1.3	2.8	0.7	1.1	1.7	1.1
Paid absences (family events)	0.4	0.5	0.4	0.2	0.2	0.5	0.4
Unpaid absences	0.5	1.0	0.3	0.3	0.2	0.5	0.3
OVERALL ABSENCE RATE	**5.1**	**7.5**	**6.8**	**2.5**	**2.2**	**4.5**	**3.3**

(a) Number of days' absence divided by theoretical number of days worked. The absence rates reported are annual rates and are LVMH data.
(b) Excluding France.
(c) Excluding Japan.

1.4. COMPENSATION

Christian Dior group companies offer compensation packages that are competitively positioned relative to the market in order to attract and motivate talented staff. International salary surveys, in relation to specific professions and sectors, are carried out annually and are used to ensure that the Group maintains a favorable position against the market at all times. Through variable pay based on both individual performance and the financial results of their employing companies, managers have a strong vested interest in Group companies' success.

Initiatives and tools specific to each entity are put in place to reduce any salary gaps between women and men within the same professional category.

1.4.1. Average compensation

The table below shows the average monthly gross compensation paid to Group employees in France under full-time permanent contracts who were employed throughout the year:

Employees concerned *(as %)*	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Less than 1,500 euros	1	2
1,501 to 2,250 euros	22	23
2,251 to 3,000 euros	22	22
Over 3,000 euros	55	53
TOTAL	**100**	**100**

1.4.2. Personnel costs

Worldwide personnel costs break down as follows:

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Gross payroll – Fixed-term or permanent contracts	2,647	5,072
Employers' social security contributions	689	1,323
Temporary staffing costs	131	237
TOTAL PERSONNEL COSTS	**3,467**	**6,632**

Outsourcing and temporary staffing costs were stable relative to the previous fiscal year, accounting for 6.7% of the total worldwide payroll, including employer's social security contributions.

1.4.3. Profit-sharing, incentive and company savings plans

All companies in France with at least 50 employees have a profit-sharing, incentive or company savings plan. In the six-month period ending December 31, 2016, these plans represented a total expense of 113 million euros.

The table below shows the amounts paid during the fiscal years concerned.

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Profit-sharing	55	104
Incentive	47	100
Employer's contribution to company savings plans	11	23
TOTAL	**113**	**227**

1.5. SOCIAL RESPONSIBILITY

Since 2003, the LVMH group has demonstrated its support for universal values by being a signatory to the United Nations Global Compact. It is committed to aligning its operations and its strategy with ten principles related to human rights, working standards, respect for the environment and the fight against corruption. The Group also supports the Universal Declaration of Human Rights, OECD guidelines, the International Labor Organization's Fundamental Conventions, the United Nations Millennium Development Goals, the United Nations Women's Empowerment Principles, and the French Diversity Charter. These commitments are included in the LVMH and Christian Dior Couture Code of Conduct and transposed into principles that are disseminated throughout all Group companies.

The Group has identified four priorities for all its companies, applicable worldwide. These priorities have been identified based on an analysis of the challenges facing the Group and interactions with its stakeholders. These are as follows: developing talent and skills, paying constant attention to working conditions, preventing all forms of discrimination and respecting each person as a unique individual, and engaging with communities to help local populations. These Group priorities are also shared attributes among Group companies that operate in very different worlds. They provide those companies and entities with an overall framework for action, leaving them free to identify other priorities specific to their business and environment, and to draw up their own action plans. Group companies then implement their approach independently and in coordination with the Group, in accordance with their business, their own human and societal issues and their local contexts.

Group companies provide an overview of their approach in a yearly CSR reporting survey, which supplements the Group's reporting on employee-related issues. This survey, which is carried out across all Group companies, covers the most common social responsibility issues: human rights, diversity and the prevention of discrimination, skills development, working conditions, listening to and dialoging with employees, and local community engagement. For each of these topics, the survey form includes references to the conventions and recommendations of the International Labor Organization.

Human resources departments are responsible for managing the CSR approach across their scope. The Human Resources Director appoints a CSR correspondent who liaises with the Group, ensures that the company's actions are consistent with Group policy, and handles CSR reporting.

At the Group company level, strategic priorities are rolled out through regular dialogue between the social development department and CSR correspondents at Group companies, who are connected through the CSR network. Once or twice a year, the members of the CSR network meet to review the year ended based on the annual survey, set shared priorities for the current year, look for ways to collaborate with each other and share their best practices. During the fiscal year, the CSR network met in Paris on July 19.

LVMH reports on its social responsibility policy and initiatives in the Annual Report, the Reference Document and – since 2012 – its Social Responsibility Report.

Employee CSR education and awareness-raising is carried out via the Group website and the Intranet. Because social responsibility is a vital part of any manager's job, all newly hired managers systematically receive training in CSR, its implementation and the role it plays, through their induction seminar and online induction session.

Lastly, every year since 2013, Christian Dior Couture and LVMH have invited Group companies to celebrate the Group's commitment to its people and society at the "Dîner des Maisons Engagées" (Engaged Maisons Dinner). This event – which is organized by the Human Resources Department, led by Chantal Gaemperle, and attended by LVMH's Group Managing Director Antonio Belloni – brings together stakeholders in social responsibility, internal champions and external partners of Group companies and the Group as a whole. On December 7, 2016, it was attended by more than 390 people, including 17 company Presidents and 3 Executive Committee members, as well as numerous partners, opinion leaders, and heads of NGOs and other non-profit organizations.

1.5.1. Gender equality

Gender equality is an integral part of the Christian Dior group's corporate culture. Women account for three-quarters (74%) of staff working under permanent contracts. This strong female presence is an essential characteristic of the Group. It is driven in part by the very nature of the Group's businesses: women are particularly prominent in Selective Retailing (84% women), Perfumes and Cosmetics (83% women), and Fashion and Leather Goods (70% women). Conversely, men make up the majority of staff in Wines and Spirits, representing 63% of this business group's workforce. As of December 31, 2016, 64% of executives and managers were women.

Launched in 2007 at the initiative of Chantal Gaemperle, the LVMH group's Director of Human Resources and Synergies, the EllesVMH program encompasses all of the measures adopted within the Group. Its aim is to promote a mixed working environment where talent is able to flourish by offering equal opportunities to everyone. The program encompasses a wide variety of initiatives, such as creating a dedicated coaching program for high-potential women, signing up to the United Nations Women's Empowerment Principles in 2013, and setting up local networks.

Reasserting its commitment to diversity and supporting female leadership, the Christian Dior group stepped up its efforts in 2016. In addition to the EllesVMH Coaching program, in which around forty women have taken part every year since it was launched in 2013, the Group and its companies organized local in-house events.

The Group organized "EllesVMH Connect", a brand-new worldwide digital event. Drawing on its local networks, the Group has made the women who attend EllesVMH events ambassadors for the initiative at their companies. Each of them was asked to put together a six-person, gender-balanced discussion group, which was invited to connect to an online platform on September 23, 2016. Participants had the opportunity to take a workshop led by Joan Williams, Professor of Law at the University of California and Founding Director of the Center for WorkLife Law in San Francisco. She talked about the results of her research into women and leadership, with four types of behaviors that constitute obstacles to career advancement for women in business. After watching the videos, participants were invited to share their ideas on how to look out for and correct these behaviors that are damaging to women's careers by publishing them on the "EllesVMH Connect" platform.

In total, over 2,000 female employees took part in the initiative, spanning 22 countries and 43 companies. Some countries such as Japan used the opportunity to re-activate local networks. In other countries, it provided an opportunity to create new communities, such as in Australia, Africa (South Africa and Nigeria) and Latin America (Brazil, Mexico and Argentina). Participants' contributions have helped develop the EllesVMH strategy.

In addition to in-house initiatives aimed at encouraging true diversity, the Group continues to track the career development of its talented women through its EllesVMH annual organizational review, using a set of targets and key indicators. The Group provides annual coaching for the most promising of its female talents, to smooth their transition into executive roles. In 2016, 36 female employees benefited from this comprehensive program, bringing the number of high-potential women who have taken part in the initiative since it was launched in 2013 to 150. Group companies also independently pursue their own initiatives in this area, in line with their needs and the specific characteristics of the cultures in which they operate.

In 2017, the Christian Dior group will be continuing its efforts to achieve its target of 50% female representation on Executive Committees by 2020. In 2016, 38% of these positions were held by women (38% in 2015). Six Group companies are chaired by women: Acqua di Parma, Fred, Fresh, Krug, Loewe and Starboard Cruise Services.

Proportion of female employees among joiners [a] and in the Group's active workforce

(% women)	Joiners Dec. 31, 2016 (6 months)	Joiners June 30, 2016 (12 months)	Group employees Dec. 31, 2016 (6 months)	Group employees June 30, 2016 (12 months)
Breakdown by business group				
Christian Dior Couture	66	66	69	69
Wines and Spirits	46	46	37	37
Fashion and Leather Goods	66	67	70	71
Perfumes and Cosmetics	86	85	83	83
Watches and Jewelry	59	61	59	60
Selective Retailing	84	84	84	84
Other activities	32	52	33	44
Breakdown by professional category				
Executives and managers	64	65	64	64
Technicians and supervisors	70	70	68	68
Administrative and sales employees	83	82	82	82
Production workers	45	52	56	61
Breakdown by geographic region				
France	64	70	64	68
Europe (excluding France)	78	77	74	74
United States	82	81	80	79
Japan	77	79	76	76
Asia (excluding Japan)	75	75	76	76
Other markets	83	81	73	73
TOTAL	**77**	**78**	**74**	**74**

(a) Under permanent contracts, including internal mobility and conversions of fixed-term contracts to permanent contracts.

1.5.2. Actions in favor of older employees

The Christian Dior group's various trades rely on precious expertise that is acquired and transmitted from one generation to the next. Preserving and passing on that knowledge is thus a core priority for human resource management at Group companies. The people with this expertise tend to be older employees with an extensive background in their craft. Worldwide, 13% of the Group's workforce is over the age of 50. In France, this population accounts for 24% of employees.

At the instigation of the Group's Human Resources department, Group companies work hard to implement a global approach to the management and professional development of older staff. They have been able to develop their policies according to their specific characteristics as pinpointed through diagnostic testing. In France, 27 Group companies have made commitments in relation to the management of older employees' careers, via either agreements or action plans to foster the recruitment, employment and career development of staff over the age of 50.

All Group companies in France, regardless of size, have renewed the "contrat de génération" (cross-generation contract) scheme to promote the sustainable employment of young people, encourage the hiring of older employees, and facilitate knowledge transfer across generations.

Thanks to the Group's anti-discrimination policy, it is quite natural for Group companies to hire older employees. Group companies may place the emphasis on certain aspects rather than others, such as training older employees or transferring skills. For example, training at Moët Hennessy is led by in-house experts, while Louis Vuitton has developed mentoring training for senior staff at its stores in France. In Italy, Bvlgari gives out "senior awards" to recognize employees who have been with the company for a long time and to encourage long careers. Companies provide support with the difficult step of taking retirement, by offering flexible working hours (for example at Louis Vuitton in France and Germany), retirement interviews (such as at Hublot) and training (for example at Céline, Hennessy and LVMH Fragrance Brands).

Companies also pay special attention to retaining older employees. Improvement efforts have also focused on workstation ergonomics, the reduction of physical strain, and working conditions more generally for employees over the age of 50, especially for the positions most exposed to physical or mental stress in workshops and at production facilities.

1.5.3. Employment of people with disabilities

Supporting access to employment for people with disabilities is at the heart of the Christian Dior group's corporate social responsibility policy. It is a top priority and an apt reflection of the Group's values: respect for each person as an individual and the same attitude expected of everyone working for the Group.

LVMH's Mission Handicap initiative, established in 2007, is tasked with making this ambition a reality, for which it relies on a network of 35 disability correspondents at Group companies. It steers the Group's actions in this area by raising employee awareness and providing support for training people with disabilities. It also promotes hiring and lasting employment through partnerships with organizations and institutions that support the social inclusion and employment of people with disabilities.

As regards training, in 2014 the Group launched "EXCELLhanCE", which benefits from support from AGEFIPH in the form of a partnership agreement. "EXCELLhanCE" enables people with disabilities to simultaneously obtain a degree, significant experience at Group companies and expertise specific to the luxury industry. It is based on extended course lasting from 12 to 24 months in three fields: sales, logistics and human resources management. Candidates are selected using the "Handi-Talents" process, based on work-related simulation exercises. These innovative recruitment sessions make the hiring process more objective and serve to identify abilities and skills that can be transferred to the professional sphere. The first intake of sales advisors and inventory managers was in 2014, resulting in 64% of participants obtaining a vocational qualification in logistics or a "BTS" technical qualification in Management of Commercial Units in 2016. 74% of participants went on to work for the group under either a fixed-term or a permanent contract or continued with their studies. The second intake was in fall 2016. Covering ten Group companies, this has allowed thirteen people with disabilities to enter employment under vocational training contracts, most of them retraining in a new profession, still in the roles of sales advisor, inventory manager and human resources assistant.

In terms of hiring new employees, the Christian Dior group uses mandatory anti-discrimination training to raise awareness at its companies of the importance of recruiting people from all walks of life, including those with disabilities and those without. During testing for discriminatory practices, one of the criteria potentially tested for is disability. At the international level, several Group companies launched dedicated initiatives to hire people with disabilities in 2016: Aqua di Parma (Italy), Bvlgari (Italy), Fendi (Japan), Guerlain (Italy), Louis Vuitton (Italy, South Korea), Parfums Christian Dior (Italy, Japan, Ukraine), Pucci (Italy) and Sephora (Spain).

When it comes to keeping people employed, Group companies offer solutions to enable employees with a declared disability to continue working, for example by adjusting their working conditions or helping them transfer to a different job. Job preservation situations are usually handled on a case-by-case basis. For example, Hennessy has put in place a specially adapted transport system for a visually impaired employee. In March 2011, Moët & Chandon founded MHEA, a company that offers facilities adapted to employees with disabilities. A fully autonomous entity, MHEA maintains a disabled employment rate of 100% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation. MHEA celebrated its fifth anniversary in 2016. During its first five years, the company has enabled a total of 41 people to work under fixed-term or permanent contracts and around ten of them to join one of the Group's champagne houses under a permanent contract.

The Group works with organizations that support young people with disabilities in training programs, and with organizations that foster employment and social inclusion. The LVMH group chairs ARPEJEH, a non-profit organization that brings together some sixty French companies to offer advice and guidance to junior and senior high school students with disabilities. Employees are involved in this initiative and more than sixty young people were able to take part in it in 2016.

The Christian Dior group also encourages its Group companies to develop their relations with companies that employ people with severe disabilities (sometimes known as "sheltered" employment). Services entrusted to such employers totaled 3.4 million euros in the fiscal year. This purchasing volume is equivalent to 173 full-time equivalent jobs. Group companies' commitment in this area was also demonstrated through the signing of agreements with AGEFIPH at Veuve Clicquot and Parfums Christian Dior. Hennessy has had such an agreement in place since 2011; it was renewed for three years in 2016.

This commitment helped raise the Group's employment of people with disabilities in France to 4.4% (sum of direct and indirect employment rates) as of the end of 2016, based on official standards for the definition of disabilities. Worldwide, people with disabilities make up 1% of the Group's workforce.

1.6. EMPLOYEE PROFESSIONAL DEVELOPMENT

To be able to progress in the very wide variety of careers offered by the Christian Dior group, one must have qualifications that meet the requirements of the Group's companies. To match these requirements with the ambitions of talented staff, some 60 programs have been developed by the Executive Development & Learning Group.

In addition to the training programs offered at their individual companies, 4,000 managers and executives developed their skills, networks and careers in 2016 by taking part in one of the programs in the activity portfolios of the five Regional Executive Development (RED) teams around the world.

Furthermore, over 6,500 employees had the opportunity to become Group Ambassadors after trying out the "LVMH View" online induction platform, where they learned about LVMH, Christian Dior Couture and the Group's values and were able to develop their knowledge of the Group's companies and the products and services they offer.

Opening the eyes of talented staff to the wide range of careers on offer within the Group is one of the main aims of the human resources teams. Training portfolios are devised to allow participants to understand and then develop their career paths by means of specific individual skills, as well as more general management and leadership training.

The many initiatives launched this year include new programs introduced in order to further develop the Group's retail expertise by means of forums for sharing best practices in France. These include the "Leadership Lab" forums launched in the United States for new General Managers and the very wide range of training programs offered to new graduates in Japan. Other projects such as extending the activities of Regional Executive Development teams in Asia to eleven new countries and the launch of a pan-European creativity and innovation program have demonstrated the impact and effectiveness of the Group's human resources development activities. Lastly, an ambitious Brand Education initiative has been launched across Group companies covering three strategic areas: digital technology in training, sales skills and the impact of training.

Supporting digital transformation

The changes brought about by digital technology are having a profound impact on the behavior of both luxury consumers and Group employees. To evolve in step with those changes, the Executive Development and Digital teams have built specific tools, which they have made available to Group companies.

An online training course called Digital Discovery has enabled more than 5,000 management staff to acquire a shared vocabulary and a core of critical skills for dealing with the implications of the digital revolution, including new tools, trends and customer behaviors, combined with insights into regional differences. This training explores all of the key topics selected with in-house experts, from the main functional job categories – marketing/communications, retail, and general management – to the six operational business groups.

Through another program, Digital Journey, the executive committees of Group companies can attend a special session to draw inspiration from new ways of working, try out new technologies, familiarize themselves with new tools, and interact with stakeholders in the digital community.

Developing our senior managers

LVMH House, the development center for senior managers and high-potential staff within the LVMH group and Christian Dior Couture, offers initiatives that allow company executives to question their own working methods while also opening themselves up to strategic issues to which they have previously not been exposed.

The institution, recognized for its excellence, allows senior managers and high-potential staff to pursue their personal development goals and be at the forefront of issues ranging from brand desirability to staff efficiency. Sharing experience within programs that are systematically positioned as "forums" provides the opportunity to build on the wealth of different environments in which the Group's various businesses and companies operate. LVMH House also offers bespoke programs for Management Committees, for example so that all members – regardless of their role – are able to work together to develop a consistent, effective and dynamic change management strategy.

Retail

The Group is keen to continue to develop its employees' retail skills. The Christian Dior group's retail network, which is unique in both size and quality, is a key component in the Group's customer relationships and brand experiences.

This is why retail support and sharing initiatives have been set up – designed globally but implemented locally – to give Group companies a helping hand on the ground.

A substantial portion of training also takes place on the job on a daily basis and is not factored into the indicators presented below:

	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Training investment *(EUR millions)*	66.9	115.7
Proportion of total payroll *(as %)*	2.5	2.3
Number of days of training per employee	1.1	2.1
Average cost of training per employee *(EUR)*	473	891
Employees trained during the year *(as %)*	31.0	58.4

Indicators are calculated on the basis of total headcount (including employees under both permanent and fixed-term contracts) present at the workplace during the fiscal year, with the exception of the percentage of employees trained during the fiscal year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31.

In fiscal year 2016, total training days amounted to more than 161,526 days, the equivalent of around 1,405 people receiving full-time training over the reporting period.

During the fiscal year, 31.0% of employees had access to training and the average number of days' training was 1.1 days per employee.

The training investment is spread across all professional categories and geographic regions as presented in the table below:

	France	Europe (a)	United States	Japan	Asia (b)	Other markets
Training investment *(EUR millions)*	18.5	11.5	18.2	2.0	13.5	3.3
Proportion of total payroll *(as %)*	2.8	2.0	2.8	1.4	2.8	2.3
Employees trained during the year *(as %)*	28.0	29.6	38.1	24.3	30.2	30.5
Of which:						
Executives and managers	30.7	36.1	19.1	24.5	35.1	31.1
Technicians and supervisors	33.4	32.6	21.9	26.3	30.4	34.5
Administration and sales personnel	28.7	30.8	44.5	24.2	29.7	30.9
Production workers	20.1	20.1	28.9	-	13.7	18.7

Indicators are calculated on the basis of total headcount (including employees under both permanent and fixed-term contracts) present at the workplace during the fiscal year, with the exception of the percentage of employees trained during the fiscal year, which is calculated on the basis of those employed under permanent contracts and present at the workplace as of December 31.
(a) Excluding France.
(b) Excluding Japan.

Each Group company also holds its own face-to-face induction and awareness seminars for new hires focusing on the Group's culture, its values, its key management principles and knowledge of its brands. 16,953 employees under permanent or fixed-term contracts attended seminars of this type during the six-month period ended December 31, 2016.

1.7. HEALTH AND SAFETY

Over the reporting period, there was a total of 655 workplace accidents resulting in leave of absence, resulting in 20,940 lost working days.

A breakdown of workplace accidents resulting in leave of absence, by business group and geographical region, as of December 31, 2016 is as follows:

	Frequency rate [(a)]	Severity rate [(b)]
Breakdown by business group		
Christian Dior Couture	2.49	0.04
Wines and Spirits	8.14	0.28
Fashion and Leather Goods	3.52	0.11
Perfumes and Cosmetics	3.80	0.07
Watches and Jewelry	2.31	0.03
Selective Retailing	5.21	0.17
Other activities	22.37	1.11
Breakdown by geographic region		
France	12.84	0.43
Europe (excluding France)	4.33	0.09
United States	2.58	0.18
Japan	0.80	0.01
Asia (excluding Japan)	2.12	0.03
Other markets	2.95	0.07
Group: December 31, 2016	**4.96**	**0.16**

(a) The frequency rate is equal to the number of workplace accidents resulting in leave of absence, multiplied by 1,000,000 and divided by the total number of hours worked [(c)].
(b) The severity rate is equal to the number of workdays lost following a workplace accident, multiplied by 1,000 and divided by the total number of hours worked [(c)].
(c) The calculation of hours worked is based on the number of full-time equivalent (FTE) employees present within the Group at December 31, 2016, assuming a ratio of 2,000 hours worked per FTE employee per year. This theoretical calculation potentially underestimates the frequency rate by 10-15%.

The Group invested over 16.4 million euros in health and safety during the six-month period ended December 31, 2016. This includes expenses for occupational medical services and protective equipment as well as programs for improving personal safety and health, such as compliance, posting of warnings, replacement of protective devices, fire prevention training and noise reduction.

The total amount spent on and invested in improving working conditions came to more than 32 million euros, or 1.2% of the Group's gross payroll worldwide. A total of 19,708 Group company employees received safety training worldwide.

The skills and motivation of the Group's employees are what underpin the excellence of the products and services offered by its brands. Their working conditions must enable them to express those skills and motivation as best they can, and to feel fulfilled in carrying out their tasks. The Group therefore raises awareness at its companies, via their human resources departments, of the importance of protecting employees' health and safety. These issues come to the fore at employees' workstations and in their day-to-day working environment, which is why it is the responsibility of Group companies to implement health and safety policies.

Health, safety and ergonomics assessments, giving rise to structured action plans, are carried out at production sites, workshops and vineyards as well as stores and headquarters. Awareness-raising and training in workplace safety and risk prevention is expanding. Processes to improve workstation ergonomics are implemented, and workstations are redesigned so that employees can keep their jobs for as long as possible.

Work-life balance is another essential part of quality of life at work, and a focus area for Group companies. Workplace concierge services and childcare are becoming more widespread within the Group. At Louis Vuitton in Japan, young mothers of children under three benefit from an hour and a half reduction in their working day.

1.8. EMPLOYEE RELATIONS

1.8.1. Employee representation

At Group company level

In France, the Christian Dior group's companies – notably through the LVMH group – have one or more of the following, depending on their workforce and structure: a works council, a combined staff representative body ("Délégation Unique du Personnel"), employee representatives, and health and safety committees.

During the fiscal year ended December 31, 2016, employee representatives attended 949 meetings:

Type of meeting	Number
Works council	361
Employee representatives	291
Health and Safety Committee	164
Other	133
TOTAL	**949**

Representatives of management and labor also signed 76 company-wide agreements at Group companies. In France, in 2016, nearly all Group companies with stores in international tourist areas signed an agreement or unilateral commitment allowing them to open on Sundays on a continuous basis, in accordance with the Macron law.

At Group level

The Group Committee was formed in 1985. This body, which covers the whole of France and currently has 27 members, has one full meeting every year. Delegates meet with the Presidents of all the Group's business areas to receive and exchange information on the Group's strategic direction, economic and financial issues, and employment-related topics.

At European level

Over the past few years, the Christian Dior group (particularly via the LVMH group) has taken on a strong European dimension, and the conversion of its legal structure into that of an SE (Societas Europaea) was the natural extension of the economic reality of its business. As part of this conversion, a Common European Companies' Committee (SE works council) for Groupe Arnault, Christian Dior and LVMH SE was formed, made up of 28 members from the 22 European countries (21 EU countries plus guest member Switzerland) where the Group has a presence. The operating procedures of this representative body were laid down in an agreement that was signed unanimously on July 7, 2014 and an amendment signed on July 30, 2015 by the employee representatives from the relevant countries and by the Executive Management of Groupe Arnault, Christian Dior and LVMH SE. The next full meeting of the Common European Companies' Committee of Groupe Arnault, Christian Dior and LVMH SE is due to be held on April 7, 2017.

The Common European Companies' Committee handles transnational issues at the European level. Alongside the Group Works Council, this body supplements the employee representation system made up of the Works Councils which, in keeping with the Group's culture of decentralization, handle most employee-related issues.

1.8.2. Social and cultural activities

During the fiscal year, Group companies allocated a budget of over 12.4 million euros (1.9% of total payroll) to social and cultural activities in France via contributions to works councils.

The total catering budget for all Group employees is 12.0 million euros.

1.9. RELATIONS WITH THIRD PARTIES

The Christian Dior group, notably through the LVMH group, has been a signatory of the United Nations Global Compact since 2003. The Global Compact and the Universal Declaration of Human Rights are the inspiration behind the Code of Conduct adopted by the Group in 2009 and widely disseminated among all employees. The Code of Conduct outlines the guiding principles for the Group's conduct of its business and provides a set of rules for all to follow in their roles and responsibilities, with a special emphasis on the high level of integrity demanded of everyone. LVMH has begun a review of its Code of Conduct, allowing it to reassert the beliefs and morals that constitute the Group's guiding principles.

The Competition Law Compliance Charter, the Environmental Charter and the Suppliers' Code of Conduct cover more specific areas.

1.9.1. Integrity

The Code of Conduct specifies in particular that the Christian Dior group prohibits any form of corruption, that the Group is concerned about preserving fair competition while complying with laws and practices in force, that its involvement in public life is in line with the rules of the relevant institutions, and that every employee must be vigilant in avoiding any conflict of interest.

As has been done for fair competition practices, concrete measures and charters have been put in place to prevent corruption that are specially worded for the Group as a whole, business groups, companies and regions. In this regard, and following, in particular, the introduction in 2015 of a Charter applicable to all entities operating in China, in 2016 the Group further stepped up its efforts to identify and safeguard against risks, and to train and raise awareness among employees. The review of the Group's Code of Conduct takes account of changes relating to the implementation of these different policies.

The system in place to prevent any infringement of money laundering rules was also enhanced in 2016.

1.9.2. Relations with suppliers

For the Christian Dior group, suppliers play a key role in its value chain. As such, the Group places a priority on maintaining and promoting responsible relations with its partners, suppliers and subcontractors, and works to continually strengthen these relationships.

Group commitments and organization

Under the responsibility of Group Managing Director Antonio Belloni, the Operations, Environment, Social Development and Financial Communications departments work together to educate and coordinate the Group's companies and help them achieve progress in their relations with suppliers. A number of tools have been introduced to this end.

For example, in 2008, the Group implemented a Supplier Code of Conduct which sets out its requirements in the fields of social responsibility, the environment and the fight against corruption. The Supplier Code of Conduct has been disseminated to Group companies, and all relations with partners require that the partner in question undertake to comply with all ethical principles laid down in the Code.

In 2012, the Group implemented a decision-making process to help identify suppliers to audit. The methodology used enables each Group company to identify high-risk suppliers on the basis of a number of criteria including the purchasing category, the strategic importance of the products in question, and the supplier's degree of financial dependency and geographical location.

External and internal support actions

Supplier support actions

The Group maintains regular dialogue with its suppliers and is highly involved in their operations, which has led it to help them implement and comply with environmental, workforce-related and societal best practice, while raising awareness and providing training on the CSR issues specific to their business. For a number of years, tools have been made available to suppliers to help them for example to better understand their regulatory obligations relating to REACH – the EU chemicals regulation – and to progress in this regard.

Every year since 2014, a Supplier Forum has been held to bring together representatives of the Group's companies and their suppliers. This event provides an opportunity to present the responsible purchasing standards of the Group and its companies, to hear feedback from suppliers who have made improvements in synergy with Group companies, and lastly to share best practice.

Following Italy in 2014 and China in 2015, the 2016 Supplier Forum was held in Hong Kong. The 2016 event did not relate to just one specific region, as had been the case for previous forums, but to specific purchasing categories shared by the majority of Group companies – including packaging, which represents a major environmental performance issue for the Group.

Sharing best practices internally

It is also vitally important to raise awareness among in-house staff who are directly or indirectly involved in relations with suppliers (such as buyers and production teams).

A Suppliers Sustainability Meeting has been held every year since 2005, bringing together the Purchasing, Environment, Legal and Internal Control departments of the various Group companies. All of the Group's business activities are represented at the meeting. These annual gatherings provide a forum for Group companies to present their plans, actions and progress on sustainable and responsible purchasing, and to share best practice at Group level. At the 2015 meeting, the decision was made to set up working groups specific to each business group to ensure that action plans better reflect their specific issues and characteristics. The aim is to identify the most sensitive procurement categories for each activity and increase their level of maturity in terms of responsible purchasing.

Supplier assessment procedures

The approach taken by Christian Dior group companies to managing suppliers rests on two key pillars. First, priority product categories are defined within each business group; and second, an ongoing program of social and environmental audits is developed.

Measures adopted by business groups concerning priority issues

The Group's **Fashion and Leather Goods** companies have developed a number of initiatives relating to materials and supplies that are considered key. Four priority product categories have been identified as concerning all Group companies:

- leather: in cooperation with the Centre Technique du Cuir, Louis Vuitton has developed an environmental audit tool based on thirty questions covering the major risks relating to tanneries. While Louis Vuitton set itself the target of auditing 80% of Tier 1 and 2 tanneries in 2016, its aim for 2017 is to adapt the tool and roll it out to dyeing activities. In terms of animal well-being, transparency, traceability and guarantee of origin are the fundamental requirements that Group companies endeavor to meet, while also ensuring with their partners that best practices are adopted in leather production, as well as wool and fur. Group companies systematically share the Business for Social Responsibility (BSR) network's Animal Sourcing Principles with their suppliers. LVMH is also a member of several working parties involved in the adoption of best practices within networks like BSR for fur, the Responsible Ecosystems Sourcing Platform (RESP) for snakeskin and the Leather Working Group (LWG) for cattle hides;
- fabric: LVMH and its Group companies continue to strive to obtain sustainable cotton supplies. For example, Thomas Pink made major changes to its cotton purchasing. In 2016, 60% of cotton used by the company came from BCI (Better Cotton Initiative) suppliers. For 2017 and beyond, Thomas Pink's aim is to increase its procurement of supplies that meet this standard;
- chemicals (particularly in metal parts): LVMH has put in place an in-house standard, the LVMH RSL (Restricted Substances List), which prohibits the use of hazardous substances in items brought to market, as well as their use by suppliers. This standard, rolled out to all Fashion and Leather Goods companies, includes the most stringent regulatory requirements and anticipates future regulations. It also allows suppliers to better understand their obligations and adopt an approach based on ongoing improvement;
- finished and semi-finished products: Loewe has finalized its risk mapping adapted to ready-to-wear fashion, putting the emphasis on subcontractors. In collaboration with Made-By, Loewe has developed a questionnaire and management system designed to obtain detailed supplier profiles, as well as mapping of its subcontractors.

The **Wines and Spirits** business group has identified a number of priority areas to ensure sustainable development in its activities. This plan of action is focused on meeting environmental, social and societal targets in the areas of:

- transportation: the aim is to reduce Group companies' environmental footprint by increasing the proportion of transportation by sea and rail, as well as stepping up the use of compressed natural gas (CNG) vehicles for transporting finished products;
- packaging: all newly developed packaging will use sustainable product design principles and be monitored using the Environmental Performance Index (IPE). This indicator measures environmental impact and aims to reduce it on an ongoing basis;
- advertising materials: 100% of at-risk suppliers in Europe and Asia have been audited. The aim is to extend this policy to all countries where relevant.

The **Perfumes and Cosmetics** business group has defined measures to be taken and targets for three types of materials: glass, metal/plastic and cardboard. In 2016, social audits covered 100% of Tier 1 glass and cardboard suppliers, as well as 100% of metal/plastic suppliers in at-risk regions, while environmental audits were carried out among 100% of glass suppliers. The aim for 2017 is to expand the environmental audit policy, with the primary goal of covering all cardboard packaging suppliers.

All of the Group's **Watches and Jewelry** companies have been certified by the Responsible Jewellery Council (RJC). Bvlgari has also had its gold product lines certified under the Responsible Jewellery Council's traceability audit program. The Watches and Jewelry business group has identified three main categories of key raw materials:

- diamonds and precious metals: in 2016, exhaustive mapping was carried out on supplies obtained directly and indirectly from subcontractors;
- colored gemstones: in March 2016, the RJC announced that it had added colored gemstones to its certification scope. Bvlgari is a member of the working group on defining a standard to be incorporated into RJC certification, in partnership with the NGO The Dragonfly Initiative.

Within the **Selective Retailing** business group, Sephora has identified two major procurement categories: indirect procurement and procurement on behalf of its private label, S+. In 2016, Sephora identified suppliers deemed to be at risk in terms of social and environmental factors for both of these procurement categories. In Europe, social audits covered all at-risk production facilities, while Sephora at the same time increased the number of environmental audits of at-risk suppliers, with a target of auditing 80% of them in 2017 and 100% in 2020. By 2020, all high-risk suppliers worldwide will have undergone social and environmental audits for both of these procurement categories.

Auditing and monitoring our suppliers

At the LVMH group level, 1,205 social and/or environmental audits were carried out in 2016 – more than 80% of them by specialized external service providers – at 942 of the Group's suppliers. Of these audits, 48% related to both social and environmental criteria. 46% of audits carried out were in line with the Group's requirements, 32% found minor instances of non-compliance, 16% highlighted a need for significant improvement by suppliers, and 6% found major instances of non-compliance.

Non-compliance issues identified related primarily to the Health & Safety indicator. In all, 188 corrective action plans were put in place following these audits.

The use of preliminary audits also enabled better advance identification of supplier practices, resulting in decisions to refrain from working with certain potential suppliers.

The number of follow-up audits increased in 2016, showing that Group companies regularly monitor their suppliers and support them in their efforts to improve.

In some cases, LVMH and/or some Group companies had to terminate existing relationships with suppliers whose social audit findings revealed major instances of non-compliance with LVMH's Code of Conduct. There were 25 such cases in 2016.

In the interests of continued improvement in this area, in 2017 Group companies will continue to audit suppliers and follow up on action plans as well as developing synergies arising from the Group's membership of Sedex. The Group will also endeavor to strengthen its working groups by business sector in order to take better account of their specific characteristics and requirements.

1.9.3. Supply sources and subcontracting by business group

Supply sources and subcontracting by business group shown below, with the exception of information relating to Christian Dior Couture, are the same as those presented in the "Business description" section of LVMH's 2016 Reference Document.

Champagnes and wines

The Group owns nearly 1,700 hectares under production, which provide just over 20% of its annual needs. In addition, Group companies purchase grapes and wines from winegrowers and cooperatives under multi-year agreements; the largest supplier of grapes and wines represents less than 10% of total supplies for the Group's brands. Since 1996, industry agreements have been signed and renewed, with a view to limiting upward or downward fluctuations in grape prices. The most recent renewal of this agreement dates back to 2014, setting the framework for negotiations relating to harvests from 2014 to 2018 (CIVC Decision No. 182). For about ten years, winegrowers and merchants have established a qualitative reserve that will allow them to cope with variable harvests. The surplus inventories stockpiled this way can be sold in years with a poor harvest. These wines stockpiled in the qualitative reserve provide a certain level of security for future years with smaller harvests.

For the 2016 harvest, the Institut National de l'Origine et de la Qualité (INAO, the French organization responsible for regulating controlled place names) set the marketable yield for the Champagne appellation at 9,700 kg/ha. This yield represents the maximum harvest level that can be made into wine and sold under the Champagne appellation. In 2006, the INAO redefined the legal framework for the abovementioned stockpiled reserves. Thus, it is possible to harvest grapes beyond the marketable yield within the limits of a ceiling referred to as the "plafond limite de classement" (PLC), the highest permitted yield per hectare. This ceiling is determined each year depending on the maximum total yield. It was set at 3,100 kg/ha for the 2016 harvest. Grapes harvested over and above the marketable yield are stockpiled in reserve, kept in vats and used to complement poorer harvests. The maximum level of this stockpiled reserve is set at 8,000 kg/ha for the reserve created from the 2011 harvest, and 9,500 kg/ha for all quantities held in reserve.

The price paid for each kilogram of grapes in the 2016 harvest ranged from 5.46 euros to 6.28 euros depending on the vineyard, an average increase of 1.4% relative to the 2015 harvest.

Dry materials (bottles, corks, etc.) and all other elements representing containers or packaging are purchased from non-Group suppliers.

In 2016, the champagne houses used subcontractors for about 25 million euros of services, notably pressing, handling, and stocking bottles.

Cognac and spirits

Most of the cognac eaux-de-vie that Hennessy needs for its production are purchased from a network of approximately 1,600 independent producers, with whom the company works to maintain exceptional quality under an ambitious sustainable viticulture policy. Hennessy directly operates almost 160 hectares, providing for less than 1% of its eaux-de-vie needs.

Purchase prices for eaux-de-vie are agreed on between the company and each producer based on supply and demand and the quality of the eaux-de-vie. In 2016, the price of eaux-de-vie from the harvest increased by 0.7% relative to the 2015 harvest.

With an optimized inventory of eaux-de-vie, the Group can manage the impact of price changes by adjusting its purchases from year to year under the contracts with its partners.

Hennessy continues to control its purchase commitments and diversify its partnerships to prepare for its future growth across the various quality grades.

Like the champagne and wine businesses, Hennessy obtains its dry materials (bottles, corks and other packaging) from non-Group suppliers. The barrels and casks used to age the cognac are also obtained from non-Group suppliers.

Hennessy makes only very limited use of subcontractors for its core business.

Fashion and Leather Goods

Louis Vuitton's eighteen leather goods workshops – twelve in France, three in Spain, two in the United States and one in Italy – manufacture most of its Leather Goods products. All development and manufacturing processes for the entire footwear line are handled at Louis Vuitton's workshops in Fiesso d'Artico, Italy, whilst production of Accessories (textiles, jewelry, belts, eyewear, etc.) is concentrated in the Louis Vuitton workshops at Barbera (Catalonia) and Gallarate (Lombardy). Louis Vuitton uses external manufacturers only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Louis Vuitton purchases its materials from suppliers located around the world, with whom it has established partnership relationships. The supplier strategy implemented over the last few years has enabled volume, quality and innovation requirements to be met thanks to a policy of concentration and supporting the best suppliers while limiting Louis Vuitton's dependence on them. For this reason, the leading leather supplier accounts for only around 20% of Louis Vuitton's total leather supplies.

Fendi and Loewe have leather workshops in their countries of origin, and in Italy for Céline and Berluti, which cover only a portion of their production needs. Generally, the subcontracting used by the business group is diversified in terms of the number of subcontractors and is located primarily in the brand's country of origin, France, Italy and Spain.

Loro Piana manages all stages of production, from the sourcing of natural fibers to the delivery of finished products to stores. Loro Piana procures its unique materials (baby cashmere from northern China and Mongolia, vicuña from the Andes, and extra-fine Merino wool from Australia and New Zealand) through exclusive partnerships with suppliers all over the world. Its exquisite textiles and products are then manufactured in Italy.

Moreover, to safeguard and develop access by Fashion and Leather Goods companies to the high-quality raw materials and world-class expertise they need, the LVMH Métier d'Arts business segment, created in 2015, invests in and provides long-term support to its best suppliers. In leather, for example, LVMH teamed up with the Koh brothers in 2011 to develop the business of the Heng Long tannery in Singapore. Founded in 1950, it is now a leading crocodile leather tannery. In 2012, LVMH acquired the Tanneries Roux, founded in 1803 and one of the last French tanneries specializing in calfskin.

Overall, the use of subcontractors for Fashion and Leather Goods operations represented around 31% of the cost of sales in 2016.

Finally, many of the fabric suppliers used by the various Group companies are Italian, though not exclusively so.

Generally speaking, each Group company's designers and style department ensure that manufacturing is not dependent on patents or exclusive expertise belonging to third parties.

Perfumes and Cosmetics

The five French production centers of Guerlain, Parfums Christian Dior and LVMH Fragrance Brands meet almost all the manufacturing needs of the four major French brands, including Kenzo Parfums, in fragrances as well as make-up and beauty products. Make Up For Ever also has manufacturing capacities in France. Benefit, Parfums Loewe and Fresh have some of their products manufactured by the Group's other brands, with the remainder subcontracted externally.

In all, manufacturing subcontracting represented around 6% of the cost of sales for this business in 2016, plus around 9 million euros for logistics subcontracting.

Dry materials, such as bottles, stoppers and any other items that form the containers or packaging, are acquired from suppliers outside the Group, as are the raw materials used to create the finished products. In certain cases, these materials are available only from a limited number of French or foreign suppliers.

The product formulas are developed primarily in the Saint-Jean de Braye laboratories in France, but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

Watches and Jewelry

At its Swiss workshops and manufacturing centers, located in Le Locle, La Chaux-de-Fonds, Neuchâtel, Cornol, Tramelan, Le Sentier, Chevenez and Nyon, the Group assembles most of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Bvlgari, Montres Dior, Chaumet and Fred brands; it also designs and manufactures mechanical movements such as *El Primero* and *Elite* by Zenith, *Calibre 1887* by TAG Heuer, *UNICO* by Hublot and *Hautes Complications* by Bvlgari; and it manufactures some critical components such as dials, cases and straps. Zenith's manufacture in Le Locle underwent a major renovation in 2012. In 2013, TAG Heuer inaugurated a new movement manufacturing facility in Chevenez, and in 2015 Hublot opened a second one at its Nyon site.

In all, subcontracting in this business represented 13% of the cost of sales in 2016.

Even though the Group can, in certain cases, use third parties to design its models, they are most often designed in its own studios.

Christian Dior Couture

Production capacities and the use of subcontracting vary significantly, depending on the products involved.

In Leather Goods, Christian Dior Couture may enlist the services of companies outside the Group to increase its production capacity and ensure greater flexibility in its manufacturing processes.

In this business, subcontracting represented around 28.1% of the cost of sales in the fiscal year ended December 31, 2016.

In Ready-to-Wear and Fine Jewelry, the Company is supplied solely through outside companies.

1.9.4. Impact of the business on local communities in terms of employment and regional development

The Christian Dior group follows a policy of maintaining and developing employment. Thanks to the strong and consistent growth achieved by its brands, many sales positions are created in all countries where the Group is present, particularly as a result of the expansion of the brands' own retail networks.

Non-disciplinary layoffs – including those due to economic conditions – represented only 3.2% of total departures.

A number of Group companies have been established for many years in specific regions of France and play a major role in creating jobs in their respective regions: Parfums Christian Dior in Saint-Jean de Braye (near Orléans), Guerlain in Chartres, Veuve Clicquot and Moët & Chandon in the Champagne region, Hennessy in the Cognac region and Louis Vuitton in the Drôme region. They have developed long-standing relationships with local authorities, covering cultural and educational aspects as well as employment. Sephora, which has stores throughout France (two-thirds of its workforce is employed outside the Paris region), regularly carries out a range of measures encouraging the development of job opportunities at the local level.

As major employers in several labor markets, Group companies are attentive to the social particularities of their regions and have forged partnerships, as described below, with associations and non-governmental organizations to promote the social inclusion and employment of underprivileged populations.

1.9.5. Engaging with local communities

The Christian Dior group encourages its companies to support the causes it feels are most important, which include ensuring access to education for young people, promoting social inclusion and employment for jobseekers, and helping vulnerable communities. The Group thus puts its values to work in society, to ensure the successful integration of its Group companies and their activities at the local and national levels.

Helping young people get an education

The same focus on excellence that has enabled the Group's companies to succeed drives our efforts to provide educational opportunities for young people. Following the Group's lead, the Group's companies have developed numerous partnerships with schools located near their sites or further away. To promote equal opportunity access to word-class education, LVMH supports the priority education program run by the Institut d'Études Politiques (Institute for political studies, or Sciences Po Paris), by offering grants to students and giving young Sciences Po graduates the chance to be mentored by Group managers. In 2016, LVMH renewed its support for a further five years and Chantal Gaemperle was sponsor for students beginning the course. Sephora supports "Toutes à l'école", an NGO that promotes education for young girls in Cambodia. During the festive year-end period, Sephora sells a dedicated item through its store network, with all proceeds going the organization.

Keen to do more, in 2014 LVMH launched the Institut des Métiers d'Excellence (IME). IME is a vocational training program that helps the Group ensure its expertise is successfully passed on by encouraging younger generations to pursue careers in the fields of craftsmanship, design and sales. It is designed to meet the standards of our Group companies' and help fulfill their current and future needs.

In 2014, IME signed its first partnership agreements with BJO Formation, the ECSCP Paris couture school and the Compagnons du Devoir et du Tour de France organization, opening LVMH apprenticeship programs at these three institutions in jewelry making, couture flou and leatherworking respectively. In 2015, IME entered into new partnerships with Avize Viti Campus, EMA Sup Paris and the École Boulle arts and design continuing education program, opening four new LVMH course tracks in couture tailleur, wine and winemaking, sales and retail design, with the number of apprentices growing from 28 to 99.

In 2016, IME entered into a new partnership with Ferrandi Paris to launch a new mixed course in baking, pastry-making and catering, and launched its first international program with the LVMH Ecole d'Horlogerie watchmaking school in Switzerland. Since 2014, over 200 apprentices have received training through IME and its partner schools, with a graduate placement rate of 90% at the end of 2016, 63% of whom were placed at LVMH. With the opening of new courses and its new partnerships, IME now offers 15 training programs in France and Switzerland.

As a signatory of the Apprenticeship Charter, the Group devotes considerable efforts to the development of apprenticeship opportunities, which facilitate young people's access to qualifications. As of December 31, 2016, more than 1,271 young people were working under apprenticeship or vocational training contracts (including Institut de Métiers d'Excellence) at all of the Group's French companies.

Lastly, LVMH has developed a partnership with Clichy-sous-Bois and Montfermeil, two adjacent suburbs of Paris with young, diverse populations. Driven by a shared commitment to excellence, this partnership helps facilitate employment for young people from underprivileged neighborhoods and social cohesion. Young people are the beneficiaries of a wide range of initiatives: "business discovery" internships for nearly 60 middle school students in 2016, visits to Group companies, internships for vocational school students, career orientation, etc. The fair presenting work-education positions on offer at the Institut des Métiers d'Excellence is held in Clichy-sous-Bois-Montfermeil. The Group also sponsors the "Cultures et Création" parade that showcases the region's creative talent. LVMH is investing in the future by offering masterclasses for young people and holding meetings with the Group's designers and craftspeople (including visits to the "Volez, Voguez, Voyagez – Louis Vuitton" exhibition at the Grand Palais and Le Bon Marché in 2016). The Group awards a "Jeune Talent" (Young Talent) trophy to help young but underprivileged fashion enthusiasts gain wider recognition within the profession. The 2016 winner, Camille Boillet, got to exhibit her designs at Greenshowroom, a trade fair dedicated to environmentally responsible fashion that was held in Berlin from June 28 to 30, 2016. Camille Boillet showcased a design suited to all body shapes and types of disability. Since the program was launched, a number of young people have had the opportunity to join Group companies under a long-term work-study program at Paris's couture union school, and in 2016, the 2013 winner joined Christian Dior's Haute Couture workshop.

Facilitating access to employment and social inclusion for jobseekers

LVMH actively supports access to employment. In France, the Group has forged a lasting partnership with Nos Quartiers ont des Talents, an organization of which it is a Board member. The organization offers young graduates from underprivileged backgrounds the chance to be mentored by an executive or manager working at the Group. In 2016, 100 experienced managers participated as mentors, 71 of whom were still participating at the end of 2016. Since 2007, 468 young people have found jobs after being mentored by a Group employee.

To speed up access to employment, LVMH has put in place "Jobstyle" sessions. These job coaching sessions are led by Group company recruiters and beauty consultants from Make Up For Ever and Sephora. The goal is to give job candidates all the resources they need to fully prepare for a job interview and develop their self-confidence. The program is aimed at groups that are underrepresented in the labor market, supported by our partners who are active in the fields of education, disability and integration. In 2016, 11 sessions were held, benefiting over 150 people followed up by the Group's partners (Force Femmes, Nos Quartiers ont des Talents, etc.).

In the same spirit of bringing together companies and jobseekers, Parfums Christian Dior initiated the "2 000 emplois, 2 000 sourires" job fair, held in 2016. The fair was organized at the Cosmetic Valley business cluster in France, and aimed to put young people and jobseekers in direct contact with recruiters at companies in the region. Employment advice was provided and 500 applications were received. In a further example, Veuve Clicquot and Krug signed their third partnership agreement with Pôle Emploi. Continuing with a working relationship of over 15 years and an initial agreement in 1998, the two partners were keen to renew their commitment to helping jobseekers in northeastern France's Grand Est region, as well as their involvement at every stage of the recruitment process and in skills development.

Helping those in need

The efforts of LVMH and its Group companies to assist disadvantaged local communities go beyond corporate philanthropy and may include, for example, employee volunteering, product donations or financial aid.

Following the earthquakes that shook central Italy in the summer and fall of 2016, several of LVMH's Italian companies – Aqua di Parma, Bvlgari, Fendi and Loro Piana – mobilized funds to support the people affected and contribute to the reconstruction effort.

In 2016, Louis Vuitton launched an international partnership with the United Nations Children's Fund (UNICEF), raising 2.5 million US dollars to support child victims of war and deprivation in Syria and Nigeria.

In 2015, Benefit launched "Bold is Beautiful", a beauty fundraising campaign to support projects spearheaded by women. During the month of May, all the proceeds generated by the brand's Brow Bars were donated to charities that empower women and girls around the world.

In 2016, Benefit Cosmetics teams in Australia, Canada, France, Ireland, Singapore, Spain, the Middle East, the United Kingdom and the United States took part. The 20 charities supported all contribute in some way to promoting women's autonomy and self-confidence. "Look Good Feel Better", for example, helps women undergoing treatment for cancer to regain their confidence and self-esteem. The charity organizes small group beauty and make-up workshops to allow them to enjoy a shared moment of well-being and closeness. "Dress for Success" helps women achieve economic independence by providing a support network, professional attire and career development tools. Benefit raised 3.4 million US dollars during the 2016 "Bold is Beautiful" campaign thanks to the participation of 209,000 people.

In 2009, Bvlgari decided to work with Save the Children. It has since donated more than 50 million US dollars and 700,000 customers have bought the company's "Save the Children" jewelry. Over a million children benefit directly from the programs supported, and more than 100 projects have been launched in 33 countries around the world. The partnership is supported by 275 celebrities. Bvlgari also involves its staff, with over 250 employees having visited Save the Children projects on the ground.

All of these partnerships and charitable initiatives are celebrated at the Engaged Maisons Dinner. This occasion also raises funds for the Robert Debré Hospital in Paris, the leading center for sickle cell anemia, to which LVMH has donated over 500,000 euros since 2011 to improve patient care and further research work. LVMH also supports causes that are close to its heart:

- Coucou Nous Voilou, a charity that improves day-to-day life and conditions for sick children and teenagers staying at pediatric hospitals. It is now able to provide them with Abracadabox's colorful superhero-themed plastic boxes to hide perfusion equipment;
- Kelina, which works to provide care for mothers and children in Benin. Money donated has helped to build a maternity unit in north-west Benin, in a region with limited medical facilities;
- K d'urgences, which provides human, social and financial support for single parent families in France.

1.9.6. Corporate sponsorship

For 25 years, the Christian Dior group has pursued a comprehensive communications policy thanks to its innovative and original sponsorship initiatives. This is only natural, since they are the cultural, artistic and social expression of the shared values that underlie the success of its Maisons while allowing each to express its own personality and image. It is also practical, because the Group intends its initiatives – on behalf of culture and artistic creation, education and young people, and major humanitarian causes – to illustrate what it means to be a socially responsible business.

The Christian Dior group maintained its support for creative activities by contemporary artists in 2016. LVMH renewed its support for two iconic events in the arts world: in spring, Monumenta (featuring the work of Huang Yong Ping), and in the fall, Nuit Blanche. LVMH also renewed its support for the Odéon-Théâtre de l'Europe to put on "Phaedra(s)" starring Isabelle Huppert. Furthermore, a highlight of the development of Fondation Louis Vuitton's artistic program and activities is the exceptional success of the "Icons of Modern Art: The Shchukin Collection" exhibition, which opened on October 20, 2016 and has been unanimously hailed in France and worldwide as a major artistic event. Since its inauguration in October 2014, the Foundation has hosted more than 2.5 million visitors.

LVMH's initiatives to support education and young people include designing and initiating educational programs that bring the best of artistic culture to elementary, junior high school and art school students. In 2016, LVMH renewed its sponsorship of the International Music Academy founded in Switzerland by conductor Seiji Ozawa, continued its "1,000 seats for young people" initiative which over the past 15 years has enabled young musicians at the Paris Conservatory to attend key concerts of the Paris season, and continued to lend from its Stradivarius collection.

Finally, the Group has supported many institutions recognized for their initiatives in support of children, the elderly and people with disabilities and for the prevention of major causes of suffering and exclusion. In 2016, LVMH supported a number of foundations and research teams engaged in cutting-edge public health research. In particular, LMVH sponsors the Institut de la Vision for the design and implementation of an innovative research program into vision and access to art for the visually impaired, developed in close collaboration with the Musée d'Orsay.

1.10. COMPLIANCE WITH INTERNATIONAL CONVENTIONS

Taking each individual and his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a policy of responsibility to which all companies in the Christian Dior group adhere.

Accordingly, all Group companies have policies for equal opportunity and treatment irrespective of gender, race, religion and political opinion, etc. as defined in the standards of the International Labor Organization. This culture and these practices also generate respect for freedom of association, respect for the individual, and the prohibition of child labor and forced labor.

2. Effects of operations on the environment

In accordance with France's Decree 2002-221 of February 20, 2002, known as the NRE decree ("Nouvelles Régulations Économiques"), Decree 2012-557 of April 24, 2012 on companies' transparency obligations with respect to social and environmental issues, Decree 2016-1138 of August 19, 2016 amending Article L. 225-102-1 of the French Commercial Code pursuant to Act 2015-992 of August 17, 2015 on energy transition and green growth, and Act 2016-138 of February 11, 2016 on the prevention of food waste, the following sections provide information on the nature and significance of only those impacts that are relevant and material relative to the Group's operations as a whole. The environmental information contained in this report has been verified by an independent auditor in accordance with Article 225 of the "Grenelle II" Act of July 12, 2010. The Environment Department conducted an assessment to identify disclosures and significant indicators relative to the Group's business to be covered, at the Group's request, by an audit by that same independent auditor with the aim of obtaining a higher level of assurance than that required by law. Its findings are set out in the statement of opinion included at the end of the Workforce, Environmental and Social report.

For the six-month fiscal year ended December 31, 2016, the indicators presented were mainly calculated on the basis of information pertaining to calendar year 2016, according to the following formula:

For LVMH: Value from July to December 2016 = Value from January to December 2016 divided by 2

For Christian Dior Couture: Value from July to December 2016 = Value from January to December 2015 divided by 2 x (1 + Christian Dior Couture's revenue index for the final 6 months of 2016)

The reporting scope for environmental indicators included the following sites as of December 31, 2016:

Production facilities, warehouses and administrative sites

(number)	Dec. 31, 2016	June 30, 2016
Sites covered	261	255
Sites not covered [(a)]	129	131
Total number of sites	390	386

(a) Main components: certain Louis Vuitton and Moët Hennessy regional administrative sites as well as the Acqua di Parma and Marc Jacobs administrative sites.

97% of production sites are covered. Manufacturing, logistics and administrative sites not covered by the Environmental Report are mainly excluded for operational reasons and are not material. A plan to gradually include them is in progress.

The floor areas used to calculate energy consumption, greenhouse gas emissions and water consumption are as follows, expressed as a percentage of the Group's total sales floor space:

Sales floor area included in scope of reporting, per indicator

	Energy consumption and greenhouse gas emissions [(b)]		Water consumption [(c)]	
(as % of total sales floor area or of the Group company's sales floor area) [(a)]	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Group total	71	64	21	17
Main components:				
Christian Dior Couture	62	62	13	13
DFS	83	70	63	52
Louis Vuitton	70	68	-	-
Sephora North America and Latin America	70	61	16	11
Sephora Europe, Middle East and Asia	84	80	16	19

(a) The reporting scope does not include stores operated under franchise by Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.
(b) Also includes all French stores operated by Berluti, Givenchy, Guerlain, Kenzo, Le Bon Marché and Make Up For Ever, and certain stores operated by Acqua di Parma, Benefit, Bvlgari, Céline, Chaumet, De Beers, Fendi, Hublot, Loewe, Loro Piana, Marc Jacobs, Parfums Christian Dior, TAG Heuer and Thomas Pink.
(c) Also includes certain stores operated by Berluti, Bvlgari, Chaumet, De Beers, Fendi, Guerlain, Kenzo and Le Bon Marché.

For waste production, only stores operated by DFS and Le Bon Marché and certain Berluti, Bvlgari, Fendi and Christian Dior Couture stores are included in the scope. The Group has over 4,000 stores and certain environmental data is difficult to obtain for small stores. However, the Group has set itself a goal of gradually including all stores.

2.1. GENERAL ENVIRONMENTAL POLICY

2.1.1. Evaluation and certification programs and organization

The Group has had an Environment Department since 1992. In 2001, LVMH established an Environment Charter signed by the Chairman of the Group, under which each Group company must undertake to put in place an effective environmental management system, create think tanks to assess the environmental impacts of the Group's products, manage risks and adopt environmental best practice. In 2003, Bernard Arnault signed the United Nations' Global Compact. In 2007, he also endorsed Gordon Brown's Millennium Development Goals. In 2016, the LVMH group was selected for inclusion in the main indices based on responsible investment criteria: FTSE4Good Global 100, Euronext Vigeo Eurozone 120 and ESI (Ethibel Sustainability Indices) Europe.

As such, the Group undertakes to:

- adopt a precautionary approach to all issues impacting the environment;
- undertake initiatives designed to promote greater environmental responsibility;
- favor the development and dissemination of environmentally friendly technologies.

The Group's Environment Department has the following objectives:

- roll out the LIFE (LVMH Initiatives For the Environment) program;
- guide Group companies' environmental policies, in compliance with the LVMH Charter;
- conduct internal audits to assess Group companies' environmental performance;
- monitor regulatory and technical developments;
- create management tools that address issues such as packaging design, supplier relations and regulatory monitoring;
- help Group companies safeguard against risks;
- train employees and raise environmental awareness at every level of the organization;
- define and consolidate environmental indicators;
- work with the various stakeholders (non-profits, rating agencies, public authorities, etc.).

It is supported by the Environment Committee, which meets several times a year, bringing together a network of almost 60 environmental representatives from Group companies.

The LIFE program is designed to reinforce the incorporation of environmental concerns into management processes, facilitate the development of new coordination tools, and take into account developments and improvements arising from innovative practices at Group companies. Group companies have incorporated the LIFE program into their strategic plans since 2014. The LIFE program was implemented by a Steering Committee at each Group company and is based on nine key aspects of environmental performance:

- environmental design;
- securing access to strategic raw materials and supply channels;
- traceability and compliance of materials;
- supplier environmental and social responsibility;
- preserving critical expertise;
- reducing greenhouse gas emissions;
- environmental excellence in manufacturing processes;
- product life span and reparability;
- customer and key stakeholder information.

To further improve consistency and efficiency, in 2016 the Group gave its companies – regardless of business sector – four shared targets to be achieved by 2020 (the baseline year being 2013):

- sustainable product design: by 2020, Group companies must make all their products more environmentally friendly. LVMH's Perfumes and Cosmetics companies and Wines and Spirits companies undertake to improve their Environmental Performance Index (EPI) score by 10% (see "Raw material consumption"). Fashion and Leather Goods companies and Watches and Jewelry companies establish sustainable design guidelines to be applied during product development;
- suppliers and raw materials: Group companies must ensure that optimum standards are rolled out in their procurement of raw materials supplies and among their suppliers across 70% of the supply chain by 2020 and 100% by 2025;
- cut energy-related CO_2 emissions by 25%;
- make all production plants and stores more environmentally friendly: Group companies undertake to reduce one of the following indicators – water consumption, energy consumption or waste production – by 10% at each of their sites, and to have an effective environmental management system focused on ongoing improvement. Stores must be made 15% more energy efficient and new stores will have to achieve a minimum performance of 50% according to the LVMH Store Guidelines score chart.

With regard to certification, all of the Cognac, Champagne and Vodka companies and all of Guerlain's activities in France have now obtained ISO 14001 certification. Parfums Christian Dior, Make Up For Ever and LVMH Fragrance Brands have also had all their manufacturing and logistics facilities certified. At Louis Vuitton, the supply chain has been ISO 14001 certified for Leather Goods and Accessories. This is a world first, and the result of cooperation between the Logistics Division and its transportation and logistics partners. 70% of Louis Vuitton ateliers are also certified. At end-2016, 36% of the Group's manufacturing, logistics and administrative sites were ISO 14001 certified (including 66% of LVMH's manufacturing sites).

LVMH's Watches and Jewelry business group and Christian Dior Couture are members of the Responsible Jewellery Council (RJC), an organization that brings together over 550 member companies committed to promoting ethical behavior, human rights and social and environmental practices throughout the industry, from mine to point of sale. The RJC has developed a certification system designed, in particular, to ensure that diamonds used in manufacturing do not come from conflict zones. The Kimberly Process is applied to diamonds. Kimberly certification requires input from independent accredited auditors. All Watches and Jewelry companies have been certified according to the Code of Practices (2013 version).

2.1.2. Training

During the period from July 1 to December 31, 2016, almost all Group companies continued with their employee environmental training and awareness programs. These programs represented an estimated total of 10,440 hours.

2.1.3. Safeguarding against environmental risks and pollution

Group companies are regularly audited by third parties, insurers or internal auditors, enabling them to keep their compliance monitoring plans up to date. Over the period from January 1 to December 31, 2016, certain manufacturing, logistics and administrative sites, as well as certain large warehouses, were audited, for a total of 104 external audits and 108 internal audits, with some sites being audited more than once during the year. Such audits correspond to an inspection of one or more sites belonging to the same company, covering all relevant environmental issues – waste, water, energy, and environmental management – and are documented in a written report including recommendations. The figure does not include the numerous compliance controls that may be performed on a specific environmental regulation issue – for example, a waste sorting inspection – performed periodically by Group companies at their sites.

2.1.4. Provisions and guarantees for environmental risks

Environmental expenses are recognized in accordance with the recommendations of the French Accounting Standards Authority (ANC). Operating expenses and capital expenditure are recognized against each of the following items:

- air and climate protection;
- waste water management;
- waste management;
- protection and purification of the ground, underground water and surface water;
- noise and vibration reduction;
- biodiversity and landscape protection;
- radiation protection;
- research and development;
- other environmental protection measures.

For the six-month fiscal year ended December 31, 2016, environmental protection expenses broke down as follows:

- operating expenses: 6.9 million euros;
- capital expenditure: 5.2 million euros.

Provisions for environmental risks amounted to 13 million euros as of December 31, 2016. This amount corresponds to financial guarantees required by law for Seveso upper-tier establishments.

2.2. POLLUTION AND WASTE MANAGEMENT

2.2.1. Preventing and reducing air, water and soil discharges

The discharges of substances causing eutrophication by Wines and Spirits, Fashion and Leather Goods, and Perfumes and Cosmetics operations are considered the only significant and relevant emissions into water. The Group's other business groups have a very limited impact on water quality. Eutrophication is the excessive buildup of algae and aquatic plants caused by excess nutrients in the water (particularly phosphorus), which reduces water oxygenation and adversely impacts the environment. The parameter used is the Chemical Oxygen Demand (COD) calculated after treatment of the discharges in the Group's own plants or external plants with which the Group has agreements. The following operations are considered treatment: city and county waste water collection and treatment, independent collection and treatment (aeration basin) and land application.

COD after treatment *(in metric tons)*	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Wines and Spirits	1,598	3,406
Fashion and Leather Goods	76	152
Perfumes and Cosmetics	4	7
TOTAL	**1,678**	**3,565**

Measurement frequencies at the highest-contributing Group companies are compliant with local regulations but remain limited with regard to the changes observed in quantities discharged.

VOC (Volatile Organic Compound) emissions are addressed through specific action plans, notably for Perfumes and Cosmetics operations and the tanneries. The subject of soil discharges is addressed in §2.3.4 Soil use.

2.2.2. Preventing, recycling and eliminating waste

During the fiscal year ended December 31, 2016, 86% of waste was recovered (compared with 86% as of June 30, 2016).

Recovered waste is waste for which the final use corresponds to one of the following channels, listed in descending order of interest in accordance with European and French legislation:

- re-use, i.e. waste is used for the same purpose for which the product was initially designed;
- recycling, i.e. direct reintroduction of waste into its original manufacturing cycle resulting in total or partial replacement of an unused raw material, controlled composting or land treatment of organic waste to be used as fertilizer;
- incineration for energy production, i.e. recovery of energy in the form of electricity or heat by burning the waste.

Waste produced

(in metric tons)	**Waste produced as of Dec. 31, 2016** (6 months)	**Of which: hazardous waste produced as of Dec. 31, 2016** [(a)] (6 months)	**Waste produced as of June 30, 2016** (12 months)
Christian Dior Couture	516	51	937
Wines and Spirits	26,450	287	66,883
Fashion and Leather Goods	5,597	546	9,886
Perfumes and Cosmetics	3,837	711	8,498
Watches and Jewelry	576	76	932
Selective Retailing	3,294	19	5,335
Other activities	640	39	1,623
TOTAL	**40,910**	**1,729**	**94,095**

(a) Waste to be sorted and processed separately from other "common" waste (such as cardboard, plastic or paper).

Waste recovery as of December 31, 2016

(as % of waste produced)	Re-used	Material recovery	Energy recovery	Total recovery
Christian Dior Couture	-	50	36	86
Wines and Spirits	10	75	5	90
Fashion and Leather Goods	4	40	23	67
Perfumes and Cosmetics	2	71	24	97
Watches and Jewelry	1	46	15	62
Selective Retailing	17	39	21	77
Other activities	-	64	28	92
TOTAL	**8**	**66**	**12**	**86**

The Perfumes and Cosmetics companies, as well as Sephora since 2010 and Louis Vuitton since 2011, have used the CEDRE recovery and recycling facility (Centre Environnemental de Déconditionnement, Recyclage Écologique) to handle all the waste generated by the manufacturing, packaging, distribution, and sale of cosmetic products. CEDRE accepts several types of articles: obsolete packaging, alcohol-based products, advertising materials, store testers, and empty packaging returned to stores by customers. In 2016, the service expanded to accept textiles and around 2,023 metric tons of waste were treated. The various materials (glass, cardboard, wood, metal, plastics, alcohol, cellophane and textiles) are resold to a network of specialized recyclers. As regards food waste, La Grande Épicerie de Paris has a number of fresh food production facilities. It has developed an accurate system for predicting sales in order to adapt production to production volumes on a daily basis. It has formed a partnership with the Red Cross, which collects any unsold produce each day.

2.2.3. Addressing noise pollution and other forms of pollution

The Group's business activities do not have a significant impact in terms of noise pollution or other forms of air pollution. Nevertheless, the Group's companies remain vigilant, particularly thanks to the environmental management systems they use, and are attentive to their surroundings and civil society.

2.3. SUSTAINABLE USE OF RESOURCES

2.3.1. Water consumption and supply according to local constraints

Water consumption is analyzed based on the following requirements:

- process requirements: use of water for cleaning purposes (tanks, products, equipment, floors), air conditioning, employees, product manufacturing, etc. Such water consumption generates waste water;
- agricultural requirements: water consumption for vineyard irrigation outside France, since irrigation is not used for the Group's vineyards in France. As such, water is taken directly from its natural environment for irrigation purposes. Water consumption varies each year according to changes in weather conditions. However, it is worth noting that sites' measurement of water consumption for agricultural purposes is less accurate than the measurement of water for "process" requirements.

(in m³)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Process requirements	1,887,642	3,531,363
Agricultural requirements (vineyard irrigation)	2,253,511	7,414,495

Water consumption for process requirements can be broken down as follows by business group:

Water consumption by business group

Process requirements *(in m³)*	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Christian Dior Couture	23,997	43,613
Wines and Spirits	585,765	1,379,997
Fashion and Leather Goods	754,984	1,352,015
Perfumes and Cosmetics	86,032	173,545
Watches and Jewelry	31,065	51,851
Selective Retailing	267,864	492,312
Other activities	137,935	38,031
TOTAL	**1,887,642**	**3,531,363**

An in-depth analysis of sensitivity to local constraints was carried out at each Group company using Pfister's 2009 water scarcity index and the 2012 Aquastat database. This analysis was based on measurements of each geographic area's sensitivity, obtained by comparing water consumption to available resources at the local level. Four Group companies whose water consumption is significant relative to the Group as a whole are located in areas where water stress is close to 100%, i.e. where water requirements are close to the level of available resources:

- the Cheval des Andes and Terrazas de los Andes vineyards, which represent 70% of the Group's agricultural water requirements;
- the Domaine Chandon California and Newton vineyards, which represent 8% of the Group's agricultural water requirements.

Vineyard irrigation is an authorized and supervised practice in California and Argentina due to the climate. It is essential for the preservation of vineyards. The Group has also taken the following measures to limit water consumption: harvesting rainwater; drafting agreements on measures and specifications with respect to water requirements; standardizing drip irrigation practices in California; using weather forecasts to optimize irrigation; and adopting the "regulated deficit irrigation" technique, which reduces water consumption and actually improves grape quality and grapevine size, yielding an enhanced concentration of aroma and color.

2.3.2. Raw material consumption

The main raw materials consumed by the Group are as follows:

- grapes (see §2.3.4 Soil use);
- leathers, raw lamb and calf skins, and exotic leathers (see §2.5 Protecting biodiversity);
- plant species (see §2.5 Protecting biodiversity);
- precious metals and gemstones (see §2.1.1 Evaluation and certification programs and organization);
- regulated chemicals. All Group companies have incorporated the requirements of the REACH Commission Regulation into their contractual documents so as to engage all suppliers in this undertaking.

The only significant, relevant criterion used by all Group companies for the analysis of raw material consumption is the quantity of packaging that reaches customers, measured in metric tons:

- Christian Dior Couture: boutique bags, pouches, cases, etc.
- Wines and Spirits: bottles, boxes, caps, etc.
- Fashion and Leather Goods: boutique bags, pouches, cases, etc.
- Perfumes and Cosmetics: bottles, cases, etc.
- Watches and Jewelry: cases and boxes, etc.
- Selective Retailing: boutique bags, pouches, cases, etc.

Packaging used for transportation is not included in this analysis.

Packaging

(in metric tons)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Christian Dior Couture	368	669
Wines and Spirits	80,666	161,968
Fashion and Leather Goods	3,427	6,128
Perfumes and Cosmetics	13,795	29,240
Watches and Jewelry	2,045	4,027
Selective Retailing	3,102	5,857
TOTAL	**103,403**	**207,888**

Breakdown of total weight of packaging reaching customers, by type of material, as of December 31, 2016

(in metric tons)	Glass	Paper-cardboard	Plastic	Metal	Fabric	Other packaging material
Christian Dior Couture	-	336	23	-	9	-
Wines and Spirits	70,295	8,031	821	696	33	790
Fashion and Leather Goods	27	3,031	24	6	334	7
Perfumes and Cosmetics	7,227	2,119	3,294	982	56	118
Watches and Jewelry	1,000	515	466	15	22	28
Selective Retailing	201	1,424	1,443	16	1	17
TOTAL	**78,750**	**15,456**	**6,070**	**1,715**	**454**	**959**

Group companies have adapted different tools and training to ensure that there is optimum consideration of the environment in product design. The Edibox application has been rolled out at Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton, Bvlgari and Sephora so as to ensure that environmental concerns are incorporated into the early stages of packaging design. This application calculates the Environmental Performance Index (EPI) and the greenhouse gas emissions generated by packaging materials. The criteria it uses are weight, volume, separability of materials and the number of packaging layers. The Group's Wines and Spirits houses use a similar tool. In updating its *Vintage*, *Rosé* and *Grande Cuvée* cases, Krug has focused on sustainable design, developing a unique, customizable case made entirely from FSC-certified fibers. The new single-material packaging is easier to produce and maintains the brand's prestigious image.

2.3.3. Energy consumption, measures adopted to improve energy efficiency and renewable energy use

Energy consumption corresponds to primary energy sources (such as fuel oil, butane, propane and natural gas) added to secondary energy sources (such as electricity, steam and ice water) mainly used for the implementation of manufacturing processes in addition to buildings and stores' air conditioning and heating systems.

Energy consumption by business group

(in MWh)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)
Christian Dior Couture	22,075	40,119
Wines and Spirits	96,250	208,461
Fashion and Leather Goods	164,261	311,768
Perfumes and Cosmetics	41,832	86,649
Watches and Jewelry	15,284	28,413
Selective Retailing	160,250	308,068
Other activities	9,176	17,590
TOTAL	**509,128**	**1,001,068**

Consumption by energy source as of December 31, 2016

(in MWh)	Electricity	Natural gas	Heavy fuel oil	Fuel oil	Butane Propane	Steam	Ice water	Renewable energies
Christian Dior Couture	19,497	1,026	-	10	-	733	809	-
Wines and Spirits	19,020	27,179	14,585	9,868	2,745	-	-	21,171
Fashion and Leather Goods	81,547	52,877	-	1,962	2,693	381	524	23,248
Perfumes and Cosmetics	2,659	15,282	-	16	-	310	234	23,331
Watches and Jewelry	5,270	3,327	-	844	72	-	-	5,757
Selective Retailing	130,814	7,427	-	705	3	2,305	-	18,997
Other activities	2,512	1,747	-	6	15	451	1,639	2,807
TOTAL	**261,318**	**108,864**	**14,585**	**13,411**	**5,528**	**4,178**	**3,205**	**95,312**

Bilan Carbone® assessments and energy audits provide insights that Group companies can use to develop suitable strategies for reducing energy consumption. Group companies have implemented a range of solutions in respect of store lighting and air conditioning, transportation, energy efficiency, and promotion of renewable energy sources.

As part of its 2020 objectives, LVMH launched the LVMH Lighting Program in 2013. Its objective is to secure and optimize the sourcing of high-performance lighting equipment for stores, production and storage sites, and office space. As well as promoting LED technology, which is an efficient means of reducing energy consumption and CO_2 emissions, the program aims to ensure that lighting meets Group companies' demands for exceptional quality. In 2014, a catalog of 300 product descriptions and an e-commerce website were designed to allow the Group and the installers working on its behalf to optimize lighting, especially through the use of LED technology. An internal reference guide entitled "The LVMH Stores' Environmental Guidelines" was also developed. It summarizes the best practices to implement during the construction, renovation and entire lifetime of a store. Group companies expanded their use of LEDs in 2015. In 2016, the entire Sephora network in the United States – representing 60% of Sephora – was equipped with LED lighting. Bvlgari also fitted out 40 new stores and is continuing to roll out LED lighting across its network.

2.3.4. Soil use

Soil pollution arising from old manufacturing facilities (cognac, wine and champagne production, trunk production) is not considered significant at the Group level. The more recent production facilities are generally located on farmland with no history of pollution. The Group's manufacturing operations require very little soil use, except for wine production.

The Group's Wines and Spirits houses are doubly committed to sustainable winegrowing, for reasons both historic and strategic. They are pursuing a variety of initiatives in eco-conscious and organic farming that drastically reduce the need for pesticides with a high environmental impact. LVMH's champagne houses are heavily involved in this approach and in 2015 obtained sustainable winegrowing certification for all their vineyards and official recognition of this new standard on a national level. In 2016, this policy was rolled out to grape suppliers and to date, 10% of vineyards in the Champagne region are certified. An advocate of rigorous environmental standards for nearly 20 years, Hennessy has also made sustainable winegrowing a priority. For more than five years, Hennessy has been a member of the DEPHY network, which promotes the introduction of farming systems reducing the use of pesticides. In 2016, the company increased the area of its vineyard belonging to DEPHY from 12.5 hectares to 30 hectares.

2.4. COMBATING AND ADAPTING TO CLIMATE CHANGE

2.4.1. Reducing greenhouse gas emissions

For over 15 years, the Group has carried out Bilan Carbone® assessments of the main Group companies and each year consolidates greenhouse gas emissions generated by energy consumption at the Group's production plants and transportation of products. In 2016, a specific study was carried out assessing the environmental impact of the Group's raw material production and supply chain. Across the entire value chain quantified, 50% of emissions are generated by production of raw materials and 30% by inbound and outbound transport. Next come emissions generated by production plants, logistics centers, offices and warehouses (20%), whether direct (Scope 1) or indirect (Scope 2). Emissions generated downstream by using products (washing of fashion products, rinsing of certain cosmetics products) or when products come to the end of their useful life will be refined at a later stage.

Scope 1 (direct) and Scope 2 (indirect) greenhouse gas emissions

Given the nature of the Group's operations, the only air emissions that have a significant impact on the environment are greenhouse gases. Estimated greenhouse gas emissions in metric tons of carbon dioxide equivalent (tCO_2e) correspond to site energy consumption emissions, as defined in §2.3.3.

Given the increasing importance of renewable energy issues within the Group, the CO_2 emissions calculation methodology was reviewed in 2016. The main Scope 1 and 2 greenhouse gas emission reduction initiatives involve reducing the amount of energy used for lighting and air conditioning in stores, and optimizing energy consumed by manufacturing processes.

Breakdown of emissions by business group as of December 31, 2016

(in metric tons of CO_2 equivalent)	CO_2 emissions Dec. 31, 2016 (6 months)	Of which: Percentage of direct CO_2 emissions	Of which: Percentage of indirect CO_2 emissions	CO_2 emissions June 30, 2016 (12 months)
Christian Dior Couture	10,480	2	98	19,047
Wines and Spirits	19,893	68	32	45,439
Fashion and Leather Goods	52,035	24	76	104,120
Perfumes and Cosmetics	4,553	69	31	12,674
Watches and Jewelry	2,001	47	53	3,837
Selective Retailing	69,437	2	98	135,409
Other activities	1,264	29	71	2,615
TOTAL	**159,663**	**20**	**80**	**323,140**

The Group has long stressed the importance of addressing climate change in its business activities, having carried out its first Bilan Carbone® assessments at the following Group companies in 2002: Christian Dior Couture, Moët & Chandon, Veuve Clicquot, Hennessy, Parfums Christian Dior, Guerlain, Parfums Kenzo, Parfums Givenchy, Givenchy, Make Up For Ever, DFS, Sephora and Le Bon Marché. Greenhouse gas emissions are retested using this assessment protocol every four years.

Group companies are working on ways to reduce energy consumption and greenhouse gas emissions at their own sites and stores (see §2.3.3). They are also taking action to reduce the emissions generated by their logistics chains. In order to ensure that supplies to its stores generate as little pollution as possible, Sephora has for many years used electric vehicles for deliveries to its city center stores. This positive practice, which is both environmentally efficient and economical, was introduced in France in 2009 and has since been rolled out to other countries. Following China in 2015, it was launched in Italy in 2016 in collaboration with FM Logistics. Delivery trucks are now 100% electric when they get to Rome and Milan, two of the largest cities in the country.

For LVMH, 2016 was the first full year of the internal carbon fund, launched in late 2015. With this brand new initiative, the Group has confirmed its commitment to helping to combat climate change. In November 2016, eligible projects worth 6.7 million euros were selected, above the initial target of 5 million euros. The Group's companies are closely involved, asking the fund to finance around 30 projects, 70% of which concern stores. These projects – aimed at reducing energy consumption, shifting toward renewable energies and improving the way energy consumption is tracked – will help avoid several tens of thousands of metric tons of greenhouse gas emissions. Spurred on by this success, the Group renewed its carbon fund in 2017, making further progress toward the LIFE program's goal of cutting energy-related emissions by 25% by 2020.

Scope 3 greenhouse gas emissions

The study carried out by LVMH in 2016 on the environmental impact of producing the raw materials required to manufacture the Group's products showed that over 80% of emissions come from leather, grapes and glass. With the help of its partners, the Group is continuing with its efforts to quantify these emissions:

- production of raw materials: the main sources of greenhouse gas emissions are leather production (165,000 tCO_2e), winegrowing (90,000 tCO_2e, including vineyards belonging to Group companies as well as grape suppliers) and glass for packaging production (75,000 tCO_2e);
- inbound transport: movement of raw materials and product components to production sites. Only the main materials and components are taken into account;
- outbound transport: movement of finished products from production sites to distribution platforms.

Breakdown of greenhouse gas emissions generated by inbound transport as of December 31, 2016

(in metric tons of CO_2 equivalent)	Road	Air	Ship	Total
Christian Dior Couture	45	111	1	157
Wines and Spirits	1,697	351	473	2,521
Fashion and Leather Goods	1,508	2769	8	4,285
Perfumes and Cosmetics	4,991	12,386	260	17,637
Watches and Jewelry	1	931	2	934
Selective Retailing	-	-	-	-
TOTAL	**8,243**	**16,547**	**744**	**25,534**

Breakdown of greenhouse gas emissions generated by outbound transport as of December 31, 2016

(in metric tons of CO_2 equivalent)	Road	Rail	Air	Ship	Inland waterways	Recharging road	Total
Christian Dior Couture	67	-	13,997	-	-	-	14,064
Wines and Spirits	10,381	377	18,116	8,502	89	-	37,464
Fashion and Leather Goods	857	5	51,203	220	2	-	52,287
Perfumes and Cosmetics	1,111	-	74,212	961	-	-	76,284
Watches and Jewelry	52	-	16,291	61	-	-	16,404
Selective Retailing	1,413	-	6,310	97	-	43	7,864
TOTAL	**13,882**	**382**	**180,129**	**9,840**	**91**	**43**	**204,367**

Château Cheval Blanc, Château d'Yquem, DFS, Fred, Donna Karan, Rossimoda and Les Echos did not report data for this indicator.

2.4.2. Adapting to climate change

The Group has also considered the different issues with regard to adapting to climate change. In the medium term, developing winegrowing practices is the main component of the Group's adaptation strategy. Several solutions are available for European vineyards depending on the extent of climate change, from altering harvest dates to developing different methods of vineyard management (wider rows, increasing the size of grapevine stocks, employing irrigation in certain countries, etc.) and testing new grape varieties. For vineyards in Argentina and California, the main issue is the availability of water (see §2.3.1 Water consumption and supply according to local constraints). Finally, according to current scientific knowledge, vineyards in New Zealand and western Australia are the least susceptible to climate change.

2.5. PROTECTING BIODIVERSITY

The Christian Dior group has a strategy in place for sourcing and preserving raw materials, governed by the LIFE 2020 targets, which commit Group companies, between now and 2020, to buying and producing all core raw materials in accordance with optimum environmental standards with regard to both raw material sourcing and production sites. Choosing components for product manufacturing is an essential part of preserving the environment, and particularly rare resources that are vital for product manufacturing, such as leather and plant species.

LVMH was the first private sector entity to join the eight public research bodies on the Board of Directors of the French Foundation for Research on Biodiversity (FRB). LVMH is now an official member of the FRB, with whom it has been working for more than seven years. Sylvie Bénard, LVMH's Environment Director, has also served as Vice President of the Foundation's Strategic Orientation Committee for four years. Within the framework of this committee, which brings together more than 160 stakeholders to jointly design research programs that favor biodiversity, the Group has mainly focused on accessing genetic resources and sharing the benefits resulting from their use. Several projects are currently being run by the Perfumes and Cosmetics, Fashion and Leather Goods, and Watches and Jewelry business groups, such as the development of new responsible supply channels.

The Fashion and Leather Goods and Watches and Jewelry business groups have implemented procedures to ensure that all of their products comply with CITES, a convention on international trade in endangered species. Through a system of import-export permits, this convention was set up to prevent certain species of endangered fauna and flora against overexploitation. Leather sourcing is a strategic priority, and Group companies mainly use European cowhide leather (see "Group reporting on employee-related issues", §1.9.3, "Supply sources and subcontracting"). Group companies participate in working groups such as the Responsible Ecosystems Sourcing Platform (RESP), the Leather Working Group (LWG) and Business for Social Responsibility (BSR). They work with their suppliers to improve traceability, animal well-being and the preservation of certain species. Some Group companies have joined the Better Cotton Initiative (BCI), which has developed a standard to encourage measurable improvements in the main environmental impacts of growing cotton on a worldwide scale. Thanks to work done with its main suppliers, more than 60% of the cotton used for Thomas Pink's menswear collections comes from BCI farms.

In the Perfumes and Cosmetics business group, the Research & Development department and Group companies have been working together on ethnobotany for a number of years. They seek to identify plant species with a particular interest as components of cosmetics products while contributing to the preservation of these species and to local economic development. This partnership can take a variety of forms such as financial support, technical or scientific assistance, or skills sponsorship, sharing the expertise of the Group's staff with its partners. As part of this initiative, Parfums Christian Dior's Dior Gardens are plots dedicated to cultivating flowering plants chosen for their exceptional properties. Guerlain has also launched a number of partnerships focused on orchids in China, vetiver in India, honey in Ouessant in France, sandalwood in Asia and lavender from the South of France.

The Wines and Spirits business group is active in sustainable winegrowing, notably for the purposes of reducing pesticide use (see §2.3.4 Soil use).

2.6. CONSUMER HEALTH AND SAFETY

The Group's policy concerning the sensitive issue of animal testing to evaluate the safety of finished products has always been clear: its aim is to guarantee the safety of consumers who use our products while taking into account respect for animal life. For that reason, since 1989, none of the Perfumes and Cosmetics companies have conducted tests on animals for the products they put on the market, thus well in advance of the official ban on animal testing imposed by European Union legislation in 2004. Since then, the development of alternatives to animal testing has remained a genuine scientific challenge and the Group will continue to be very active in its efforts to rise to this challenge.

The Group remains particularly vigilant to ensure continuing compliance with regulatory requirements, while monitoring the opinions of scientific committees, and the recommendations of industry associations in Europe and throughout the world. Moreover, new products must abide by a set of strict internal guidelines imposed by the Group as criteria for their development. The Group also requires that its suppliers adhere to these same guidelines.

Honoring its commitments in this area for the last several years, the Group has accompanied this policy with an approach that aims to anticipate developments in international regulations. This anticipation is made possible thanks to the efforts of the Group's experts, who regularly take part in the working groups set up by national and European authorities, and are very active in professional organizations. Ongoing monitoring of changes in regulatory frameworks and the development of scientific knowledge by its experts has regularly led the Group to prohibit the use of some substances and make efforts to reformulate some of its products.

These high standards allow the Group to guarantee the safety of its cosmetic products when they are released onto the market. In order to monitor the quality of their products after they are released, the Group's brands have customer relations departments which receive any complaints from consumers for analysis, including complaints about adverse effects. This cosmetovigilance process is managed by a team of specialists who provide the Group's brands with access to a European network of healthcare professionals able to quickly respond to help consumers experiencing side effects. A similar approach is under development in China. Such post-market surveillance makes it possible to explore new areas of research and continually improve the quality and safety of our products.

For many years, Moët Hennessy has emphasized the responsible enjoyment of its champagnes, wines and spirits. This commitment takes the form of numerous actions directed at its employees and customers as well as guests and visitors to its companies.

Not only does Moët Hennessy adhere scrupulously to local regulations, it also self-regulates across the entire spectrum of its communications and marketing practices, as well as following online media guidelines, for example by using filters to keep underage viewers from entering its companies' websites. Every year, Moët Hennessy's teams teach hundreds of consumers the rituals for tasting its exceptional products, highlighting not only their exquisite quality but also the rich culture, heritage, and history behind them, to be appreciated properly in moderation.

In Europe, Moët Hennessy mentions www.wineinmoderation.com on the labels of all its wine and champagne bottles (except in France for legal reasons), and www.responsibledrinking.eu on all its spirits bottles. These two websites provide consumers with information on responsible drinking.

Moët Hennessy rolled out an internal communications campaign reminding employees that they are "all ambassadors for responsible drinking", using a series of visual presentations rolled out worldwide and translated into eight languages.

Moët Hennessy is a member of the European Alcohol and Health Forum sponsored by the European Commission, and offers commitments every year to promote responsible drinking. The commitment for 2013-2014 was about training employees and was assessed by a European Commission-designated external consultant as being 89% satisfied. In 2015 it was about the responsible drinking campaign mentioned above.

Lastly, Moët Hennessy continues to lend its active support to numerous responsible drinking programs around the world: in addition to Wine in Moderation, Moët Hennessy participates in many local programs.

3. REPORT BY THE INDEPENDENT VERIFIER ON EMPLOYEE-RELATED, ENVIRONMENTAL AND SOCIETAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

To the Shareholders,

In our capacity as an Independent Verifier accredited by COFRAC [(1)] (Accreditation No. 3-1050) and a member of the network of one of the Statutory Auditors of Christian Dior SE, we present our report on consolidated employee-related, environmental and social information for the fiscal year ended December 31, 2016, as presented in the Management Report, hereinafter referred to as the "CSR Information", pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code.

Responsibility of the Company

The Board of Directors is responsible for drawing up a Management Report including the CSR Information referred to in Article R. 225-105-1 of the French Commercial Code, in accordance with the guidelines used by the Company ("the Guidelines"), which are summarized in the Management Report and available from the LVMH group's Human Resources and Environment departments.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our industry and the provisions laid down in Article L. 822-11 of the French Commercial Code. In addition, we have implemented a quality control system that includes documented policies and procedures aimed at ensuring compliance with ethical standards, professional standards and applicable legislation and regulations.

Responsibility of the Independent Verifier

It is our role, based on our work:

- to attest that the required CSR Information is included in the Management Report or, where it is omitted, to ensure that an explanation has been provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of presence of the CSR Information);
- to express a reasonable assurance that, taken as a whole, the CSR Information is fairly presented, in all material aspects, in accordance with the Guidelines (Limited assurance on the CSR Information).

Our work drew on the expertise of five people, and was carried out between October 2016 and February 2017 over a total of approximately four weeks.

We conducted the work described below in accordance with professional standards applicable in France and with the Order of May 13, 2013 determining the conditions under which an Independent Verifier should perform its duties and, with regard to the limited assurance, in accordance with the ISAE 3000 international standard [(2)].

1. Attestation of presence of the CSR Information

Nature and scope of work

On the basis of interviews conducted with the heads of the departments concerned, we obtained an understanding of the presentation of the Company's sustainable development strategy, which is based on the employee-related and environmental consequences of the Company's activities and its social commitments, as well as, where applicable, any resulting actions or programs.

We compared the CSR Information presented in the Management Report with the list specified in Article R. 225-105-1 of the French Commercial Code.

(1) Scope of accreditation available from www.cofrac.fr.
(2) ISAE 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Information.

Where consolidated information was missing, we verified that explanations had been provided in accordance with the provisions of the third paragraph of Article R. 225-105 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, namely the Company and its subsidiaries as defined in Article L. 233-1 of the French Commercial Code and controlled companies as defined in Article L. 233-3 of that same code, subject to the limits laid down in the introduction to the "Group reporting on employee-related issues" and "Effects of operations on the environment" sections of the Management Report.

Conclusion

Based on this work, and given the limitations set out above, we confirm that the required CSR Information is included in the Management Report.

2. Limited assurance on the CSR Information

Nature and scope of work

We conducted approximately ten interviews with those responsible for preparing the CSR Information in departments tasked with collecting data and, where applicable, with those responsible for internal control and risk management procedures, so as to:

- assess the suitability of the Guidelines, in relation to their relevance, completeness, reliability, neutrality and understandability, taking into consideration, where applicable, any industry best practice;
- verify implementation of a process for collecting, compiling, processing and verifying the CSR Information for completeness and consistency and identify internal control and risk management procedures relating to the preparation of the CSR Information.

We determined the nature and extent of our tests and controls based on the nature and importance of the CSR Information, in light of the characteristics of the Company, the social and environmental issues faced by its businesses, its strategy with regard to sustainable development and industry best practice.

For the CSR Information we considered to be the most important [(3)]:

- at the level of the consolidated entity and controlled entities, we consulted documentary sources and conducted interviews to corroborate qualitative information (organization, policies, actions, etc.); we analyzed quantitative information and verified, on a test basis, calculations and data consolidation; and we verified the coherence and consistency of data with other information set out in the Management Report;

(3) **Employee-related information:**
Indicators (quantitative information): total headcount as of December 31 and breakdown by professional category, age and geographical region; voluntary and involuntary staff turnover; recruitment; lost-time accidents; frequency rate; severity rate; percentage of employees trained in the year; number of days' training per employee; and absentee rate by reason.
Qualitative information: employment (total workforce and breakdown by new hires and redundancies, compensation and trends), organization of working time, absence rates, labor relations (framework for labor-management dialog; impact of collective bargaining agreements), workplace health and safety, workplace accidents, including frequency and severity rates, occupational illness, training, diversity, equal opportunity and treatment policies implemented (measures put in place to achieve gender equality, employment and integration of disabled workers, and anti-discrimination initiatives), and promotion of and compliance with the requirements of the International Labor Organization's Fundamental Conventions (freedom of association, elimination of discrimination, forced and child labor).
Environmental and social information:
Indicators (quantitative information): percentage of sites certified ISO 14001 (%); total water consumption for process requirements (m^3); total waste produced (metric tons); total hazardous waste produced (metric tons); percentage waste recovered; total energy consumption (MWh); total greenhouse gas emissions linked to energy consumption and outbound transport (metric tons of CO_2 equivalent); total packaging delivered to customers (metric tons); and Chemical Oxygen Demand after treatment (metric tons/year).
Qualitative information: general environmental policy; measures adopted to prevent, reduce and compensate for discharges into the air, water and soil that seriously affect the environment; measures adopted to prevent, recycle and eliminate waste; water consumption and water supply taking into account local constraints; raw material consumption and measures adopted to improve resource efficiency; energy consumption; measures adopted to improve energy efficiency and promote the use of renewable energy; greenhouse gas emissions; measures adopted to develop biodiversity; and consumer health and safety.

- at the level of a representative sample of entities selected [4] on the basis of their activity, their contribution to consolidated indicators, their location and a risk analysis, we undertook interviews to verify that procedures had been properly implemented and carried out detailed tests on the basis of samples, consisting of verifying the calculations made and reconciling data with supporting documentation. The sample selected represented an average of 15% of the workforce and between 30% and 85% of quantitative environmental information. We assessed the consistency of the other consolidated CSR Information relative to our knowledge of the Company.

Finally, where some or all information was missing, we assessed the relevance of the explanations given.

We consider that the sampling methods and sample sizes that we applied using our professional judgment allow us to express a limited assurance conclusion; a higher level of assurance would have required more extensive verification work. Due to the application of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a material error in the CSR Information cannot be entirely eliminated.

Conclusion

Based on this work, we have not identified any material misstatement that may cause the CSR Information, taken as a whole, not to be fairly presented in compliance with the Guidelines.

Paris La Défense, February 27, 2017

The Independent Verifier

ERNST & YOUNG et Associés

Éric DUVAUD Sustainable Development Partner	**Bruno PERRIN** Partner

(4) **Environmental information:** Wines and Spirits: Cloudy Bay (New Zealand), Glenmorangie (Ardbeg and Tain, Scotland), Hennessy (France), MHCS (France), Domaine Chandon California (United States), Domaine Chandon Australia (Australia); Fashion and Leather Goods: Céline (Italy), Louis Vuitton – Atelier Sainte Florence (France), Louis Vuitton – Manufacture de Souliers Fiesso (Italy), Louis Vuitton Paris (France), Loro Piana Quarona (Italy); Perfumes and Cosmetics: Parfums Christian Dior (SJDB, France), Guerlain (Orphin, France); Watches and Jewelry: Zenith (Switzerland), Cortech (Switzerland); Selective Retailing: DFS Guam Tumon Bay (Micronesia), DFS Torrance Distribution Center (United States), Le Bon Marché (France), Sephora North America (United States), Sephora Europe/Middle East/Asia (France); Other activities: Les Echos (France), Christian Dior Couture (France).
Employee-related information: Wines and Spirits: MHCS (France); Fashion and Leather Goods: Louis Vuitton China Co. Ltd (China), Société des Ateliers Louis Vuitton (France), Fendi Srl (Italy); Perfumes and Cosmetics: Guerlain France (France), Parfums Christian Dior China (China); Watches and Jewelry: TAG Heuer SA (Switzerland); Selective Retailing: DFS Group Limited – HK Division (Hong Kong), Sephora France (France), Starboard Cruise Services (United States); Other activities: Le Parisien (France), Christian Dior Couture (Italy).

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

Report of the Board of Directors on the compensation policy for senior executive officers

This report, drawn up pursuant to the provisions of Article L. 225-37-2 of the French Commercial Code resulting from the Act of December 9, 2016, was approved by the Board of Directors at its meeting of February 9, 2017.

Its purpose is to set out the principles and criteria used to determine, apportion and award the fixed, variable and exceptional components making up the total compensation and benefits awarded to Bernard Arnault, Chairman of the Board of Directors, and Sidney Toledano, Chief Executive Officer, by virtue of their offices.

The Board of Directors determines executive compensation policy after consulting the Nominations and Compensation Committee, whose responsibilities include (i) making proposals on fixed and variable compensation and benefits in kind payable to the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director, if there is one; (ii) giving an opinion on the award of options or bonus performance shares to these individuals; (iii) formulating a position on supplementary pension plans put in place by the Company for its senior executives; and (iv) making proposals on any retirement benefits that might be paid to a senior executive when he/she steps down.

Compensation and benefits awarded to senior executive officers mainly reflect the degree of responsibility attached to their roles, their individual performance and the Group's results, and the achievement of targets. They also take into account compensation paid by companies of a similar size, industry sector and international presence.

COMPENSATION AND BENEFITS IN KIND

Compensation payable to senior executive officers is determined with reference to the principles laid down in the AFEP/MEDEF Code.

The breakdown of compensation and benefits awarded to the Chairman of the Board of Directors and the Chief Executive Officer is presented in the "Christian Dior parent company" section of the Management report of the Board of Directors.

This compensation is broken down as follows:

• Annual fixed/variable compensation

The Chairman of the Board of Directors does not receive any fixed or variable compensation from Christian Dior SE. The fixed and variable compensation described in the "Christian Dior parent company" section of the Management report of the Board of Directors is due and paid by the LVMH group. The same is true for the Chief Executive Officer, whose annual fixed or variable compensation is paid by Christian Dior Couture SA in respect of his role as Chairman and Chief Executive Officer of that company.

• Multi-year variable compensation

In respect of his appointment at Christian Dior SE, the Chief Executive Officer benefits from a medium-term incentive plan covering calendar years 2014 to 2017, mainly based on growth in Christian Dior Couture's consolidated profit from recurring operations. The benefit of this plan is subject to an attendance condition and its amount is capped at 16 million euros.

Starting in 2018, the payment to the Chief Executive Officer of the multi-year variable portion of his compensation will be subject to prior approval of the amount at the Ordinary Shareholders' Meeting under the conditions provided by Article L. 225-100 of the French Commercial Code.

• Award of share options and bonus shares

The Company has not put in place any share subscription option or purchase plans since 2010.

The Chairman of the Board of Directors and the Chief Executive Officer are eligible for bonus share plans put in place by the Company for the Group's employees and senior executives. Any bonus shares awarded to them must be subject to performance conditions laid down by the Board of Directors at the proposal of the Nominations and Compensation Committee. The Board of Directors has adopted the recommendation put forward by the Nominations and Compensation Committee and capped the number of bonus shares awarded to the Chairman of the Board of Directors and the Chief Executive Officer at 40% of the total allocation of bonus shares granted by the Board of Directors. This percentage reflects (i) the fact that neither the Chairman of the Board of Directors nor the Chief Executive Officer receive regular fixed or variable compensation under their appointments at the Company and (ii) the small number of plan recipients, given that the LVMH group offers its own plans.

For all the option plans put in place between 2007 and 2009 and all bonus share plans put in place since 2010, if the Chairman of the Board of Directors or the Chief Executive Officer decide to exercise their options or if their shares vest, they are required to retain possession, in pure registered form and until the conclusion of their respective terms of office, of a number of shares under the terms defined by the plans.

• Directors' fees

The shareholders vote at a Shareholders' Meeting to set the total amount of directors' fees allocated to the members of the Company's Board of Directors. This amount is apportioned among the directors and Advisory Board members in accordance with rules laid down by the Board of Directors at the proposal of the Nominations and Compensation Committee. As such, like the other members of the Board of Directors, the Chairman of the Board of Directors and the Chief Executive Officer, if he/she is a Director, each receive two units in respect of their directorships. Two additional units are also awarded for serving as Chairman of the Company's Board of Directors.

Payment of a portion of the directors' fees is contingent upon attendance at meetings of the Board of Directors. A reduction in the amount payable is applied to two-thirds of the amount of directors' fees received, in proportion to the number of Board meetings not attended by the senior executive in question.

The Nominations and Compensation Committee is notified of the amount of directors' fees paid to senior executive officers by Group subsidiaries at which they serve as company officers.

• Benefits in kind

The Chairman of the Board of Directors and the Chief Executive Officer each have a company car, provided by LVMH for the Chairman of the Board of Directors and by Christian Dior Couture for the Chief Executive Officer. The value of this benefit is measured in accordance with the applicable tax provisions.

OTHER UNDERTAKINGS AND AGREEMENTS

• **Severance benefits**

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, at its meeting of February 8, 2008, the Board of Directors approved the non-compete clause included in Sidney Toledano's employment contract with Christian Dior Couture SA, which is currently suspended; this non-compete commitment provides for the payment for a period of 24 months of compensation equal to the monthly average of his gross salary received over the previous twelve months.

Notwithstanding this clause, neither the Chairman of the Board of Directors nor the Chief Executive Officer benefit from provisions granting them specific compensation upon leaving the Company or exemption from rules governing the exercise of share purchase options or the vesting of bonus shares.

• **Supplementary pensions**

LVMH SE has set up a defined-benefit pension plan, in accordance with the provisions of Article L. 137 11 of the French Social Security Code, for senior executives. Once they have been members of the LVMH group's Executive Committee for at least six years, they are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group. This is not required, however, if they leave the Group at the latter's request after the age of 55 and resume no other professional activity until their external pension plans are liquidated. This supplementary pension benefit is determined on the basis of a reference amount of compensation equal to the average of the three highest amounts of annual compensation received during the course of their career with the Group, capped at 35 times the annual social security ceiling (i.e. 1,351,560 euros as of December 31, 2016). The annual supplementary pension benefit is equal to the difference between 60% of the reference compensation amount (capped at 810,936 euros as of December 31, 2016) and all pension payments made in France (under the general social security regime and the ARRCO and AGIRC supplementary regimes) and abroad. On the basis of compensation paid to the Chairman of the Board of Directors by the LVMH group in 2016, the supplementary pension benefit payable to him would not exceed 45% of the amount of his last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code.

Report of the Chairman of the Board of Directors

Drawn up in accordance with the provisions of Article L. 225-37 of the French Commercial Code, this report was approved by the Board of Directors at its meeting on February 9, 2017.

Its purpose is notably to give an account of the membership of the Board of Directors of the Company, the preparation and organization of its work, the compensation policy applied to senior executives and company officers, as well as the risk management and internal control procedures established by the Board and in particular the procedures relating to the preparation and processing of accounting and financial information.

1. Corporate governance

1.1. BOARD OF DIRECTORS

The Board of Directors is the strategic body of the Company which is primarily responsible for enhancing the Company's value and protecting its corporate interests. Its main missions involve the adoption of overall strategic orientations of the Company and the Group and ensuring these are implemented, the verification of the reliability and fair presentation of information concerning the Company and the Group and the overall protection of the Company's assets.

Christian Dior's Board of Directors acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

A Charter has been adopted by the Board of Directors which outlines rules governing its membership, duties, procedures and responsibilities.

Two committees have been established by the Board of Directors: the Performance Audit Committee and the Nominations and Compensation Committee, whose membership, role and missions are defined by internal rules.

The Charter of the Board of Directors and the internal rules governing the two committees are communicated to all candidates for appointment as Directors and to all permanent representatives of a legal entity before assuming their duties. These documents are presented in full in the Other information – Governance section of the Annual Report. They are regularly amended to take into account changes in laws and regulations and good governance practices.

Pursuant to the provisions of the Board of Directors' Charter, all Directors must bring to the attention of the Chairman of the Board any instance, even potential, of a conflict of interest that may exist between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities. They must also provide the Chairman with details of any formal judicial inquiry, fraud conviction, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative or management body imposed by a court and any bankruptcy, receivership or liquidation proceedings to which they have been a party. No information has been communicated with respect to this obligation.

The Company's Bylaws require each Director to hold, directly and personally, at least 200 of its shares.

1.2. CODE OF CORPORATE GOVERNANCE – IMPLEMENTATION OF RECOMMENDATIONS

The Company refers to the AFEP/MEDEF Code of Corporate Governance for Listed Companies for guidance. This document may be viewed on the AFEP/MEDEF website: www.afep.com.

The Company applies the recommendations of that code, subject,

- in the case of the assessment of Directors' independence, to criteria set in abstracto concerning length of service, as specified in §1.3 Membership and missions;
- for authorizations to issue options or bonus shares, to setting a cap on allocations to senior executive officers in the resolutions, as specified in §1.11 Compensation policy for company officers.

1.3. MEMBERSHIP AND MISSIONS

- At its meeting of February 9, 2017, the Board of Directors (i) examined the appointments of Bernard Arnault, Pierre Godé and Sidney Toledano, expiring at the end of the Shareholders' Meeting of April 13, 2017, and (ii) decided to submit at said Meeting a proposal to renew the appointments of Bernard Arnault and Sidney Toledano, as well as to appoint Maria Luisa Loro Piana as a Director. The appointment of Pierre Godé as an Advisory Board member was also proposed.

  Directors are appointed for three-year terms, as stipulated in the Bylaws. To make the renewal of Directors' appointments as egalitarian as possible, and in any event to make them complete for each three-year period, the Board of Directors set up a system of rolling renewals that has been in place since 2010.

  Since the Company meets the conditions laid down in the French Commercial Code making it eligible for the exemption applicable to holding companies, it is not subject to the requirement to appoint Directors representing employees.

- Subject to decisions made at the Shareholders' Meeting of April 13, 2017, the Board of Directors will thus consist of nine members: Delphine Arnault, Hélène Desmarais, Ségolène Gallienne, Maria Luisa Loro Piana, Bernard Arnault, Denis Dalibot, Renaud Donnedieu de Vabres, Christian de Labriffe and Sidney Toledano.

At the end of the Shareholders' Meeting of April 13, 2017, since each gender will be represented by at least 40% of Board members, the composition of the Board will comply with the provisions of the French Commercial Code relating to gender equality on boards of directors.

Personal information relating to the Directors is included in the Other information – Governance section of the Annual Report.

Bernard Arnault (Chairman of the Board of Directors) and Sidney Toledano (Chief Executive Officer) do not hold more than two directorships in non-Group listed companies, including foreign companies.

During its meeting of February 9, 2017, the Board of Directors reviewed the status of each Director currently in office as well as each proposed appointee, in particular with respect to the independence criteria set forth in the AFEP/MEDEF Code, and (i) noted that no changes had occurred in the situations of the Directors in office since October 13, 2016, when the last Board meeting reviewed the personal situation of each Director, and (ii) considered that:

(i) Hélène Desmarais satisfies all criteria;

(ii) Ségolène Gallienne should be considered an Independent Director notwithstanding her position on the Board of Directors of Château Cheval Blanc. In this case, the Board has departed from the criterion related to the business relations resulting from the joint and equal ownership of Château Cheval Blanc by the LVMH group and the Frère-Bourgeois group, of which she is a Director, considering that these relations are not material in view of the size of the two groups and are not likely to call into question her independence;

(iii) Renaud Donnedieu de Vabres should be considered an Independent Director notwithstanding his membership on the Board of Directors of La Fondation d'Entreprise Louis Vuitton, a non-profit institution intended to pursue cultural public interest initiatives not falling within the scope of application of the AFEP/MEDEF Code, which only applies to offices held in companies. Furthermore, no compensation is paid to him under this appointment;

(iv) Christian de Labriffe should be considered an Independent Director notwithstanding his membership on the Board of Directors of the Company for more than twelve years and his term of office on the Board of Directors of Christian Dior Couture SA, a subsidiary of Christian Dior, firstly because of his personal circumstances and secondly because no conflicts of interest seem likely to arise between Christian Dior SE and Christian Dior Couture SA, the latter's share capital being wholly controlled by the former and no compensation being paid to the interested party under his appointment at Christian Dior Couture.

In this instance, the Board has departed from the criteria set forth by the AFEP/MEDEF Code of Corporate Governance relating, on the one hand, to the number of years of service on the Board and, on the other hand, to relations with the Company's management, considering that these are not likely to cloud the critical faculties or color the judgment of the Directors in question, given both their experience and status as well as their current personal and professional circumstances. Moreover, their in-depth knowledge of the Group is an invaluable asset during major strategic decision-making.

Subject to decisions made at the Shareholders' Meeting of April 13, 2017, four out of the nine Directors who make up the Board of Directors are thus considered to be independent and to hold no interests in the Company. With respect to the criteria set out in the AFEP/MEDEF Code, 44.4% of the members of the Board of Directors may be considered independent, thus exceeding the Code's recommendation for controlled companies that one-third of Board members be independent.

- During the fiscal year that started July 1, 2016 and ended December 31, 2016, the Board of Directors met three times, convened by its Chairman. Directors' attendance rate at these meetings averaged 81.48%.

  The Board approved the annual consolidated and parent company financial statements as of 30 June, 2016; it also reviewed the Company's consolidated financial statements for the period from January 1 to June 30, 2016. The Board expressed its opinions on subjects including the establishment of bonus share and performance share plans and of a share repurchase program.

  It renewed the authorizations granted to (i) the Chief Executive Officer to give sureties, collateral and guarantees to third parties and (ii) the Chairman and the Chief Executive Officer to issue bonds. It reviewed previously authorized regulated agreements that remained current during the 2015/2016 fiscal year.

  It conducted a formal evaluation of its capacity to meet the expectations of shareholders using a questionnaire issued to each Director prior to the meeting. It reviewed its composition, organization and modus operandi.

  The Board also examined the supplementary pension put in place by LVMH SE for Bernard Arnault, Chairman of the Board of Directors, and noted, as did the Board of Directors of LVMH SE, that given the defined-benefit pension plan set up by LVMH SE and the fact that Bernard Arnault's personal circumstances no longer entitled him to receive additional annual benefits, the requirement that the vesting of annual benefits under this plan be subordinated to the fulfillment of performance conditions did not apply.

- At its meeting on February 9, 2017, the Board of Directors reviewed its composition, organization and modus operandi. The Board concluded that its composition is balanced with regard to the proportion of External Directors, given the ownership of the Company's share capital, and with regard to the diversity and complementarity of its members' expertise and experience.

The Board noted that:

- overall, the Directors are satisfied with the frequency of Board meetings and the quality of the information provided on such topics as strategic guidelines, current business activity, the financial statements, the budget and the three-year plan,
- the attendance of the Directors, slightly down compared to the level observed during the 2015/2016 fiscal year, remains high for the six-month period ending December 31, 2016,
- the gender balance, presence of non-French nationals and Directors' areas of expertise ensure a wide range of approaches and views, as is essential to a global group,
- the Board is fulfilling its role with respect to its missions and objectives of increasing the Company's value and protecting its interests;
- overall, the Directors have no observations on the amount or the rules for allocating directors' fees or the minimum number of shares that each Director must hold; this is also the case regarding the composition of the two Committees and the quality of their work.

It also amended (i) the internal rules of the Performance Audit Committee in order to bring its duties and responsibilities in line with new regulatory provisions and to amend the procedures for appointing the Committee's Chairman as well as the length of his/her term of office and (ii) the internal rules of the Nominations and Compensation Committee, expanding its remit to include appointing the Chairman of the Performance Audit Committee. The Committee also renewed the appointment of the Chairman of the Performance Audit Committee.

The Board of Directors also reviewed the Group's policy to protect against the impact of future economic and financial developments.

1.4. EXECUTIVE MANAGEMENT

Pursuant to regulatory provisions applicable to the holding of multiple appointments, the Board of Directors decided to dissociate the roles of Chairman of the Board of Directors and Chief Executive Officer. Bernard Arnault is Chairman of the Board of Directors and Sidney Toledano is Chief Executive Officer. It did not limit the powers vested in the Chief Executive Officer.

The balance of powers within the Board of Directors is ensured by (i) the provisions of the Charter of the Board of Directors and the rules governing the two Committees it has formed, which specify the missions of each of these bodies, and (ii) their composition. More than a third of the Directors on the Board are Independent Directors. In addition, two-thirds of the members of both the Performance Audit Committee and the Nominations and Compensation Committee are Independent Directors.

1.5. PERFORMANCE AUDIT COMMITTEE

The main tasks of the Performance Audit Committee are the monitoring of the process of preparing financial information, the effectiveness of internal control and risk management procedures, as well as the statutory audit of the individual company and consolidated financial statements by the Statutory Auditors. The Committee oversees the procedure for the selection of Statutory Auditors and ensures their independence.

It consists of three members appointed by the Board of Directors: Christian de Labriffe (Chairman), who served as Managing Partner at Lazard Frères & Cie and at Rothschild & Cie Banque; Renaud Donnedieu de Vabres; and Denis Dalibot, who notably served as Chief Financial Officer at Groupe Arnault. By virtue of their professional experience (see also the "Principal positions and offices of members of the Board of Directors" section of Other Information – Governance) and their familiarity with financial and accounting procedures applicable to corporate groups, Christian de Labriffe, Independent Director, and Denis Dalibot have the specific expertise necessary to fulfill their responsibilities.

Two-thirds of the Committee's members are Independent Directors, as recommended by the AFEP/MEDEF Code.

The Performance Audit Committee met three times during the fiscal year that began on July 1, 2016, and ended on December 31, 2016, twice with all of its members in attendance and once with two-thirds of its members in attendance.

The meetings to review the financial statements were held in sufficient time before the review of the financial statements by the Board of Directors. These meetings were also attended by the Statutory Auditors, the Chief Financial Officer, the Deputy Chief Financial Officer, the Company's Accounting Director, and the Deputy Chief Financial Officer of LVMH.

On the basis of presentations made by Christian Dior's Chief Financial Officer, the work of the Performance Audit Committee covered the following areas: the process for the preparation and publication of financial information; a review of the Group's operations; a detailed audit of the parent company and consolidated financial statements as of June 30, 2016; a review of the consolidated financial statements and reports on the Group's operations for the period from January 1 to June 30, 2016; an assessment of the Group's exposure to risk, risk management procedures and off-balance sheet commitments; and the Christian Dior share repurchase program. The Committee also verified the independence of the Statutory Auditors and monitored the statutory audit of Christian Dior's parent company and consolidated financial statements, on the basis of presentations and summary reports by the Statutory Auditors; the Committee met several times with the Statutory Auditors without the members of the Group's Executive Management being present. In addition, the Performance Audit Committee took note of the impact of the audit reform on the Statutory Auditors' work, the contents of their reports, and the expanded role of the Performance Audit Committee, based on presentations by the Statutory Auditors and the Finance Department. In particular, it pre-approved the use of current non-audit services required by professional standards or business practices, as well as the limit applicable to such services. The Statutory Auditors also presented to the Audit Committee the additional report on the performance of their duties, pursuant to the audit reform and concerning, for the first time, the fiscal year from July 1, 2016 to December 31, 2016. This report sets out, in particular, the approach adopted in auditing the parent company and consolidated financial statements, key stages and materiality thresholds.

Furthermore, the Performance Audit Committee held a meeting specifically dedicated to monitoring the effectiveness of internal control and risk management systems and internal audit within Christian Dior Couture, which was notably attended by the Chief Financial Officer and the Internal Audit Manager of this company.

As part of the review of the parent company and consolidated financial statements, the Statutory Auditors gave a presentation covering, in particular, internal control, major events, and the main audit issues identified and accounting treatments adopted.

It was given the Statutory Auditors' independence declaration as well as the amount of the fees paid to the Statutory Auditors' network by companies controlled by the Company or the entity that controls it, in respect of services not directly related to the Statutory Auditors' engagement, and was informed of the services provided in respect of work directly related to the Statutory Auditors' engagement.

1.6. NOMINATIONS AND COMPENSATION COMMITTEE

The main responsibilities of the Nominations and Compensation Committee are to issue:

- proposals on compensation, benefits in kind, bonus share awards and share subscription or purchase options for the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s) of the Company, as well as on the apportionment of directors' fees paid by the Company;
- opinions on candidates for the positions of Director, Advisory Board member or member of the Executive Management of the Company or of Christian Dior Couture SA.

It consists of three members appointed by the Board of Directors: Hélène Desmarais (Chairman), Denis Dalibot and Christian de Labriffe.

Two-thirds of the Committee's members are Independent Directors, a proportion that complies with the recommendation of the AFEP/MEDEF Code, which recommends a majority of independent members.

The Committee met twice during the fiscal year that began on July 1, 2016 and ended on December 31, 2016, with all of its members in attendance. In particular, it (i) issued proposals on the allocation of performance shares to the Chairman of the Board of Directors and the Chief Executive Officer and the requirement to retain possession of a portion of their shares which may have vested, and (ii) gave its opinion on performance shares to be granted by the Company to a Director.

In addition, the Committee issued an opinion on the status of all members with regard, in particular, to the independence criteria set forth within the AFEP/MEDEF Code. It also offered an opinion on the renewal of the terms of office of Directors ending at the close of the Shareholders' Meeting of December 6, 2016.

Prior to the Board meeting of February 9, 2017, the Committee:

- reviewed the compensation policy for senior executive officers and decided that no changes were necessary. It also reviewed the fixed compensation paid to executive company officers; the Chairman of the Board of Directors, the Chief Executive Officer do not receive any fixed compensation for their appointments at Christian Dior. It examined the criteria established for determining the amount of variable compensation to be allocated by Christian Dior Couture SA to Sidney Toledano in his capacity as Chairman and Chief Executive Officer of the company and issued recommendations, particularly on his variable compensation for 2016, as well as on his fixed compensation for 2017 in his capacity as Chairman and Chief Executive Officer of Christian Dior Couture SA;
- reviewed all the terms of office due to expire and expressed a favorable opinion on the renewal of the Director's appointments of Bernard Arnault and Sidney Toledano; the appointment of Pierre Godé as an Advisory Board member; the candidacy of Maria Luisa Loro Piana as a Director, to be put to a vote at the Shareholders' Meeting of April 13, 2017; and the renewal of the appointments of the Chairman of the Board of Directors and the Chief Executive Officer. In addition, it issued an opinion on the renewal of the appointment of the Chairman of the Performance Audit Committee, subject to the Board of Directors' adoption of the change in this position's term of office.

1.7. VICE-CHAIRMAN OF THE BOARD OF DIRECTORS

The Vice-Chairman is responsible for chairing the meetings of the Board of Directors or the Shareholders' Meeting in the absence of the Chairman of the Board of Directors. Sidney Toledano has been Vice-Chairman of the Board of Directors since December 1, 2015.

1.8. ADVISORY BOARD

Advisory Board members are invited to meetings of the Board of Directors and are consulted for decision-making purposes, although their absence cannot undermine the validity of the Board of Directors' deliberations.

They are appointed by the Shareholders' Meeting on the proposal of the Board of Directors and are chosen from among the shareholders on the basis of their competences.

Subject to decisions made at the Shareholders' Meeting of April 13, 2017, the Advisory Board will consist of two members: Pierre Godé and Jaime de Marichalar y Sáenz de Tejada.

1.9. PARTICIPATION IN SHAREHOLDERS' MEETINGS

The terms and conditions of participation by shareholders in Shareholders' Meetings, and in particular the conditions for the attribution of dual voting rights to registered shares, are defined in Articles 17 to 23 of the Bylaws (see the Other information – Governance section of the Annual Report).

1.10. INFORMATION THAT COULD HAVE A BEARING ON A TAKEOVER BID OR EXCHANGE OFFER

Information that might have an impact on a takeover bid or exchange offer, as required by Article L. 225-100-3 of the French Commercial Code, is published in the Management report of the Board of Directors – Christian Dior parent company.

1.11. COMPENSATION POLICY FOR COMPANY OFFICERS

Directors' fees paid to the members of the Board of Directors

The shareholders vote at a Shareholders' Meeting to set the total amount of directors' fees allocated to the members of the Board of Directors.

This total, annual amount has been set at 147,715 euros since the Shareholders' Meeting of May 15, 2008. It is divided among the members of the Board of Directors and members of the Advisory Board, in accordance with the rule defined by the Board of Directors, based on the proposal of the Directors' Nominations and Compensation Committee, namely:

(i) two units for each Director or member of the Advisory Board;

(ii) one additional unit for serving as a Committee member;

(iii) two additional units for serving as both a Committee member and a Committee Chairman;

(iv) two additional units for serving as Chairman of the Company's Board of Directors;

With the understanding that the amount corresponding to one unit is obtained by dividing the overall amount of directors' fees to be distributed by the total number of units to be distributed.

A portion of the directors' fees to be paid to its members is contingent upon their attendance at meetings of the Board of Directors and, where applicable, at those of the Committees to which they belong. A reduction in the amount to be paid is applied to two-thirds of the units described under (i) above, proportional to the number of Board meetings the Director in question does not attend. In addition, for Committee members, a reduction in the amount to be paid is applied to the additional fees mentioned under (ii) and (iii) above, proportional to the number of Committee meetings the Director in question does not attend.

In respect of the fiscal year that began July 1, 2016 and ended December 31, 2016, Christian Dior granted a total gross amount of 67,566 euros in directors' fees to the members of its Board of Directors.

The Nominations and Compensation Committee is kept informed of the amount of directors' fees paid to senior executive officers by the Group's subsidiaries in which they perform the role of company officers.

Other compensation

Compensation of senior executive officers is determined with reference to principles listed in the AFEP/MEDEF Corporate Governance Code for Listed Companies.

Compensation and benefits awarded to senior executive officers are mainly determined on the basis of the degree of responsibility ascribed to their missions, their individual performance, as well as the Group's performance and the achievement of targets. This determination also takes into account compensation paid by similar companies with respect to their size, industry segment and the extent of their international operations.

A portion of the compensation paid to the Company's senior executive officers and those of its main subsidiaries or operational departments is based on the attainment of both financial and qualitative targets. For the Chief Executive Officer, quantitative and qualitative objectives carry the weighting of 2/3 and 1/3, respectively. The financial criteria are growth in revenue, operating profit and cash flow as compared to the budget, with each of these items representing one-third of the total determination. The qualitative criteria have been precisely established but are not made public for reasons of confidentiality. The variable portion is capped at 150% of the fixed portion for the Chief Executive Officer. Moreover, certain senior executive officers may benefit from medium-term incentive plans based on achieving objectives relating to profit from recurring operations.

The breakdown of compensation and benefits awarded to the Chairman of the Board of Directors and the Chief Executive Officer is presented in the Management report of the Board of Directors – Christian Dior parent company.

A non-competition payment, authorized by the Board of Directors on February 8, 2008, pursuant to Article L. 225-42-1 of the French Commercial Code, is set forth in the employment contract – currently suspended – entered into by Sidney Toledano with Christian Dior Couture, under the terms of which, in the event of his departure, he would receive, over a period of twenty-four months, compensation equivalent to the gross average monthly salary received over the previous twelve months. Sidney Toledano's employment contract is currently suspended but has been maintained, due to its longstanding nature (1994) and his personal circumstances; in 2002, while maintaining his operational responsibilities at the head of Christian Dior Couture, Sidney Toledano was appointed Chief Executive Officer of Christian Dior SE, but did not sign an employment contract with the latter company.

Notwithstanding this clause, no other senior executive officers of the Company benefit from provisions granting them specific compensation upon leaving the Company or exemption from rules governing the exercise of share purchase options or the vesting of performance shares.

Company officers are eligible for stock option or performance share plans instituted by the Company. The information relating to the allocation terms and conditions of these plans is presented in the Management report of the Board of Directors – Christian Dior parent company. In the resolutions submitted to a vote by the shareholders, the Board of Directors decided not to include a cap on the allocation of options or bonus performance shares to senior executive officers, considering that the Nominations and Compensation Committee – which is mainly composed of Independent Directors and is tasked with making proposals on the granting of options or bonus performance shares to senior executives – ensures an adequate degree of control over the allocation policy. The bonus performance shares allocated to senior executive officers in 2016 represent 32% of total allocations. This percentage is below the ceiling of 40% of the total allocation of bonus shares granted under these plans, which is the ceiling recommended by the Nominations and Compensation Committee. This percentage reflects the lack of regular compensation, fixed or variable, for the Chairman of the Board of Directors and the Chief Executive Officer of the Company and the small number of plan recipients, given that the LVMH group has its own plan.

In relation to options granted under plans set up since 2007 and bonus performance shares granted under plans set up since 2010, if the Chairman of the Board of Directors or the Chief Executive Officer decide to exercise their options or if their shares vest, they are required to retain possession, in pure registered form and until the conclusion of their respective terms in office, of a number of shares under the terms and conditions defined by the plans and detailed in the Management report of the Board of Directors – Christian Dior parent company.

Furthermore, the Charter of the Board of Directors forbids senior executive officers from using hedging transactions on their share purchase or subscription options or their performance shares until the end of the holding period set by the Board.

Certain senior executives of the Group – and where applicable also company officers – are entitled to a supplementary pension provided that they liquidate any pensions acquired under external pension plans immediately upon terminating their duties in the Group. This is not required however if they leave the Group at the latter's request after the age of fifty-five and resume no other professional activity until their external pension plans are liquidated. This supplementary pension payment corresponds to a specific percentage of the recipient's salary, to which a ceiling is applied on the basis of the reference salary determined by the French social security system. On the basis of compensation paid to senior executive officers in 2016, the supplementary pension benefit payable to them would not exceed 45% of the amount of their last annual compensation, in accordance with the recommendations set out in the AFEP/MEDEF Code. The increase in provisions for these supplementary retirement benefits as of December 31, 2016 is included in the amount shown for post-employment benefits under Note 33.4 to the consolidated financial statements.

Exceptional compensation may be awarded to certain Directors with respect to any specific mission with which they have been entrusted. The amount shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

2. Implementation of risk management and internal control procedures

The Christian Dior group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission) and which the Autorité des Marchés Financiers (French market regulator – AMF) has taken as the basis for its Reference Framework.

Under the impetus of the Board of Directors, the Performance Audit Committee and Executive Management, the purpose of the risk management and internal control procedures that are applied within the Group is to provide reasonable assurance that the following objectives will be achieved:

- to ensure that management and operations-related measures, as well as the conduct of personnel, are consistent with the definitions contained in the guidelines applying to the Company's activities by its management bodies, applicable laws and regulations, and the Company's internal values, rules, and regulations;
- to ensure that the accounting, financial, and management information communicated to the management bodies of Group companies reflect a fair view of these companies' activity and financial position.

One of the objectives of the risk management and internal control procedures is to prevent and control risks resulting from the Company's activity and the risk of error or fraud, particularly in the areas of accounting and finance. As with any control system, however, it cannot provide an absolute guarantee that these risks are completely eliminated.

Christian Dior's risk management and internal control procedures take into consideration the Group's specific structure. Christian Dior is a holding company that indirectly controls two main assets: a 41% equity stake in LVMH, and a 100% equity stake in Christian Dior Couture. LVMH is a listed company, whose Chairman is also Chairman of the Board of Directors of Christian Dior, with several Directors serving at both companies; Christian Dior Couture has a Board of Directors whose members also serve on the Board of Directors of Christian Dior. This section of the Report of the Chairman of the Board of Directors deals first with procedures relating to LVMH – as presented in the Report of the Chairman of the Board of Directors included in LVMH's 2016 Reference Document – followed by those relating to Christian Dior Couture, and then those relating to the holding company, Christian Dior.

2.1. LVMH

2.1.1. Definitions and objectives of risk management and internal control

Framework

This section of the report and plan draw upon the Reference Framework issued by the AMF on July 22, 2010 relating to processes for monitoring the effectiveness of risk management and internal control systems.

With more specific regard to internal control, the LVMH group uses an internal reference guide that is consistent with COSO principles, in its new version (2013).

Definitions and objectives of risk management

According to the definition provided by the AMF's Reference Framework, risk represents the possibility of an event occurring that could affect the Company's personnel, assets, environment, objectives or reputation. The LVMH group has defined "major" risks as risks with the potential to jeopardize the continuity of operations, the attainment of its strategic objectives or its reputation.

The objectives of risk management are to:

- protect the value, assets and reputation of the Group and, in particular, its brands;
- enhance the security of decision-making and operational processes, by providing a comprehensive, objective and shared view of the Group's potential threats and opportunities;
- ensure that all employees embrace a shared view of the principal risks and challenges surrounding the Group's business activities.

Definitions and objectives of internal control

Internal control refers to a set of control procedures and actions that apply to the specific characteristics of each LVMH group company and which:

- contribute to the management and effectiveness of the Group's operations and the efficient use of its resources;
- must take appropriate account of material operational, financial and legal risks.

Internal control aims to provide reasonable assurance with respect to the achievement of the following objectives:

- compliance with applicable laws and regulations;
- implementation of instructions and guidelines laid down by the Group's Executive Management and the management of operational units (Group companies or brands and their subsidiaries);
- the proper functioning of internal processes, especially those relating to the protection of assets and brand value;
- the reliability and integrity of financial and operational information.

Limits

No matter how well designed and applied, the risk management and internal control system can only provide reasonable (not absolute) assurance that the Group's overall risks and objectives are properly managed. Internal control is subject to inherent limitations as a result of uncertainties in the international environment, the judgment required to choose between costs and opportunities, and potential problems caused by human error or failure.

The structure of the LVMH group, consisting of a large number of subsidiaries of varying sizes, is a particular risk factor.

2.1.2. Organization and stakeholders of the risk management and internal control systems

Organization of the system

LVMH comprises five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. Other activities mainly consist of the media business unit, luxury yacht building and marketing, hotel and real estate activities, and holding companies. The business groups are composed of companies of varying sizes owning prestigious brands, established on every continent. The autonomy of the brands, decentralization and the responsibilities of senior executives are among the fundamental principles underlying the Group's organization.

The risk management and internal control policy applied across the Group is based on the following organizational principles:

- the holding companies – including the parent company LVMH SE – are responsible for their own risk management and internal control system. LVMH SE also acts as leader and coordinator on behalf of all LVMH group companies; it makes available to them the single reference guide and methodology to be applied as well as a computer platform that centralizes all risk and internal control data (see below);
- the President of each Group company is responsible for risk management and internal control at all subsidiaries that contribute to brand development worldwide; each subsidiary's President is similarly responsible for that subsidiary's own operations.

Elements of the overall compliance framework

The LVMH group's ethical values

The LVMH group has always expressed its commitment to integrity and ethical behavior in its relationships with customers, suppliers, employees and other business partners; it demands clear organizational structures, responsibilities and authorities defined and formalized according to the principle of the segregation of duties, regular monitoring of staff performance, and a commitment to skills management and the professional development of Group employees.

These ethical and governance principles are set out in the LVMH Code of Conduct, the Supplier Code of Conduct and the LVMH Environmental Charter, all of which are available from the corporate website, www.lvmh.com. These charters and codes serve as a common foundation and a source of inspiration for all of the Group's brands. The Group oversees the proper application of these principles at Group companies and the implementation of their own codes of conduct, supplier charters, procedures for declaring conflicts of interest, and delegation matrices that outline the responsibilities and powers of each employee.

At the initiative of the Chairman and Executive Management, a working group, bringing together the relevant departments of the holding company, was formed in 2016. The aim of this working group is to anticipate future legal and regulatory developments and to establish ever more stringent ethical and governance standards for the LVMH group. The working group's leaders will in future play a central role in the definition, rollout, adoption, supervision and control of systems designed to ensure that all LVMH group activities are standards-compliant.

Skills and talent management

Skills management is a significant aspect of internal control. LVMH devotes special care to matching employee profiles and responsibilities, formalizing annual performance reviews, developing skills through continuing training, and promoting internal mobility.

Fraud prevention

Over the past few years, fraud risk has undergone dramatically transformed, with an upsurge in fraud through identity theft and an increase in attacks using social engineering to attempt to gain access and steal data. The LVMH group and its companies have stepped up their vigilance, adapting their internal procedures, awareness campaigns and training programs to the changing scenarios encountered or that might reasonably be predicted.

Given the large number of controls intended to prevent and detect this risk, the internal control framework is the backbone of the Group's fraud prevention mechanism.

Another essential component of this system is the obligation for each entity to report any instances of actual or attempted fraud to the Audit and Internal Control Director: as well as supervising actions and decisions in response to each reported case, the Director endeavors to draw lessons from incidents so as to relay them, once anonymized, to the chief financial officers of all Group companies.

The Audit and Internal Control Department has therefore introduced a program to raise awareness of the risk of fraud through periodic communiqués identifying scenarios of actual and attempted fraud within the Group. For each scenario a prevention plan is presented. Group companies and subsidiaries must check that appropriate measures are in place to prevent such scenarios. These communiqués are disseminated widely within the Group to ensure ongoing awareness among those staff most exposed to this risk.

Internal standards and procedures

Through its Finance Intranet, the Group provides access to all rules and procedures concerning accounting and financial information and applicable to all subsidiaries: notably procedures applying to accounting policies and standards, consolidation, taxation, investments, reporting (budget and strategic plan), cash management and financing (cash pooling, foreign exchange and interest rate hedging, etc.); these procedures also specify the format, content and frequency of financial reporting.

The Finance Intranet is also used for the dissemination of internal control principles and best practices:

- a concise guide, "Internal Control Essentials", which sets out the foundations of the general environment and the salient features of key processes: Sales, Retail Sales, Purchases, Inventory, Financial Statements Closing and Information Systems (general IT controls);
- the LVMH internal control reference guide, which covers 12 key business processes: Sales, Retail Sales, Purchases, Licenses, Travel and Movements, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems and Financial Statements Closing. Special processes have been developed to reflect the specific characteristics of certain activities (Eaux-de-vie and Vineyard Land for Wines and Spirits, End-of-Season Operations for Fashion and Leather Goods, Concessions for Duty-Free Businesses). This reference guide details the expected key controls for each risk;
- best practice and tools relating to issues that the Group considers important: fraud, conflicts of interest, delegations of authority, business continuity planning, IT disaster recovery planning, IT security policies and guidelines, segregation of duties, control of media spend, and in-store best practices.

The "Major Risks" section of the Finance Intranet brings together procedures and tools for assessing, preventing and protecting against such risks. Best practices for the operational risk families selected are also available on the site. These materials may be accessed by all personnel involved in the application of the Group's risk management.

In addition, on the LVMH Voices website, the Group's Legal Affairs Department provides an overview of legislation in place within the Group's principal markets, relating both to the prevention of money laundering and to limitations applicable to cash payments, as well as US, European and Swiss regulations on embargoes and economic sanctions. These summaries are consistent with the procedure established by the Group's Executive Management requiring advance disclosure and approval by the Group of any transaction involving any of the countries covered by these regulations.

Information and communication systems

Strategic plans related to the LVMH group's information and communication systems are coordinated by the Information Systems Department, which ensures the standardization of the solutions implemented as well as business continuity. Aspects of internal control (segregation of duties, access rights, etc.) are integrated when implementing new information systems and then regularly reviewed.

Information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are covered by special procedures: a methodology toolkit called "Business Continuity Plan" has been disseminated within the LVHM group to define, for each significant entity, the broad outline of a business continuity plan as well as a Disaster Recovery Plan. A Business Continuity Plan and a Disaster Recovery Plan have been developed and tested at the level of the French holding companies.

All significant entities have appointed a Chief Information & Security Officer (CISO). The activities of the CISOs are coordinated by the Group CISO; together they constitute a vigilance network to monitor the development of risks affecting information systems, and implement adequate defenses depending on the likelihood of a given type of risk and its potential impact.

An overall approach of intrusion testing has also been applied to evaluate internal and external threats as well as third-party risk. Action plans are followed by the Group Information Systems Department.

In April 2015, LVMH set up an operations center to monitor and assess information systems security on behalf of all Group companies.

System stakeholders

Stakeholders are presented according to the three-lines-of-defense model, with the control and supervision of systems provided by governing bodies.

Group governing bodies

The Performance Audit Committee monitors the effectiveness of internal control and risk management. It examines the results of the Internal Audit work and approves Internal Audit program strategy with respect to geographic, business and risk coverage.

The Board of Directors contributes to the general control environment through the expertise and responsibility of its members and the clarity and transparency of its decisions. The Board is kept informed on a regular basis of the maturity of the internal control system, and oversees the effective management of major risks, which are disclosed in its Management Report.

At regular intervals, the Board and its Performance Audit Committee receive information on the results of the operation of these systems, any weaknesses noted and the action plans decided with a view to their resolution.

The Ethics and Sustainable Development Committee, established in 2016, ensures that the LVMH group's practices reflect the highest standards of integrity, corporate social and environmental responsibility, and respect for the Group's business partners.

The Executive Committee, which consists of the Group's operational and functional executives, lays down strategic objectives within the framework of the direction set by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, defines executives' responsibilities and delegated authority, and ensures that the latter are properly applied.

First line of defense

All Group employees help to support and enrich the internal control system.

Operational management: a key aspect of the internal control system applied to business processes is the appropriation of internal control within each entity by the operational managers; each day they implement suitable controls on the processes they are responsible for and pass on appropriate information to the second line of defense.

The Management Committees of Group companies and subsidiaries are responsible for implementing and ensuring the smooth running of internal control systems across all operations within their scope. The Management Committees of the Group companies are also in charge of the system for managing major risks; they review the risk mapping each year, assess the level of control and the progress of risk coverage strategies and the associated action plans.

Second line of defense

The **Group's Legal Affairs Department** is responsible for the LVMH group's legal strategy and for managing all legal and judicial issues faced by Group companies. It supports the Group's development by conducting negotiations relating to acquisitions, disposals and partnerships. It ensures compliance with applicable regulations, particularly in the areas of corporate law, securities law and competition law. It determines the LVMH group's legal strategy in major disputes in which Group companies become involved. Lastly, through its Intellectual Property team, it helps protect trademarks and patents, which are among the Group's key assets.

The role of the **Corporate Affairs Department** is to protect and promote the business model of the Group and its companies as well as to seize, as far as possible, any opportunities that may arise from discussions of or changes in policies and regulatory frameworks. To this end, the department analyzes relevant policies and legislation, considers the strategic issues at stake, coordinates actions in support of the Group's external positioning, and participates, in conjunction with LVMH's regional divisions, in the decision processes of authorities in Europe, the Americas and Asia, notably in the following fields: intellectual property, the digital economy, competition, corporate governance, culture and creative industries, and access to markets.

The Environment Department works to ensure that the Group and all its companies deliver an outstanding environmental performance, in line with the Charter signed by the LVMH group's Chairman, covering the nine strategic priorities of the LVMH Initiatives For the Environment (LIFE) program.

The Group Risk Management and Insurance Department, alongside operational managers responsible for risks inherent in their businesses, is particularly involved at Group level in cataloguing risks, preventing losses and determining the risk coverage and financing strategy.

The other functional departments (see "Organization and stakeholders") contribute to risk management related to financial and accounting information.

The Internal Control Department, which reports to the Group Audit and Internal Control Director, coordinates the implementation of internal control and risk management systems. It monitors and anticipates regulatory changes in order to adapt mechanisms. It coordinates a network of internal controllers responsible, within the Group companies and under the responsibility of their Management Committees, for ensuring compliance with the Group's internal control procedures and preparing controls tailored to their business. They also spearhead various projects related to the internal control and risk management systems and promote the dissemination and application of guidelines.

Furthermore, the **Employee Safety Committee** meets regularly to analyze the effectiveness of systems designed to ensure the safety of travelers and employees of the Group abroad, and make any decisions required in exceptional situations;

Equivalent departments in the brands or business groups: the organization described above at Group level has its equivalent in the main business groups and Group companies.

Third line of defense

The Audit and Internal Control Department, whose purview extends across the entire LVMH group, applies a multi-year audit plan, updated annually. The audit plan allows the degree to which expected control activities have been understood and correctly applied to be monitored and reinforced. The audit plan is prepared on the basis of an analysis of potential risks, either existing or emerging, by type of business (such as size, contribution to profits, geographical location, quality of local management, etc.) and on the basis of meetings held with the operational managers concerned; it can be modified during the year in response to changes in the political and economic environment or internal strategy. The audit plan is also prepared with a view to covering all Group companies.

The audit teams conduct internal control assessments covering various operational and financial processes. They also undertake accounting audits as well as audits of cross-functional issues within a given business segment. Follow-ups on recommendations resulting from past audits are backed up by systematic on-site inspections at those subsidiaries with the most significant issues.

Internal Audit reports on its conclusions to management of the entity concerned and to Executive Management of the LVMH group by way of an Executive Summary and a detailed report explaining its recommendations and setting out managers' commitments to apply them within a reasonable period of time. Internal Audit sends copies of the reports that it issues to the Statutory Auditors and meets with them periodically to discuss current internal control issues. The main features of the audit plan, the primary conclusions of the current year and the follow-up of the principal recommendations of previous assignments are presented to the Performance Audit Committee and to the business groups concerned.

External stakeholders

The external auditors and the various certifying bodies (RJC, ISO 14001, etc.) help to reinforce the current system through their work and recommendations.

2.1.3. Risk management and internal control procedures related to financial and accounting information

Organization and stakeholders

Risk management and internal controls of accounting and financial information are the responsibility of the following departments, which are all part of the LVMH group's Finance Department: Accounting and Consolidation, Management Control, Information Systems, Corporate Finance and Treasury, Tax, and Financial Communications.

Accounting and Consolidation are responsible for preparing and producing the individual company accounts of LVMH SE and the holding companies that control the Group's equity holdings, the consolidated financial statements, and interim and annual results releases, including in particular the Interim Financial Report and the Reference Document. To this end, the Accounting Standards and Practices team defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any related training programs that may be deemed necessary. The Consolidation Department also coordinates the LVMH group's Statutory Auditors.

Management Control is responsible for coordinating the budget process, its revisions during the year and the five-year strategic plan, as well as the impairment testing of fixed assets. Management Control produces the monthly operating report and all reviews required by Executive Management (see "Management reporting" below); it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators. By virtue of its area of competence and the structure of the reports it produces, Management Control is an essential participant in the internal control and financial risk management system.

These two departments are attached to the **Deputy Finance Director's Department**.

Information Systems designs and implements the information systems needed by the Group's central functions. It disseminates the LVMH group's technical standards, which are indispensable given the decentralized structure of the Group's equipment, applications, networks, etc., and identifies any potential synergies between businesses, while respecting brand independence. It develops and maintains a telecommunications system, IT hosting platforms, and transversal applications shared by all entities in the Group. It drives policies for system and data security and helps the brands prepare emergency contingency plans. In cooperation with the subsidiaries, Information Systems supervises the creation of three-year plans for all information systems across the Group, by business group and by entity.

Corporate Finance and Treasury is responsible for applying the LVMH group's financial policy, which includes effective balance sheet management, financing strategies, the monitoring of financing costs, returns on cash surpluses and investments, improvements to financial structure, and prudent management of solvency, liquidity, market and counterparty risks.

Within this department, the International Treasury team focuses more specifically on pooling the Group's surplus cash and forecasts Group companies' financing requirements on the basis of regular updates prepared by those companies, as well as meeting subsidiaries' short- and medium-term liquidity and financing requirements. It is also responsible for applying a centralized foreign exchange risk management strategy.

The Markets team, which is also part of Corporate Finance and Treasury, is delegated the responsibility of implementing the policy of hedging market risks generated by Group companies. In that respect, it is responsible for applying a centralized interest rate risk and counterparty risk management strategy, designed to limit the negative impact of interest rate fluctuations and counterparty credit risk in financial transactions and investments.

To this end, strict procedures and a management policy have been established to measure, manage and consolidate these market risks. Within this team, the separation of front-office and back-office activities, combined with an independent control team reporting to the Deputy CFO, allow for a greater segregation of duties. The backbone of this organization is an integrated information system that allows hedging transactions to be monitored in real time. The hedging mechanism is periodically presented to the Performance Audit Committee. Hedging decisions are made according to a clearly established process that includes regular presentations to the Group's Executive Committee and detailed communication.

Tax coordinates the preparation of tax returns and ensures compliance with applicable laws and regulations, advises the various business groups and companies and proposes tax solutions appropriate to the LVMH group's operational requirements. It organizes appropriate training courses in response to major changes in tax legislation and coordinates the uniform reporting of tax data.

Financial Communications is responsible for coordinating all information issued to the financial community so as to provide the latter with a clear, transparent and accurate understanding of the Group's performance and outlook. It also provides Executive Management with the perspectives of the financial community on the Group's strategy and its positioning within its competitive environment. It defines the key messages to be communicated in close collaboration with Executive Management and the business groups. It harmonizes and coordinates the distribution of corporate messages through various channels (publications such as the annual and half-yearly reports, financial presentations, meetings with shareholders and analysts, the website, etc.).

Each of these departments is responsible for ensuring the quality of internal control in its own area of activity via **the finance departments of business groups, companies and subsidiaries**, which are in turn responsible for similar functions within their respective entities. In this way, each of the central departments runs its control mechanism through its functional chain of command (Controller, Head of Accounting, Consolidation Manager, Treasurer, etc.). The finance departments of the main companies of the Group and the departments of the parent company, LVMH, described above, periodically organize joint finance committees. Run and coordinated by the central departments, these committees deal particularly with applicable standards and procedures, financial performance and any corrective action needed, together with internal control relating to accounting and management data.

Accounting and management policies

Subsidiaries adopt the accounting and management policies communicated by the LVMH group for the purposes of the published consolidated financial statements and internal reporting; they all use the same framework (the LVMH chart of accounts and manual of accounting policies) and the accounting and management reporting system administered by the Group, thus ensuring consistency between internal and published data.

Consolidation process

The account consolidation process is covered by regular detailed instructions; a specially adapted data submission system facilitates consistent, comprehensive and reliable data processing within the appropriate timeframes. The Chairman and Chief Financial Officer of each company undertake to ensure the quality and completeness of financial information sent to the Group – including off-balance sheet items – in a signed letter of representation which gives added weight to the quality of their financial information.

Sub-consolidations are carried out at Group company and business group level, which act as primary control filters and help ensure consistency.

At the level of the LVMH group, the teams in charge of consolidation are organized by type of business and are in permanent contact with the business groups and companies concerned, thereby enabling them to better understand and validate the reported financial data and anticipate the treatment of complex transactions.

The quality of financial information, and its compliance with standards, are also guaranteed through ongoing exchanges with the Statutory Auditors whenever circumstances are complex and open to interpretation.

Management reporting

Each year, all of the LVMH group's consolidated entities produce a strategic plan, a complete budget and annual updates. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget and prior year data, and to foster ongoing communication between companies and the Group – an essential feature of the financial internal control mechanism.

A team of controllers at Group level, specialized by business, is in permanent contact with the business groups and companies concerned, thus ensuring better knowledge of performance and management decisions, as well as appropriate controls.

Specific meetings to close out the half-yearly and annual financial statements are attended by the Finance Department teams concerned; during those meetings the Statutory Auditors present their conclusions with regard to the quality of the financial and accounting information and the assessment of the internal control of the different companies of the LVMH group.

2.1.4. Formalization and management of the risk management and internal control systems

ERICA

In line with European directives and the ordinance of December 2008, the Group introduced its Enterprise Risk and Internal Control Assessment (ERICA) approach, a comprehensive process for improving and integrating systems for managing major risks and internal control related to its ordinary activities.

The Group's companies and business groups acknowledge their responsibility in relation to this process each year by signing two letters of representation:

- an ERICA letter of representation concerning risk management and internal control systems, signed on June 30. By signing the letter, the Chairman, Chief Financial Officer and/or members of the Management Committee confirm their responsibility for these systems, and give their assessment of them, identifying major weaknesses and the corresponding remediation plans. The letters are analyzed, followed up on and "consolidated" at each higher level of the Group's organizational structure (region, Group company, business group); they are forwarded to the Finance Department and to the Group Audit and Internal Control Department. They are also made available to the Statutory Auditors;
- the annual letter of representation on financial reporting, including a paragraph devoted to internal control, mentioned above ("Consolidation process").

Since 2013, depending on the circumstances, Presidents of Group companies have been required to present the Performance Audit Committee with an update on achievements, action plans in progress and the outlook for their area of responsibility.

The Performance Audit Committee decided in 2013 to implement the ERICA system across all LVMH group entities by 2015; recently acquired entities are allowed two years to implement this approach once the integration process has been completed.

The ERICA system operates as follows:

- it has been rolled out to all Group entities;
- the Group applies the central system across a scope that is reviewed annually;
- Group companies have complete latitude to apply the system across whatever scope they deem most appropriate;
- all internal control and major risk assessment data are input by each entity and centralized in a database application managed by the holding company.

Management of major risks and of the internal control system

Major risks relating to our brands and business activities are managed at the level of each of our business groups and Group companies. As part of the budget cycle and in connection with the preparation of the three-year plan, major risks affecting strategic, operational and financial objectives are identified and evaluated, and formalized in specific chapters.

Once an acceptable risk level has been determined and validated, risks are handled via preventive and protective measures; the latter include business continuity plans (BCP) and crisis management plans in order to organize the best response to risks once they have arisen. Finally, depending on the types of risk to which a particular brand or entity is exposed and the amount of residual risk, the entity may decide, in collaboration with the Group, to use the insurance market to transfer part or all of the residual risk and/or assume this risk.

Specific monitoring procedures apply to some of the risks associated with the Group's businesses (damage to image or reputation, counterfeit goods and parallel markets, industrial and environmental risks, foreign currency and interest rate risk, etc.), as well as the financial risks relating to the effects of climate change and the measures taken to reduce them.

Ongoing monitoring of the internal control system and periodic reviews of its functioning are carried out on a number of levels:

- managers and operational staff at Group companies are given the responsibility, with the support of internal control personnel, of assessing the level of internal control on the basis of key controls, identifying weaknesses and taking corrective action. Exception reports all for the enhancement of detective controls in addition to preventive measures;
- a formal annual self-assessment process with a list of key controls taken from the internal control framework, integrated into the ERICA system (see above);
- the Statutory Auditors are kept informed of this approach, as is the Performance Audit Committee, by means of regular briefings;
- reviews are carried out by Group Internal Audit and the Statutory Auditors, the results and recommendations of which are passed on to the management of the entities and the Executive Management of the Group;
- a review of the ERICA system and the quality of self-assessment is an integral part of the work of the Internal Audit team at all audited entities.

Recent actions taken to reinforce the risk management and internal control system

With regard to Internal Control, numerous initiatives were taken in a variety of areas. For example:

- the introduction or renewal of robust certification processes (ISO 14001, Responsible Jewellery Council, etc.);
- the strengthening of payment security by Group companies and awareness-raising actions amid the resurgence and worldwide spread of the business e-mail compromise (BEC) scam whereby a schemer assumes the identity of a company's CEO, attorney, or trusted vendor to send an employee a fraudulent request for an urgent wire transfer;
- the tightening of data security requirements imposed on the Group's service providers;
- the addition to the Group's reference framework of business-specific fundamental controls in the Fashion and Leather Goods, Watches and Jewelry, Perfumes and Cosmetics, Wines and Spirits business groups; each of the companies concerned will choose to disseminate some or all of these new standards in 2017 alongside the rollout of the ERICA self-assessment process.

In terms of major risks, the ERICA approach that was rolled out three years ago has been raising Group companies' awareness of the need to identify and manage risks that may threaten their strategy, business or brand. The principal risks actively managed by Group companies are media risk; safety and security risk for Group employees and its various audiences; risk of critical IT systems failure, including production systems; risk of loss of sensitive data; risk of major site incidents; risk of property damage, loss or theft; risk of a default by a strategic supplier; supply risk; and social and environmental risk.

At the instigation of the Group Audit and Internal Control Department, the Group's brands have worked to implement and maintain business continuity plans (BCPs); regular sessions are held to provide training and share best practice. At the end of 2015, the Group started a process for the independent assessment of the business continuity plans of its ten most significant companies. Since 2016, these assessments have been carried out with the assistance of an outside firm and will continue through to the end of 2017. They focus on three essential factors with the potential to impair business continuity: key personnel, information systems, and critical infrastructure and partners across the entire supply chain.

The Group exercises specific vigilance with regard to the legal environment and increasingly stringent compliance demands. At the initiative of Executive Management, the LVMH group and its companies are pursuing robust initiatives to anticipate regulatory developments and, as stated above ("Elements of the general compliance framework"), meet the requirements of the Sapin II Law in France and of the EU's General Data Protection Regulation (GDPR).

2.2. CHRISTIAN DIOR COUTURE

Christian Dior Couture (hereinafter the Company) creates, produces and distributes all of the brand's products internationally. It also engages in retail activities in the various markets through its subsidiaries.

Given this dual role, internal control and risk management are applied directly to Christian Dior Couture, and in an oversight capacity to all subsidiaries.

2.2.1. Definition of internal control and risks

The purpose of the internal control procedures that are applied, in line with the COSO framework, is to provide reasonable assurance with respect to the achievement of the following objectives:

- the protection of assets, inventories and brands, in particular;
- the reliability of financial and accounting information;
- the efficiency of its operations and the efficient use of its resources;
- compliance with applicable laws and regulations.

This therefore involves ensuring that management-related and operations-related measures, as well as the conduct of personnel, are consistent with the definitions contained in the guidelines applying to the Company's activities, such as management bodies, applicable laws and regulations, or the Company's internal values, rules, and regulations.

It also involves ensuring that the accounting, financial, and management information communicated to the Company's management bodies reflect a fair view of the Company's activity and financial position.

It also includes checking that the processes implemented provide sufficient protection for core assets, inventories and brands, in particular.

Please note the Company is in the process for the formalization of risk management procedures in line with the AMF Reference Framework issued in 2010.

2.2.2. Limits of internal control

No matter how well designed and applied, the internal control system cannot provide an absolute guarantee that the Company's objectives will be achieved. All internal control systems have their limits, particularly due to external uncertainties, individual judgment or malfunctions as a result of human or other errors.

2.2.3. Components of internal control and risk management

The internal control system is based on the definition and identification of the following components:

- a general control environment;
- a risk assessment system;
- appropriate controls;
- an information and communication system that enables responsibilities to be exercised efficiently and effectively.

The risk management system identifies and assesses the major risks likely to affect to a material extent the achievement of the operational and financial objectives, as well as the objectives relating to compliance with the laws and regulations in force.

Major risks are classified by category (strategic, operational, financial, legal and intangible) and key process.

A mapping of these major risks, established in 2011, is reviewed annually, on the basis of their severity, frequency and the controls put in place. Related controls (preventive actions or detective controls) are put in place in order to mitigate their impact, although their absolute elimination cannot be guaranteed.

The internal control system makes use of this mapping to identify risks unable to be transferred (e.g. via insurance), which must therefore be managed in the course of the Group's operations.

It is further bolstered by a formal self-assessment procedure that covers both the general control environment of Christian Dior Couture group entities and a detailed review of the key controls to apply for operational and financial processes. The main steps are as follows:

- a fully documented formal review of shortcomings by each subsidiary's management;
- the drafting of action plans by these managers, and shared prioritization with the Audit and Internal Control Department;
- formal monitoring on a regular basis of local implementation, reported to the Audit and Internal Control Department;
- a review during audit assignments of the actual level of progress, and taking this criterion into account in the overall audit assessment.

Launched in 2013, this approach now covers all Christian Dior Couture group entities.

2.2.4. Internal control stakeholders

- The Legal Department conducts upstream checks:
  - prior to the signing of any substantial agreement negotiated by the head office or subsidiaries,
  - on the length of time third-party designs and brands have been in existence.
- Executive Management and the Finance Department closely monitor management information so that they can intervene in the process of defining objectives and oversee the achievement of these objectives through:
  - three-year strategic plans,
  - the annual budget,
  - monthly reports on actual versus budget data, including in-depth and documented analyses of any discrepancies.
- Executive Management and the Finance Department are also responsible for training all of the Group's financial personnel (internal or external administrative departments) in order to ensure the strict application of IFRSs and Group accounting policies.
- Christian Dior Couture's executives maintain a regular presence at subsidiaries and on their management bodies, in particular at Board level.
- "Store Committees" have been set up to formally authorize the signature of commercial leases and investments in the distribution network. They are made up of the Chairman, the Chief Executive Officer in charge of the network, the Chief Financial Officer, the Management Control Director, the Chief Legal Officer and the Architecture Department.
- The Audit and Internal Control Department completes audit assignments that cover all the Group's activities:
  - points of sale: review of the main processes of store management (sales, pricing, cash flow, inventories, administration and security, personnel, external purchases, supplies),
  - country headquarters: review of main cycles (purchases of goods, external purchases and expense claims, human resources, inventories and logistics, information systems, investments, accounting and finance),
  - the accounts departments of countries responsible for producing subsidiaries' financial reports: audit of financial reports prepared by back offices and monitoring of the application of the Christian Dior Couture group's accounting policies,
  - manufacturing facilities: review of main cycles (inventory management, strategic purchases, investments, personnel management, cost monitoring),
  - head office-specific activities.

  On completion of these assignments, a summary report and a detailed report containing recommendations to be implemented, specifying the management's commitment to applying these recommendations within a reasonable period of time, are presented to the Chairman and to the management of the subsidiaries. This implementation is checked at annual follow-ups, which are reinforced through on-site visits to companies with the most significant issues.
- Lastly, each subsidiary's management undertakes a commitment each year by signing a letter of representation attesting to the subsidiary's implementation of risk management and internal control procedures. These letters, signed jointly by the chief executive officers and chief financial officers of each subsidiary or territory, are analyzed, monitored and consolidated at the regional management level, and then forwarded to Executive Management and the Audit and Internal Control Department.

  This system is supplemented by the signing of annual letters of representation certifying the entity's financial reporting, including a paragraph devoted to internal control. The representation concerning internal control and the assessment of financial risks are thus extended to all of the transactions comprised within the Christian Dior Couture group's financial consolidation.
- More information about the Management of Christian Dior Couture's structure and objectives relating to the general environmental policy can be found in the Management report of the Board of Directors – Workforce, Environmental and Social Report in the Annual Report, under §2.1 General environmental policy.

2.2.5. Internal controls related to financial and accounting information

Organization

Internal controls of accounting and financial information are organized based on the cooperation and control of the following departments: Accounting and Consolidation, Management Control, Information Systems.

- **Accounting and Consolidation** is responsible for updating and distributing group-wide accounting standards and procedures. It oversees their application and establishes appropriate training programs. It is in charge of producing consolidated and individual company financial statements on a half-yearly and annual basis.
- **Management Control** is responsible for coordinating the budget process and its revisions during the year as well as the three-year strategic plan. It produces the monthly operating report and all reviews required by Executive Management; it also tracks capital expenditures and cash flow, as well as producing statistics and specific operational indicators.
- **Information Systems** disseminates the technical standards of the Christian Dior Couture group, which are indispensable given the decentralized structure of its equipment, applications, networks, etc., and identifies any potential synergies. It develops and maintains a telecommunications system in use across the entire Christian Dior Couture group. It coordinates policies for system and data security and the preparation of emergency contingency plans.

Accounting and management policies

The subsidiaries adopt the accounting and management policies considered by the Group as appropriate for the individual company and consolidated financial statements. A consistent set of accounting standards is applied throughout, together with consistent formats and tools to submit data to be consolidated.

Management reporting

Each year, all of the Christian Dior Couture group's consolidated entities produce a three-year strategic plan, a complete budget, and annual updates. Detailed instructions are sent to the companies for each process.

These key steps represent opportunities to perform detailed analyses of actual data compared with budget and prior year data, and to foster ongoing communication between subsidiaries and Christian Dior Couture headquarters – an essential feature of the financial internal control mechanism.

A team of controllers at the parent company, specialized by geographic region and product category, is in permanent contact with the subsidiaries, thus ensuring better knowledge of performance and management decisions, as well as appropriate controls.

2.2.6. Outlook

- Continuing the risk-based approach in the determination of the audit plan.
- Strengthening cross-functional reviews to ensure that processes and controls are consistently applied at headquarters and subsidiaries.

These assignments can be modified in response to changes in the economic or political environment, or following internal strategic realignments.

2.3. CHRISTIAN DIOR

2.3.1. The control environment

As noted above, Christian Dior is a holding company that indirectly controls two main assets: a 41% equity stake in LVMH, and a 100% equity stake in Christian Dior Couture.

The business of Christian Dior is therefore essentially dedicated to:

- protecting the legal title of these two equity holdings;
- exercising the rights and authority of a majority shareholder, notably by:
  - attending the Board meetings and Shareholders' Meetings of the subsidiaries,
  - monitoring the dividends paid by the subsidiaries,
  - controlling the subsidiaries' financial performance;
- accurate financial reporting, provided in line with applicable laws, given its status as a listed company.

Given the limited number of tasks described above, and the fact that it belongs to a Group with the necessary administrative skills, Christian Dior uses the Group's specialized services in the areas specific to a holding company, namely legal, financial and accounting matters. An assistance agreement has been entered into with Groupe Arnault SEDCS.

Regarding the Group's external services, the Shareholders' Meeting of Christian Dior appointed two first-tier accounting firms as Statutory Auditors, which also serve in the same capacity on behalf of LVMH, and one of which also serves as Statutory Auditors on behalf of Christian Dior Couture.

2.3.2. Risk management

Risk management is based first and foremost on a regular review of the risks incurred by the Company so that internal control procedures can be adapted.

2.3.3. Control activities

Key elements in internal control procedures

Given the nature of the Company's activity, the primary objective of internal control systems is to mitigate risks of error and fraud in accounting and finance. The following principles form the basis of the Company's organization:

- very limited, very precise delegation of powers, which are known by the counterparties involved, with sub-delegations reduced to a minimum;
- upstream legal control before signing agreements;
- separation of the expense and payment functions;
- secured payments;
- procedural rules known by potential users;
- integrated databases (single entry for all users);
- frequent audits (internal and external).

Legal and operational control exercised by the parent company over the subsidiaries

Asset control

Securities held by the subsidiaries are subject to a quarterly reconciliation between the Company's Accounting Department and the Securities departments of the companies concerned.

Operational control

Christian Dior exercises operational control over its subsidiaries through the following:

- legal bodies, Boards of Directors and Shareholders' Meetings, at which the Company is systematically represented;
- management information used by managers of Christian Dior in the process of defining objectives and monitoring their fulfillment:
  - three-year and annual budget plans,
  - monthly reporting presenting results compared to budget and variance analysis,
  - monthly meetings to analyze performance.

2.3.4. Information and communication systems

The strategic plans in terms of information and communication systems of the parent company Christian Dior are coordinated by the Finance Department.

Aspects of internal control, such as the segregation of duties or access rights, are integrated when employing new information systems.

2.3.5. Internal controls relating to the preparation of the parent company's financial and accounting information

The individual company and consolidated financial statements are subject to a detailed set of instructions and a specially adapted data submission system designed to facilitate complete and accurate data processing within suitable timeframes. The exhaustive controls performed at the sub-consolidation levels (LVMH and Christian Dior Couture) guarantee the integrity of the information.

Financial information intended for the financial markets (financial analysts, investors, individual shareholders, market authorities) is provided under the supervision of the Finance Department. This information is strictly defined by current market rules, specifically the principle of equal treatment of investors.

This report, based on the contribution of the above-mentioned internal control and risk management stakeholders, was conveyed in its draft form to the Performance Audit Committee for its opinion and approved by the Board of Directors at its meeting of February 9, 2017.

Statutory Auditors' report

PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT PREPARED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF CHRISTIAN DIOR SE

To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior SE and in accordance with Article L. 225-235 of the French Commercial Code (Code de commerce), we hereby report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the six-month fiscal year ended December 31, 2016.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code, relating to matters such as corporate governance.

Our role is to:

- report on any matters pertaining to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code. It should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with professional standards applicable in France.

Information on internal control and risk management procedures relating to the preparation and processing of accounting and financial information

Professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures consist mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we may have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures, on in relation to the preparation and processing of the accounting and financial information contained in the Report of the Chairman of the Board of Directors, in accordance with Article L. 225-37 of the French Commercial Code.

Other information

We confirm that the Report of the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Paris-La Défense, March 2, 2017

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Benoit Schumacher

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

Consolidated financial statements

1. Consolidated income statement

(EUR millions, except earnings per share)	*Notes*	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
Revenue	*24-25*	**21,436**	**37,968**	**35,081**
Cost of sales		(7,401)	(13,078)	(12,307)
Gross margin		**14,035**	**24,890**	**22,774**
Marketing and selling expenses		(8,180)	(15,190)	(13,828)
General and administrative expenses		(1,618)	(2,907)	(2,647)
Income (loss) from joint ventures and associates	*8*	1	(1)	(3)
Profit from recurring operations	*24-25*	**4,238**	**6,792**	**6,296**
Other operating income and expenses	*26*	(93)	(196)	(298)
Operating profit		**4,145**	**6,596**	**5,998**
Cost of net financial debt		(63)	(97)	(164)
Other financial income and expenses		(221)	(270)	2,849
Net financial income (expense)	*27*	**(284)**	**(367)**	**2,685**
Income taxes	*28*	(1,137)	(2,065)	(2,518)
Net profit before minority interests		**2,724**	**4,164**	**6,165**
Minority interests	*18*	1,666	2,595	3,787
Net profit, Group share		**1,058**	**1,569**	**2,378**
Basic Group share of net earnings per share *(EUR)*	*29*	**5.90**	**8.75**	**13.29**
Number of shares on which the calculation is based		179,367,681	179,213,608	178,928,184
Diluted Group share of net earnings per share *(EUR)*	*29*	**5.86**	**8.69**	**13.18**
Number of shares on which the calculation is based		179,973,046	179,894,454	179,684,869

2. Consolidated statement of comprehensive gains and losses

(EUR millions)	*Notes*	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Net profit before minority interests		**2,724**	**4,164**	**6,165**
Translation adjustments	*16.4*	268	(238)	1,183
Amounts transferred to income statement		(32)	-	-
Tax impact		1	(2)	220
		237	**(240)**	**1,403**
Change in value of available for sale financial assets	*9, 14*	92	(130)	397
Amounts transferred to income statement		24	(22)	(3,406)
Tax impact		(4)	7	212
		112	**(145)**	**(2,797)**
Change in value of hedges of future foreign currency cash flows		9	(28)	(3)
Amounts transferred to income statement		(14)	27	(16)
Tax impact		1	(4)	14
		(4)	**(5)**	**(5)**
Gains and losses recognized in equity, transferable to income statement		**345**	**(390)**	**(1,399)**
Change in value of vineyard land	*7*	30	64	(20)
Amounts transferred to consolidated reserves		-	-	3
Tax impact		108	(22)	8
		138	**42**	**(9)**
Employee benefit commitments: change in value resulting from actuarial gains and losses	*30*	(8)	(40)	(148)
Tax impact		(6)	8	47
		(14)	**(32)**	**(101)**
Gains and losses recognized in equity, not transferable to income statement		**124**	**10**	**(110)**
Gains and losses recognized in equity		**469**	**(380)**	**(1,509)**
Comprehensive income		**3,193**	**3,784**	**4,656**
Minority interests		1,967	2,387	2,960
COMPREHENSIVE INCOME, GROUP SHARE		**1,226**	**1,397**	**1,696**

3. Consolidated balance sheet

Assets

(EUR millions)	*Notes*	Dec. 31, 2016	June 30, 2016	June 30, 2015
Brands and other intangible assets	*4*	16,069	16,269	16,242
Goodwill	*5*	11,045	11,256	10,365
Property, plant and equipment	*7*	12,962	12,106	11,418
Investments in joint ventures and associates	*8*	764	753	521
Non-current available for sale financial assets	*9*	750	651	632
Other non-current assets	*10*	823	711	561
Deferred tax	*28*	2,136	2,158	2,031
Non-current assets		**44,549**	**43,904**	**41,770**
Inventories and work in progress	*11*	10,929	11,053	10,704
Trade accounts receivable	*12*	2,785	2,237	2,173
Income taxes		297	357	436
Other current assets	*13*	2,452	2,318	2,176
Cash and cash equivalents	*15*	3,772	3,035	2,771
Current assets		**20,235**	**19,000**	**18,260**
TOTAL ASSETS		**64,784**	**62,904**	**60,030**

Liabilities and equity

(EUR millions)	*Notes*	Dec. 31, 2016	June 30, 2016	June 30, 2015
Share capital	*16.1*	361	361	361
Share premium account	*16.1*	194	194	194
Christian Dior treasury shares	*16.2*	(104)	(109)	(116)
Cumulative translation adjustment	*16.4*	520	441	554
Revaluation reserves		442	351	412
Other reserves		9,367	8,260	6,490
Net profit, Group share		1,058	1,569	2,378
Equity, Group share		**11,838**	**11,067**	**10,273**
Minority interests	*18*	18,246	17,062	16,047
Equity		**30,084**	**28,129**	**26,320**
Long-term borrowings	*19*	5,241	5,453	6,130
Non-current provisions	*20*	2,386	2,037	2,377
Deferred tax	*28*	4,894	5,584	5,738
Other non-current liabilities	*21*	8,509	8,475	7,262
Non-current liabilities		**21,030**	**21,549**	**21,507**
Short-term borrowings	*19*	3,854	4,918	4,425
Trade accounts payable	*22.1*	4,384	3,835	3,602
Income taxes		456	425	431
Current provisions	*20*	354	355	323
Other current liabilities	*22.2*	4,622	3,693	3,422
Current liabilities		**13,670**	**13,226**	**12,203**
TOTAL LIABILITIES AND EQUITY		**64,784**	**62,904**	**60,030**

4. Consolidated statement of changes in equity

(EUR millions)	Number of shares	Share capital	Share premium account	Treasury shares	Cumulative translation adjustment	Revaluation reserves: Available for sale financial assets	Revaluation reserves: Hedges of future foreign currency cash flows	Revaluation reserves: Vineyard land	Revaluation reserves: Employee benefit commit-ments	Net profit and other reserves	Total equity: Group share	Total equity: Minority interests	Total equity: Total
Notes		*16.1*		*16.2*	*16.4*							*18*	
As of June 30, 2014	**181,727,048**	**363**	**2,205**	**(288)**	**37**	**1,226**	**6**	**390**	**(9)**	**8,040**	**11,970**	**18,367**	**30,337**
Gains and losses recognized in equity					517	(1,159)	(1)	(3)	(36)		(682)	(827)	(1,509)
Net profit										2,378	2,378	3,787	6,165
Comprehensive income					**517**	**(1,159)**	**(1)**	**(3)**	**(36)**	**2,378**	**1,696**	**2,960**	**4,656**
Stock option plan expenses										24	24	23	47
(Acquisition)/Disposal of Christian Dior treasury shares				172						(6)	166	-	166
Capital increases of subsidiaries											-	6	6
Interim and final dividends paid										(564)	(564)	(1,215)	(1,779)
Distributions in kind of Hermès shares [(a)]			(1,848)							(991)	(2,839)	(4,016)	(6,855)
Retirement of Christian Dior shares	(1,219,532)	(2)	(163)								(165)	-	(165)
Changes in control of consolidated entities										(6)	(6)	-	(6)
Acquisition and disposal of minority interests' shares						(1)		(1)		(2)	(4)	31	27
Purchase commitments for minority interests' shares										(5)	(5)	(109)	(114)
As of June 30, 2015	**180,507,516**	**361**	**194**	**(116)**	**554**	**66**	**5**	**386**	**(45)**	**8,868**	**10,273**	**16,047**	**26,320**
Gains and losses recognized in equity					(112)	(61)	(1)	14	(12)		(172)	(208)	(380)
Net profit										1,569	1,569	2,595	4,164
Comprehensive income					**(112)**	**(61)**	**(1)**	**14**	**(12)**	**1,569**	**1,397**	**2,387**	**3,784**
Stock option plan expenses										25	25	24	49
(Acquisition)/Disposal of Christian Dior treasury shares				7						(3)	4	-	4
Capital increases of subsidiaries											-	92	92
Interim and final dividends paid										(591)	(591)	(1,307)	(1,898)
Changes in control of consolidated entities										1	1	27	28
Acquisition and disposal of minority interests' shares					(1)			(1)		(10)	(12)	21	9
Purchase commitments for minority interests' shares										(30)	(30)	(229)	(259)
As of June 30, 2016	**180,507,516**	**361**	**194**	**(109)**	**441**	**5**	**4**	**399**	**(57)**	**9,829**	**11,067**	**17,062**	**28,129**
Gains and losses recognized in equity					78	47	(2)	47	(2)		168	301	469
Net profit										1,058	1,058	1,666	2,724
Comprehensive income					**78**	**47**	**(2)**	**47**	**(2)**	**1,058**	**1,226**	**1,967**	**3,193**
Stock option plan expenses										12	12	13	25
(Acquisition)/Disposal of Christian Dior treasury shares				5						(9)	(4)	-	(4)
Capital increases of subsidiaries											-	35	35
Interim and final dividends paid										(395)	(395)	(471)	(866)
Changes in control of consolidated entities										(6)	(6)	(7)	(13)
Acquisition and disposal of minority interests' shares					1			1		(112)	(110)	(255)	(365)
Purchase commitments for minority interests' shares										48	48	(98)	(50)
AS OF DEC. 31, 2016	**180,507,516**	**361**	**194**	**(104)**	**520**	**52**	**2**	**447**	**(59)**	**10,425**	**11,838**	**18,246**	**30,084**

(a) See Note 8.

5. Consolidated cash flow statement

(EUR millions)	*Notes*	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
I – OPERATING ACTIVITIES AND OPERATING INVESTMENTS				
Operating profit		4,145	6,596	5,998
Income/(loss) and dividends from joint ventures and associates	*8*	9	21	17
Net increase in depreciation, amortization and provisions		1,396	2,225	2,136
Other computed expenses		(90)	(177)	(473)
Other adjustments		(117)	(99)	(67)
Cash from operations before changes in working capital		**5,343**	**8,566**	**7,611**
Cost of net financial debt: interest paid		(44)	(88)	(164)
Tax paid on operating activities		(1,082)	(1,998)	(1,551)
Net cash from operating activities before changes in working capital		**4,217**	**6,480**	**5,896**
Change in working capital	*15.2*	555	(579)	(468)
Net cash from operating activities		**4,772**	**5,901**	**5,428**
Operating investments	*15.3*	(1,467)	(2,242)	(1,947)
Net cash from operating activities and operating investments (free cash flow)		**3,305**	**3,659**	**3,481**
II – FINANCIAL INVESTMENTS				
Purchase of non-current available for sale financial assets [(b)]	*9, 14*	(21)	(66)	(41)
Proceeds from sale of non-current available for sale financial assets	*9*	30	93	178
Dividends received	*9*	4	3	-
Tax paid related to non-current available for sale financial assets and consolidated investments		(202)	(510)	(252)
Impact of purchase and sale of consolidated investments	*2.4*	420	(359)	(55)
Net cash from (used in) financial investments		**231**	**(839)**	**(170)**
III – TRANSACTIONS RELATING TO EQUITY				
Capital increases of subsidiaries subscribed by minority interests	*18*	36	84	7
Acquisitions and disposals of Christian Dior treasury shares		(5)	5	1
Interim and final dividends paid by Christian Dior SE [(a)]	*16.3*	(395)	(591)	(575)
Interim and final dividends paid to minority interests in consolidated subsidiaries [(a)]	*18*	(465)	(1,310)	(1,271)
Income tax related to interim and final dividends paid		(59)	(168)	(392)
Purchase and proceeds from sale of minority interests	*2.4*	(370)	(6)	1
Net cash from (used in) transactions relating to equity		**(1,258)**	**(1,986)**	**(2,229)**
Change in cash before financing activities		**2,278**	**834**	**1,082**
IV – FINANCING ACTIVITIES				
Proceeds from borrowings	*19.1*	528	1,664	2,637
Repayment of borrowings	*19.1*	(2,082)	(1,933)	(3,223)
Purchase and proceeds from sale of current available for sale financial assets [(b)]	*9, 14*	2	123	(355)
Net cash from (used in) financing activities		**(1,552)**	**(146)**	**(941)**
V – EFFECT OF EXCHANGE RATE CHANGES		**13**	**(191)**	**115**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)		**739**	**497**	**256**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	*15*	**2,816**	**2,319**	**2,063**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	*15*	**3,555**	**2,816**	**2,319**
TOTAL TAX PAID		**(1,343)**	**(2,676)**	**(2,195)**

(a) The distributions in kind of Hermès shares had no impact on cash in fiscal year 2014/2015, excluding tax impacts. See Note 9.
(b) The cash impact of non-current available for sale financial assets used to hedge net financial debt (see Note 19) is presented under "IV. Financing activities" as "Purchase and proceeds from sale of current available for sale financial assets".

Notes to the consolidated financial statements

6. Notes to the consolidated financial statements

NOTE 1 – ACCOUNTING POLICIES

1.1. General framework and environment

At the Combined Shareholders' Meeting of December 1, 2015, the shareholders adopted a resolution to change the dates on which the fiscal year begins and ends to January 1 and December 31 of each calendar year (Article 24 of the Bylaws). Exceptionally, the fiscal year that began on July 1, 2016 ended on December 31, 2016.

The main aim of this modification, which realigns Christian Dior's fiscal year with LVMH's, is to facilitate the Group's financial communications. It was made possible by the very substantial increase in the Company's retained earnings (generated by the distributions in kind of Hermès shares in December 2014), which gave Christian Dior SE a great deal of flexibility in terms of dividend distribution.

The consolidated financial statements for the six-month fiscal year ended December 31, 2016 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on December 31, 2016.

These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for the fiscal year ended December 31, 2016 were approved for publication by the Board of Directors on February 9, 2017.

1.2. Changes in the accounting framework applicable to the Group

Standards, amendments and interpretations for which application became mandatory as of July 1, 2016

The amendments to IAS 16 and IAS 41 for biological assets are the only new standards applicable to the Group since July 1, 2016. The application of these amendments has not had any impact on the Group's financial statements; Dior does not revalue these assets, given that their market value differs little from their historical cost (see Note 1.13).

Other changes in the accounting framework and standards for which application will become mandatory later than January 1, 2017

The Group is following the ongoing discussions held at IFRS IC and IASB related to the recognition of purchase commitments for minority interests' shares and changes in their amount. See Note 1.12 for a description of the recognition method applied by the Group to these commitments.

The impact of the application of IFRS 15 on revenue recognition with effect from January 1, 2018 is being assessed. It should be of little significance in light of the nature of the Group's business activities. The impact of the application of IFRS 9 on financial instruments with effect from January 1, 2018 is also being assessed.

The Group has begun the process of applying IFRS 16 Leases, applicable with effect from January 1, 2019 (subject to its adoption by the European Union). The approximate impact on the balance sheet of the first-time adoption of IFRS 16 may be assessed based on the amount of lease commitments as of December 31, 2016, i.e. 11.1 billion euros. See Note 31.2.

1.3. First-time adoption of IFRS

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

- business combinations: the exemption from retrospective application was not applied. The Christian Dior group has retrospectively restated acquisitions made since 1988, the date of the initial consolidation of LVMH, and all subsequent acquisitions were restated in accordance with IFRS 3. IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of that date;
- foreign currency translation of the financial statements of subsidiaries outside the eurozone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

1.4. Presentation of the financial statements

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

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

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

Cash flow statement

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

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

1.5. Use of estimates

For the purpose of preparing the consolidated financial statements, the measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets (see Note 6), the measurement of purchase commitments for minority interests' shares (see Note 21), and the determination of the amount of provisions for contingencies and losses (see Note 20) or for impairment of inventories (see Note 11) and, if applicable, deferred tax assets (see Note 28). Such hypotheses, estimates or other forms of judgment which are undertaken on the basis of the information available, or situations prevalent at the date of preparation of the accounts, may prove different from the subsequent actual events.

1.6. Methods of consolidation

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

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

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

The Group does not have any unconsolidated subsidiaries whose consolidation would have a significant impact on its main aggregates.

1.7. Foreign currency translation of the financial statements of subsidiaries outside the eurozone

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

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

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

1.8. Foreign currency transactions and hedging of exchange rate risks

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

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

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

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

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

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

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

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

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

1.9. Fair value measurement

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

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

	Approaches to determining fair value	**Amounts recorded at fiscal year-end date**
Vineyard land	Based on recent transactions in similar assets. See Note 1.13.	Note 7
Grape harvests	Based on purchase prices for equivalent grapes. See Note 1.16.	Note 11
Derivatives	Based on market data and according to commonly used valuation models. See Note 1.21.	Note 23.4
Borrowings hedged against changes in value due to interest rate fluctuations	Based on market data and according to commonly used valuation models. See Note 1.20.	Note 19
Liabilities in respect of purchase commitments for minority interests' shares priced according to fair value	Generally based on the market multiples of comparable companies. See Note 1.12.	Note 21
Available for sale financial assets	Quoted investments: price quotations at the close of trading on the balance sheet date. Non-quoted investments: estimated net realizable value, either according to formulas based on market data or based on private quotations. See Note 1.15.	Note 9, Note 14
Cash and cash equivalents (SICAV and FCP money market funds)	Based on the liquidation value at the balance sheet date. See Note 1.18.	Note 15

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

1.10. Brands, trade names and other intangible assets

Only acquired brands and trade names that are well known and individually identifiable are recorded as assets based on their market values when they are acquired.

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

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

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

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

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

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

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

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

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

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

1.11. Changes in ownership interests in consolidated entities

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

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

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

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

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

1.12. Purchase commitments for minority interests' shares

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

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

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

This recognition method has no effect on the presentation of minority interests within the income statement.

1.13. Property, plant and equipment

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

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

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

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

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

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

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

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

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

1.14. Impairment testing of fixed assets

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

For the fiscal years presented in this report, December 31 was retained as the impairment testing date in all cases.

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

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

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

1.15. Available for sale financial assets

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

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

Current available for sale financial assets (presented in "Other current assets"; see Note 13) include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as "Cash and cash equivalents" (see Note 1.18).

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

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

1.16. Inventories and work in progress

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

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

Inventories are valued using the weighted average cost or FIFO (first in, first out) method, depending on the type of business.

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

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

1.17. Trade accounts receivable, loans and other receivables

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

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

1.18. Cash and cash equivalents

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

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

1.19. Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated. See also Notes 1.23 and 20.

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

1.20. Borrowings

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

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

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

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

Net financial debt comprises short and long-term borrowings, the market value at the fiscal year-end date of interest rate derivatives, less the amount at the fiscal year-end date of current available for sale financial assets, non-current available for sale financial assets used to hedge financial debt (see Note 19), cash and cash equivalents, in addition to the market value at the fiscal year-end date of foreign exchange derivatives related to any of the aforementioned items.

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

1.21. Derivatives

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

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

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

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

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

1.22. Christian Dior and LVMH treasury shares

Christian Dior treasury shares

Christian Dior shares held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity, irrespective of the purpose for which they are held.

In the event of disposal, the cost of the shares disposed of is determined by allocation category (see Note 16.2) using the FIFO method with the exception of shares held under stock option plans for which the calculation is performed for each plan using the weighted average cost method. Gains and losses on disposal are taken directly to equity.

LVMH treasury shares

Purchases and sales by LVMH of its own shares, as well as LVMH SE capital increases reserved for recipients of share subscription options, resulting in changes in the percentage held by Christian Dior group in LVMH, are accounted for in the consolidated financial statements of Christian Dior group as changes in ownership interests in consolidated entities.

As from January 1, 2010, in accordance with the revised version of IFRS 3, changes in the Christian Dior group's ownership interest in LVMH have been taken to equity.

As this standard is applied prospectively, goodwill recognized as of December 31, 2009 has been maintained as an asset on the balance sheet.

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

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

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

- the portion related to the cost of services rendered by employees and net interest for the fiscal year is recognized in profit from recurring operations for the fiscal year;
- the portion related to changes in actuarial assumptions and to differences between projected and actual data (experience adjustments) is recognized in gains and losses taken to equity.

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

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

1.24. Current and deferred tax

The tax expense comprises current tax payable by consolidated companies and deferred tax resulting from temporary differences.

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

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

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

Deferred tax assets and liabilities are not discounted.

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

1.25. Revenue recognition

Definition of revenue

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

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

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

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

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

Provisions for product returns

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

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

Businesses undertaken in partnership with Diageo

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo generally taking the form of shared entities which sell and deliver both groups' products to customers; the income statement and balance sheet of these entities is apportioned between the Group and Diageo based on distribution agreements. According to those agreements, the assets, liabilities, income and expenses of such entities are consolidated only in proportion to the Group's share of operations. The application of IFRS 11 as from July 1, 2014 has not had any impact on this method.

1.26. Advertising and promotion expenses

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

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

1.27. Stock option and similar plans

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

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

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

1.28. Earnings per share

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

Diluted earnings per share are calculated based on the weighted average number of shares before dilution and adding the weighted average number of shares that would result from the exercise of existing purchase options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, plus the amount not yet expensed for stock option and similar plans (see Note 1.27), would be employed to repurchase Christian Dior shares at a price corresponding to their average trading price over the fiscal year. Dilutive instruments issued by subsidiaries are also taken into consideration for the purposes of determining the Group's share of net profit after dilution.

NOTE 2 – CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES

2.1. Fiscal year 2016 (July 1 – December 31, 2016)

Fashion and Leather Goods

On December 1, 2016, pursuant to the agreement signed on July 22, 2016, LVMH sold Donna Karan International to G-III Apparel Group. The sale was made based on an enterprise value of 650 million US dollars, translating to a provisional sale price of 542 million US dollars after adjustments and deducting Donna Karan's borrowings with LVMH. LVMH granted G-III Apparel Group a vendor loan for 125 million US dollars (recorded under Other non-current assets; see Note 10) and received the equivalent of 75 million US dollars in G-III shares (recorded under Non-current available for sale financial assets; see Note 9). In addition, the 129 million US dollars in financing granted to Donna Karan by LVMH was repaid by G-III Apparel Group. The impact of the sale of Donna Karan International on net profit is a gain of 44 million euros.

In December 2016, following the exercise of the put option held by its partner, LVMH Métiers d'Arts acquired an additional 35% stake in the Heng Long tannery (Singapore), bringing its percentage holding to 100%. The difference between the acquisition price and minority interests was deducted from equity.

Selective Retailing

In November 2016, following the exercise of the put option held by its partner, Sephora acquired an additional 35% stake in Ile de Beauté (Russia), bringing its percentage holding to 100%. The difference between the acquisition price and minority interests was deducted from equity.

2.2. Fiscal year 2015/2016 (July 1, 2015 – June 30, 2016)

Selective Retailing

In July 2015, Sephora acquired a 95% equity interest in the e-commerce site Luxola, which is present in nine countries of Southeast Asia.

Other activities

In October 2015, LVMH acquired a 100% equity interest in the daily newspaper Le Parisien-Aujourd'hui en France. The acquisition comprises the publishing, printing and sales activities of this daily newspaper and the weekly Le Parisien Magazine.

In January 2016, LVMH acquired a 100% equity interest in Hôtel de la Pinède as well as an adjacent plot of land in Saint-Tropez (France).

See also Note 8 regarding the ownership interests in joint ventures and associates.

2.3. Fiscal year 2014/2015 (July 1, 2014 – June 30, 2015)

Selective Retailing

In the first half of the fiscal year, LVMH acquired an additional 30% stake in Sephora Brasil (formerly known as Sack's), bringing its ownership interest to 100%. The difference between the acquisition price and the minority interests amount was recorded as a deduction from equity.

2.4. Impact on cash and cash equivalents of changes in ownership interests in consolidated entities

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
Purchase price of consolidated investments and of minority interests' shares	(401)	(442)	(90)
Positive cash balance/(net overdraft) of companies acquired	-	41	7
Proceeds from sale of consolidated investments	333	44	33
(Positive cash balance)/net overdraft of companies sold	118	(8)	(4)
IMPACT ON CASH AND CASH EQUIVALENTS OF CHANGES IN OWNERSHIP INTERESTS IN CONSOLIDATED ENTITIES	**50**	**(365)**	**(54)**
Of which:			
Purchase and sale of consolidated investments	420	(359)	(55)
Purchase and proceeds from sale of minority interests	(370)	(6)	1

- As of December 31, 2016, the impact on cash and cash equivalents of changes in ownership interests in consolidated entities mainly arose from the sale of Donna Karan International for 435 million euros, and from the share repurchase program for shares pending retirement totaling 300 million euros that was set up by LVMH in the fourth quarter of 2016.
- As of June 30, 2016, the cash impact of changes in ownership interests in consolidated entities was mainly related to the acquisition of the daily newspaper Le Parisien-Aujourd'hui en France, the 95% stake acquired by Sephora in the e-commerce site Luxola and the investments in Repossi and L Catterton, as well as various payments in respect of performance clauses provided for during past acquisitions. See also Note 8. The cash impact also included LVMH SE's capital increases reserved for recipients of share subscription options.
- As of June 30, 2015, the cash impact of changes in ownership interests in consolidated entities was mainly related to the acquisition of an additional 30% stake in Sephora Brasil and LVMH SE's capital increases reserved for recipients of share subscription options.

NOTE 3 – PRO FORMA FINANCIAL INFORMATION AT BALANCE SHEET DATE

In accordance with AMF (Autorité des Marchés Financiers) Recommendation 2013-01, the main pro forma accounting aggregates on a 12-month basis as of December 31, 2016 are as follows:

Key consolidated data

(EUR millions)	**December 31, 2016 pro forma** (12 months)
Revenue	39,501
Profit from recurring operations	7,252
Net profit	4,594
Net profit, Group share	1,764
Cash from operations before changes in working capital [(a)]	9,125
Operating investments	(2,438)
Free cash flow [(b)]	4,003

(a) Before tax and interest paid.
(b) Net cash from operating activities and operating investments.

Data per share

(EUR)	**December 31, 2016 pro forma** (12 months)
Earnings per share	
Basic Group share of net profit per share	9.84
Diluted Group share of net profit per share	9.78

Information by business group

(EUR millions)	**December 31, 2016 pro forma** (12 months)
Revenue by business group	
Christian Dior Couture	1,936
Wines and Spirits	4,835
Fashion and Leather Goods	12,775
Perfumes and Cosmetics	4,953
Watches and Jewelry	3,468
Selective Retailing	11,973
Other activities and eliminations	(439)
TOTAL	**39,501**
Profit from recurring operations by business group	
Christian Dior Couture	252
Wines and Spirits	1,504
Fashion and Leather Goods	3,873
Perfumes and Cosmetics	551
Watches and Jewelry	458
Selective Retailing	919
Other activities and eliminations	(305)
TOTAL	**7,252**

NOTE 4 – BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

	December 31, 2016			June 30, 2016	June 30, 2015
(EUR millions)	Gross	Amortization and impairment	Net	Net	Net
Brands	13,029	(611)	12,418	12,813	12,892
Trade names	4,157	(1,717)	2,440	2,330	2,315
License rights	26	(26)	-	-	1
Leasehold rights	839	(423)	416	405	428
Software, websites	1,467	(1,092)	375	322	289
Other	898	(478)	420	399	317
TOTAL	**20,416**	**(4,347)**	**16,069**	**16,269**	**16,242**
Of which:					
Assets held under finance leases	14	(14)	-	-	-

4.1. Changes for the fiscal year

Movements during the fiscal year ended December 31, 2016 in the net amounts of brands, trade names and other intangible assets were as follows:

Gross value *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of June 30, 2016	**13,428**	**3,962**	**1,339**	**815**	**875**	**20,419**
Acquisitions	-	-	99	44	115	258
Disposals and retirements	-	-	(13)	(14)	(51)	(78)
Changes in the scope of consolidation	(448)	-	(10)	(7)	14	(451)
Translation adjustment	49	195	18	3	5	270
Reclassifications	-	-	34	(2)	(34)	(2)
AS OF DECEMBER 31, 2016	**13,029**	**4,157**	**1,467**	**839**	**924**	**20,416**

Accumulated amortization and impairment *(EUR millions)*	Brands	Trade names	Software, websites	Leasehold rights	Other intangible assets	Total
As of June 30, 2016	**(615)**	**(1,632)**	**(1,017)**	**(410)**	**(476)**	**(4,150)**
Amortization expense	(12)	-	(88)	(25)	(75)	(200)
Impairment expense	(42)	-	-	(2)	-	(44)
Disposals and retirements	-	-	13	14	51	78
Changes in the scope of consolidation	66	-	8	2	-	76
Translation adjustment	(8)	(85)	(10)	(1)	(3)	(107)
Reclassifications	-	-	2	(1)	(1)	-
AS OF DECEMBER 31, 2016	**(611)**	**(1,717)**	**(1,092)**	**(423)**	**(504)**	**(4,347)**
CARRYING AMOUNT AS OF DECEMBER 31, 2016	**12,418**	**2,440**	**375**	**416**	**420**	**16,069**

The impact of changes in the scope of consolidation in fiscal year 2016 mainly arose from the sale of Donna Karan International (See Note 2).

Translation adjustments arose mainly on intangible assets recognized in US dollars, Swiss francs and pounds sterling, based on fluctuations in the exchange rate between these currencies and the euro by the close of the fiscal year. This affected in particular the DFS trade name as regards fluctuations relative to the US dollar, the TAG Heuer and Hublot brands for the Swiss franc, and Glenmorangie for the pound sterling.

4.2. Changes in prior fiscal years

Carrying amount *(EUR millions)*	**Brands**	**Trade names**	**Software, websites**	**Leasehold rights**	**Other intangible assets**	**Total**
As of June 30, 2014	**12,535**	**1,948**	**241**	**389**	**250**	**15,363**
Acquisitions	-	-	105	74	175	354
Disposals and retirements	-	-	(1)	(2)	-	(3)
Changes in the scope of consolidation	-	-	-	-	1	1
Amortization expense	(19)	-	(131)	(44)	(87)	(281)
Impairment expense	(3)	-	-	-	(1)	(4)
Translation adjustment	379	367	20	15	19	800
Reclassifications	-	-	55	(4)	(39)	12
As of June 30, 2015	**12,892**	**2,315**	**289**	**428**	**318**	**16,242**
Acquisitions	-	-	124	22	267	413
Disposals and retirements	-	-	-	(1)	(1)	(2)
Changes in the scope of consolidation	45	-	3	4	7	59
Amortization expense	(20)	(1)	(142)	(49)	(126)	(338)
Impairment expense	-	-	(1)	(3)	-	(4)
Translation adjustment	(104)	16	(1)	(8)	(5)	(102)
Reclassifications	-	-	50	12	(61)	1
AS OF JUNE 30, 2016	**12,813**	**2,330**	**322**	**405**	**399**	**16,269**

4.3. Brands and trade names

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

	December 31, 2016			**June 30, 2016**	**June 30, 2015**
(EUR millions)	**Gross**	**Amortization and impairment**	**Net**	**Net**	**Net**
Christian Dior Couture	34	(18)	16	24	24
Wines and Spirits	2,846	(135)	2,711	2,720	2,774
Fashion and Leather Goods	4,808	(337)	4,471	4,890	4,891
Perfumes and Cosmetics	1,356	(32)	1,324	1,321	1,272
Watches and Jewelry	3,707	(25)	3,682	3,683	3,751
Selective Retailing	4,110	(1,670)	2,440	2,330	2,321
Other activities	325	(111)	214	175	174
BRANDS AND TRADE NAMES	**17,186**	**(2,328)**	**14,858**	**15,143**	**15,207**

The brands and trade names recognized are those that the Group has acquired. As of December 31, 2016, the principal acquired brands and trade names were:

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

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

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

Brands and trade names developed by the Group, in addition to Louis Vuitton, Moët & Chandon, Ruinart, Hennessy, Veuve Clicquot, Parfums Christian Dior and Sephora, represented 33% of total brands and trade names capitalized in the balance sheet and 59% of the Group's consolidated revenue.

At the initial consolidation of LVMH in 1988, all brands then owned by LVMH were revalued in the consolidated financial statements of the Christian Dior group.

In the Christian Dior consolidated financial statements, LVMH's accounts are restated to account for valuation differences in brands recorded prior to 1988 in the consolidated accounts of each of these companies. See Note 1.3.

Please refer also to Note 6 for the impairment testing of brands, trade names and other intangible assets with indefinite useful lives.

NOTE 5 – GOODWILL

	December 31, 2016			June 30, 2016	June 30, 2015
(EUR millions)	Gross	Impairment	Net	Net	Net
Goodwill arising on consolidated investments	8,453	(1,694)	6,759	6,914	6,874
Goodwill arising on purchase commitments for minority interests' shares	4,286	-	4,286	4,342	3,491
TOTAL	**12,739**	**(1,694)**	**11,045**	**11,256**	**10,365**

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

	December 31, 2016 (6 months)			June 30, 2016 (12 months)	June 30, 2015 (12 months)
(EUR millions)	Gross	Impairment	Net	Net	Net
At beginning of period	**12,975**	**(1,719)**	**11,256**	**10,365**	**9,626**
Changes in the scope of consolidation (See Note 2)	(274)	164	(110)	180	26
Changes in purchase commitments for minority interests	(68)	-	(68)	790	775
Changes in impairment	-	(89)	(89)	(88)	(215)
Translation adjustment	108	(50)	58	9	153
Reclassifications	(2)	-	(2)	-	-
AT END OF PERIOD	**12,739**	**(1,694)**	**11,045**	**11,256**	**10,365**

The impact of changes in the scope of consolidation during the fiscal year ended December 31, 2016 mainly arose from the sale of Donna Karan International. See Note 2.

The impact of changes in the scope of consolidation during the fiscal year ended June 30, 2016 mainly related to the acquisition of 100% of the daily newspaper Le Parisien-Aujourd'hui en France, the 95% stake acquired in Luxola, and the acquisition of 100% of Hôtel de la Pinède in Saint-Tropez (France). See Note 2.

Please refer also to Note 21 for goodwill arising on purchase commitments for minority interests' shares.

NOTE 6 – IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Brands, trade names, and other intangible assets with indefinite useful lives as well as the goodwill arising on acquisition are tested for impairment at least once a year. No significant impairment expense has been recognized in respect of these items during the six-month fiscal year ended December 31, 2016. As described in Note 1.14, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multi-year business plans drawn up each year.

As of June 30, 2016 and 2015, due to the fact that the valuations of intangible assets on the basis of the year's strategic plans were not available at the fiscal year-end, the assumptions applied for the December 31, 2015 and 2014 valuations, identified as still pertinent, were maintained. As a result, no impairment losses were recognized for intangible assets.

The main assumptions retained in 2015 and 2016 for the determination of forecast cash flows for multi-year plans are as follows:

	December 31, 2016			December 31, 2015			December 31, 2014		
Business group *(as %)*	Post-tax discount rate	Growth rate for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Growth rate for for revenue during the plan period	Growth rate for the period after the plan	Post-tax discount rate	Growth rate for for revenue during the plan period	Growth rate for the period after the plan
Christian Dior Couture	10.0	6.8	2.0	9.5	8.9	2.0	9.4	9.1	2.0
Wines and Spirits	6.5 to 11.0	6.0	2.0	6.2 to 9.9	6.3	2.0	7.5 to 11.2	8.1	2.0
Fashion and Leather Goods	9.3 to 10.5	6.8	2.0	8.0 to 12.0	8.9	2.0	8.0 to 13.1	9.1	2.0
Perfumes and Cosmetics	7.4 to 10.1	9.6	2.0	7.4	8.9	2.0	8.0 to 8.5	8.7	2.0
Watches and Jewelry	9.0 to 10.4	9.9	2.0	8.1 to 8.5	7.1	2.0	9.2 to 9.6	8.7	2.0
Selective Retailing	7.3 to 9.4	7.7	2,0	7.3 to 8.5	8,3	2.0	8.4 to 9.6	9,4	2.0
Other	6.5 to 7.5	4,4	2,0	5.5 to 7.1	5,8	2.0	6.5 to 8.2	0,9	2.0

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

Annual growth rates applied for the period not covered by the plans are based on market estimates for the business groups concerned.

As of December 31, 2016, the intangible assets with indefinite useful lives that are the most significant in terms of their carrying amounts and the criteria used for impairment testing are as follows:

(EUR millions)	Brands and trade names	Goodwill	Total	Post-tax discount rate *(as %)*	Growth rate for the period after the plans *(as %)*	Period covered by the forecast cash flows
Louis Vuitton	2,058	567	2,625	9.0	2.0	5 years
Loro Piana [(a)]	1,300	1,047	2,347	n.a.	n.a.	n.a.
Fendi	713	405	1,118	9.3	2.0	5 years
Bvlgari	2,100	1,547	3,647	9.0	2.0	5 years
TAG Heuer	1,155	219	1,374	9.0	2.0	5 years
DFS Galleria	2,171	18	2,189	9.4	2.0	5 years
Hennessy	1,067	47	1,114	6.5	2.0	5 years

(a) For impairment testing purposes, the fair value of Loro Piana was determined by applying the share price multiples of comparable companies to Loro Piana's consolidated operating results. The change in multiples resulting from a 10% decrease in the market capitalization of comparable companies would not generate an impairment risk for Loro Piana's intangible assets.
n.a.: not applicable.

As of December 31, 2016, for the business segments listed above, with the exception of Lora Piana, a change of 0.5 points in the post-tax discount rate or in the growth rate for the period after the plan, compared to rates used as of December 31, 2016, or a reduction of 2 points in the compound annual growth rate for revenue over the period covered by the plans would not result in the recognition of any impairment losses for these intangible assets. The Group considers that changes in excess of the limits mentioned above would entail assumptions at a level not deemed relevant in view of the current economic environment and medium- to long-term growth prospects for the business segments concerned.

With respect to the other business segments, seven have disclosed intangible assets with a carrying amount close to their value in use. The carrying amount for each of these intangible assets as of December 31, 2016 and the impairment loss that would result from a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, or from a reduction of 2 points in the compound annual growth rate for revenue compared to rates used as of December 31, 2016, break down as follows:

		Amount of impairment if:		
(EUR millions)	Amount of intangible assets concerned as of December 31, 2016	Post-tax discount rate increases by 0.5 points	Annual growth rate for revenue decreases by 2 points	Growth rate for the period after the plan decreases by 0.5 points
Selective Retailing	134	(24)	(33)	(20)
Other business groups	562	(40)	(37)	(34)
TOTAL	**696**	**(64)**	**(70)**	**(54)**

As of December 31, 2016, the gross and net values of brands and goodwill giving rise to amortization and/or impairment charges in 2016 were 910 million euros and 399 million euros, respectively (899 and 392 million euros as of June 30, 2016). See Note 26 regarding the amortization and impairment expense recorded during the fiscal year.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

	December 31, 2016			June 30, 2016	June 30, 2015
(EUR millions)	Gross	Depreciation and impairment	Net	Net	Net
Land	1,663	(79)	1,584	1,459	1,437
Vineyard land and producing vineyards	2,580	(106)	2,474	2,436	2,370
Buildings	3,474	(1,630)	1,844	1,811	1,660
Investment property	911	(54)	857	569	566
Leasehold improvements, machinery and equipment	11,242	(7,443)	3,799	3,486	3,389
Assets in progress	945	(8)	937	942	715
Other tangible fixed assets	1,951	(484)	1,467	1,403	1,281
TOTAL	**22,766**	**(9,804)**	**12,962**	**12,106**	**11,418**
Of which:					
Assets held under finance leases	513	(204)	309	135	103
Historical cost of vineyard land and producing vineyards	752	(106)	646	639	634

7.1. Changes for the fiscal year

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

				Leasehold improvements, machinery and equipment					
Gross value *(EUR millions)*	**Vineyard land and producing vineyards**	**Land and buildings**	**Investment property**	**Stores**	**Production, logistics**	**Other**	**Assets in progress**	**Other tangible fixed assets**	**Total**
As of June 30, 2016	**2,536**	**4,940**	**621**	**7,215**	**2,226**	**1,200**	**946**	**1,860**	**21,544**
Acquisitions	3	136	273	396	56	30	480	75	1,449
Change in the market value of vineyard land	30	-	-	-	-	-	-	-	30
Disposals and retirements	-	(40)	-	(229)	(60)	(39)	-	(33)	(401)
Changes in the scope of consolidation	-	(22)	-	(80)	(5)	(14)	(1)	(1)	(123)
Translation adjustment	5	25	6	129	7	19	5	18	214
Other movements, including transfers	6	98	11	283	30	78	(485)	32	53
AS OF DECEMBER 31, 2016	**2,580**	**5,137**	**911**	**7,714**	**2,254**	**1,274**	**945**	**1,951**	**22,766**

Depreciation and impairment (*EUR millions*)	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment: Stores	Leasehold improvements, machinery and equipment: Production, logistics	Leasehold improvements, machinery and equipment: Other	Assets in progress	Other tangible fixed assets	Total
As of June 30, 2016	**(100)**	**(1,670)**	**(52)**	**(4,764)**	**(1,550)**	**(841)**	**(4)**	**(457)**	**(9,438)**
Depreciation expense	(3)	(83)	(3)	(445)	(71)	(72)	-	(51)	(728)
Impairment expense	(1)	(1)	-	-	-	-	(4)	(2)	(8)
Disposals and retirements	-	39	-	228	57	39	-	33	396
Changes in the scope of consolidation	-	13	-	65	3	13	-	1	95
Translation adjustment	(2)	(8)	1	(84)	(5)	(16)	-	(8)	(122)
Other movements, including transfers	-	1	-	20	-	(20)	-	-	1
AS OF DECEMBER 31, 2016	**(106)**	**(1,709)**	**(54)**	**(4,980)**	**(1,566)**	**(897)**	**(8)**	**(484)**	**(9,804)**
CARRYING AMOUNT AS OF DECEMBER 31, 2016	**2,474**	**3,428**	**857**	**2,734**	**688**	**377**	**937**	**1,467**	**12,962**

Other tangible fixed assets include in particular the works of art owned by the Group.

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

Translation adjustments arose mainly on property, plant and equipment recognized in US dollars, pounds sterling and Swiss francs, as a result of movements in the exchange rates of those currencies with respect to the euro as of December 31, 2016.

The impact of marking vineyard land to market was 1,828 million euros as of December 31, 2016 (1,797 million euros as of June 30, 2016 and 1,737 million euros as of June 30, 2015). See Notes 1.9 and 1.13 on the measurement method for vineyard land.

The market value of investment property, according to appraisals by independent third parties, was approximately 1.1 billion euros at the level of LVMH as of December 31, 2016. The valuation methods used are based on market data.

7.2. Changes in prior fiscal years

Carrying amount *(EUR millions)*	Vineyard land and producing vineyards	Land and buildings	Investment property	Leasehold improvements, machinery and equipment: Stores	Production, logistics	Other	Assets in progress	Other tangible fixed assets	Total
As of June 30, 2014	**2,369**	**2,712**	**619**	**1,947**	**619**	**386**	**901**	**948**	**10,501**
Acquisitions	4	166	15	530	100	111	586	151	1,663
Disposals and retirements	(1)	(6)	-	-	(3)	(3)	(2)	(2)	(17)
Depreciation expense	(6)	(145)	(3)	(788)	(138)	(133)	-	(71)	(1,284)
Impairment expense	-	(15)	(2)	13	(1)	-	(5)	-	(10)
Change in the market value of vineyard land	(20)	-	-	-	-	-	-	-	(20)
Changes in the scope of consolidation	-	-	-	1	-	-	(6)	1	(4)
Translation adjustment	11	175	32	229	20	30	74	20	591
Other, including transfers	13	210	(95)	352	46	71	(833)	234	(2)
As of June 30, 2015	**2,370**	**3,097**	**566**	**2,284**	**643**	**462**	**715**	**1,281**	**11,418**
Acquisitions	3	235	1	552	105	75	852	252	2,075
Disposals and retirements	-	-	-	(4)	(4)	(1)	-	-	(9)
Depreciation expense	(6)	(161)	(4)	(910)	(133)	(114)	-	(60)	(1,388)
Impairment expense	-	(15)	-	8	-	-	(1)	-	(8)
Change in the market value of vineyard land	64	-	-	-	-	-	-	-	64
Changes in the scope of consolidation	-	39	-	1	-	2	(1)	-	41
Translation adjustment	(5)	(42)	(5)	(10)	(10)	(1)	(4)	(4)	(81)
Other, including transfers	10	117	11	530	75	(64)	(619)	(66)	(6)
AS OF JUNE 30, 2016	**2,436**	**3,270**	**569**	**2,451**	**676**	**359**	**942**	**1,403**	**12,106**

Purchases of property, plant and equipment in the fiscal years ended June 30, 2016 and June 30, 2015 included investments by Louis Vuitton, Christian Dior Couture, Sephora, DFS, Bvlgari and Berluti in their retail networks; investments by the champagne houses in their production equipment; investments by Parfums Christian Dior in new counters; and investments in real estate for administrative use, sales operations or rental purposes.

NOTE 8 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

(EUR millions)	December 31, 2016 Gross	Impairment	Net	Of which joint arrangements	June 30, 2016 Net	Of which joint arrangements	June 30, 2015 Net	Of which joint arrangements
Share of net assets of joint ventures and associates at beginning of period	*753*	*-*	*753*	*354*	521	*354*	497	*342*
Share of net profit (loss) for the period	1	-	1	*4*	(1)	*(1)*	(3)	*2*
Dividends paid	(10)	-	(10)	*(8)*	(14)	-	(21)	*(11)*
Changes in the scope of consolidation	-	-	-	-	239	-	7	-
Capital increases subscribed	3	-	3	*3*	-	-	15	*9*
Translation adjustment	9	-	9	*1*	(2)	*(2)*	12	*9*
Other, including transfers	8	-	8	*1*	10	*3*	14	*3*
SHARE OF NET ASSETS OF JOINT VENTURES AND ASSOCIATES AS OF PERIOD-END	*764*	*-*	*764*	*355*	753	*354*	521	*354*

As of December 31, 2016, investments in joint ventures and associates consisted primarily of:

- for joint arrangements:
  - a 50% stake in the Château Cheval Blanc wine estate (Gironde, France), which produces the eponymous Saint-Émilion Grand Cru Classé A,
  - a 50% stake in De Beers Diamond Jewellers, whose network of boutiques sells the De Beers brand of jewelry;
- for other companies:
  - a 40% stake in Mongoual SA, the real estate company that owns the office building in Paris (France) serving as the head office of LVMH Moët Hennessy - Louis Vuitton,
  - a 45% stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports,
  - a 46% stake in JW Anderson, a London-based ready-to-wear brand,
  - a 42% stake in Repossi, an Italian jewelry brand, acquired in November 2015,
  - a 40% stake in L Catterton Management, an investment fund management company created in December 2015 in partnership with Catterton.

NOTE 9 – NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	December 31, 2016 Gross	Impairment	Net	June 30, 2016 Net	June 30, 2015 Net
TOTAL	**1,000**	**(250)**	**750**	**651**	**632**

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

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
At beginning of period	**651**	**632**	**7,200**
Acquisitions	20	185	38
Disposals at net realized value	(31)	(46)	(179)
Distributions in kind of Hermès shares	-	-	(6,785)
Changes in market value	35	(80)	388
Changes in impairment	(16)	(28)	(10)
Changes in the scope of consolidation	67	-	-
Translation adjustment	24	6	55
Reclassifications	-	(18)	(75)
TOTAL AT END OF PERIOD	**750**	**651**	**632**

As of December 31, 2016, the impact of changes in the scope of consolidation corresponded to the stake in G-III Apparel Group received as partial payment of the selling price of Donna Karan International (see Note 2).

As of June 30, 2016, the fiscal year's acquisitions included the 120 million euro impact of non-current available for sale financial assets used to hedge cash-settled LVMH convertible bonds issued during the period. See Note 19.

As of June 30, 2014, non-current available for sale assets mainly included an investment in Hermès International SCA ("Hermès") of a gross and net amount of 6,595 million euros (6,039 million euros as of June 30, 2013), corresponding to a Hermès share price of 269.50 euros. This investment was distributed to shareholders of LVMH and Christian Dior during the fiscal year ended June 30, 2015, pursuant to the terms of the agreement entered into on September 2, 2014 by Hermès International as the party of the first part and LVMH, Christian Dior and Financière Jean Goujon as the parties of the second part, which provided for the distribution by LVMH to its shareholders of all of its Hermès shares, i.e. 24,473,545 shares representing 23.18% of the share capital and 16.56% of the voting rights of Hermès. Christian Dior, which as of the date of the distribution held 40.9% of LVMH's share capital through its wholly owned subsidiary Financière Jean Goujon, also agreed to distribute the Hermès shares received from LVMH to its own shareholders.

LVMH and Christian Dior distributed the Hermès shares to their shareholders on December 17, 2014, in the form of exceptional distributions in kind. LVMH SE decided at its Combined Shareholders' Meeting of November 25, 2014 on a distribution in kind of 2 Hermès shares for every 41 LVMH shares. Christian Dior decided at its Combined Shareholders' Meeting of December 9, 2014 on a distribution in kind of 1 Hermès share for every 24 Christian Dior shares and at its Board of Directors meeting of December 11, 2014 on an interim dividend in kind of 3 Hermès shares for every 200 Christian Dior shares.

The amount of the distributions in kind carried out by the Group, 6.9 billion euros, was determined on the basis of the opening Hermès share price on December 17, 2014, which was 280.10 euros. Because fractional shares were made neither tradable nor assignable, shareholders whose allocation based on the distribution ratio was not a whole number of Hermès shares received the next lower whole number of Hermès shares, plus a cash equalization payment.

After the distributions of Hermès shares to the shareholders, the Group's remaining stake in Hermès, corresponding to shares not distributed in respect of remainders and fractional shares, was reclassified under current available for sale financial assets and sold before June 30, 2015.

The impact of the Hermès share distributions on consolidated equity as of June 30, 2015 was as follows:

	Impacts on equity, of which:					
	Revaluation reserves as of June 30, 2014	**Profit**	**Other reserves**	**Total**	**Group share**	**Minority interests**
Distributions in kind of Hermès shares	(2,948)	3,193 [(a)]	(6,855)	(6,610)	(2,737)	(3,873)
Related tax [(b)]	191	(570)	-	(379)	(157)	(222)
NET	**(2,757)**	**2,623**	**(6,855)**	**(6,989)**	**(2,894)**	**(4,095)**

(a) See also Note 27.
(b) Including the impact of the 3% tax on dividends paid by Group companies. See Note 28.

The net impact on consolidated equity was a reduction of 7.0 billion euros, corresponding to the value of the Hermès stake as of June 30, 2014, plus the tax impacts resulting from this distribution. The gain (excluding tax impacts) recorded in the income statement was 3.2 billion euros, corresponding to the difference between the value of the stake as measured using the Hermès opening share price on December 17, 2014, i.e. 6.9 billion euros, and the total cost price of the shares for accounting purposes, which is 3.7 billion euros (2.7 billion euros in cash after deduction of the gain recognized in 2010 on the unwinding of equity-linked swaps covering 12.8 million shares).

See Note 17.1 regarding the impact of the distribution of Hermès shares on stock option and similar plans.

The market value of non-current available for sale financial assets is determined using the methods described in Note 1.9. See also Note 23.2 for the breakdown of these assets according to the measurement methods used. Impairment of non-current available for sale financial assets is determined in accordance with the accounting policies described in Note 1.15.

Non-current available for sale financial assets held by the Group as of December 31, 2016 include the following:

(EUR millions)	**Ownership interest**	**Net value**	**Revaluation reserves**	**Dividends received** (6 months)
G-III Apparel Group (United States)	5.4%	73	2	-
Hengdeli Holdings Ltd (China)	6.3%	42	10	-
Tod's S.p.A. (Italy)	3.2%	66	19	2
L Real Estate SCA (Luxembourg)	32.2%	160	65	-
Non-current available for sale financial assets used to hedge financial debt [(a)]	n.a.	131	-	-
Other investments		278	15	2
TOTAL		**750**	**111**	**4**

(a) See Note 19.1.
n.a.: not applicable.

Other investments mainly include shares in unlisted investment funds.

NOTE 10 – OTHER NON-CURRENT ASSETS

(EUR millions)	**Dec. 31, 2016**	**June 30, 2016**	**June 30, 2015**
Warranty deposits	342	334	309
Derivatives (see Note 23)	168	147	66
Loans and receivables	287	196	158
Other	26	34	28
TOTAL	**823**	**711**	**561**

The increase in loans and receivables includes the vendor loan granted to G-III Apparel Group as part of the sale of Donna Karan International (see Note 2).

NOTE 11 – INVENTORIES AND WORK IN PROGRESS

	December 31, 2016			June 30, 2016	June 30, 2015
(EUR millions)	Gross	Impairment	Net	Net	Net
Wines and eaux-de-vie in the process of aging	4,292	(11)	4,281	4,228	4,089
Other raw materials and work in progress	1,660	(390)	1,270	1,324	1,301
	5,952	**(401)**	**5,551**	**5,552**	**5,390**
Goods purchased for resale	2,066	(213)	1,853	1,682	1,568
Finished products	4,403	(878)	3,525	3,819	3,746
	6,469	**(1,091)**	**5,378**	**5,501**	**5,314**
TOTAL	**12,421**	**(1,492)**	**10,929**	**11,053**	**10,704**

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

	December 31, 2016 (6 months)			June 30, 2016 (12 months)	June 30, 2015 (12 months)
(EUR millions)	Gross	Impairment	Net	Net	Net
At beginning of period	**12,510**	**(1,457)**	**11,053**	**10,704**	**9,593**
Change in gross inventories	33	-	33	847	670
Impact of provision for returns [(a)]	3	-	3	(7)	13
Impact of marking harvests to market	(20)	-	(20)	(15)	(9)
Changes in provision for impairment	-	(194)	(194)	(417)	(300)
Changes in the scope of consolidation	(63)	1	(62)	1	(3)
Translation adjustment	130	(14)	116	(60)	740
Other, including reclassifications	(172)	172	-	-	-
AT END OF PERIOD	**12,421**	**(1,492)**	**10,929**	**11,053**	**10,704**

(a) See Note 1.25.

Translation adjustments arose mainly on inventories denominated in US dollars, pounds sterling and Swiss francs, as a result of fluctuations in the exchange rates of those currencies with respect to the euro during the fiscal year.

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

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Impact of marking the period's harvest to market	-	19	23
Impact of inventory sold during the period	(20)	(34)	(32)
NET IMPACT ON COST OF SALES OF THE PERIOD	**(20)**	**(15)**	**(9)**
NET IMPACT ON THE VALUE OF INVENTORY AS OF PERIOD-END	**131**	**151**	**166**

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

NOTE 12 – TRADE ACCOUNTS RECEIVABLE

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Trade accounts receivable, nominal amount	3,085	2,506	2,456
Provision for impairment	(71)	(74)	(72)
Provision for product returns [(a)]	(229)	(195)	(211)
NET AMOUNT	**2,785**	**2,237**	**2,173**

(a) See Note 1.25.

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

	December 31, 2016 (6 months)			June 30, 2016 (12 months)	June 30, 2015 (12 months)
(EUR millions)	Gross	Impairment	Net	Net	Net
At beginning of period	**2,311**	**(74)**	**2,237**	**2,173**	**2,008**
Changes in gross receivables	534	-	534	(55)	15
Changes in provision for impairment	-	3	3	(3)	(7)
Changes in provision for product returns [(a)]	(32)	-	(32)	10	(33)
Changes in the scope of consolidation	(13)	-	(13)	135	15
Translation adjustment	50	(1)	49	(35)	172
Reclassifications	6	1	7	12	3
AT END OF PERIOD	**2,856**	**(71)**	**2,785**	**2,237**	**2,173**

(a) See Note 1.25.

The trade accounts receivable balance is comprised essentially of receivables from wholesalers or agents, who are limited in number and with whom the Group maintains ongoing relationships for the most part. Credit insurance is taken out where justified by the likelihood that receivables may not be recoverable.

As of December 31, 2016, 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	2,567	(14)	2,553
More than 3 months	147	(5)	142
	2,714	**(19)**	**2,695**
Overdue			
Less than 3 months	228	(10)	218
More than 3 months	143	(42)	101
	371	**(52)**	**319**
TOTAL	**3,085**	**(71)**	**3,014**

For each of the fiscal years presented, no single customer accounted for more than 10% of the Group's consolidated revenue.

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

NOTE 13 – OTHER CURRENT ASSETS

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Current available for sale financial assets (See Note 14)	374	351	257
Derivatives (see Note 23)	271	296	394
Tax accounts receivable, excluding income taxes	661	610	524
Advances and payments on account to vendors	203	125	142
Prepaid expenses	400	434	403
Other receivables	543	502	456
TOTAL	**2,452**	**2,318**	**2,176**

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

NOTE 14 – CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Unlisted securities, shares in non-money-market SICAVs and funds	-	-	-
Listed securities and term deposits	374	351	257
TOTAL	**374**	**351**	**257**
Of which: historical cost of current available for sale financial assets	351	429	272

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

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
At beginning of period	**351**	**257**	**184**
Acquisitions	36	278	256
Disposals at net realized value	(73)	(150)	(267)
Changes in market value	60	(52)	7
Changes in impairment	-	-	7
Reclassifications	-	18	70
Translation adjustment	-	-	-
AT END OF PERIOD	**374**	**351**	**257**

The market value of current available for sale financial assets is determined using the methods described in Note 1.9. See also Note 1.15 for the method used to determine impairment losses on current available for sale financial assets, and Note 23.2 for the breakdown of those assets according to the measurement methods used.

NOTE 15 – CASH FLOW STATEMENT

15.1 Cash and cash equivalents

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Term deposits (less than 3 months)	530	473	516
SICAV and FCP money market funds	668	457	325
Ordinary bank accounts	2,574	2,105	1,930
CASH AND CASH EQUIVALENTS PER BALANCE SHEET	**3,772**	**3,035**	**2,771**

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

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Cash and cash equivalents	3,772	3,035	2,771
Bank overdrafts	(217)	(219)	(452)
NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT	**3,555**	**2,816**	**2,319**

15.2. Change in working capital

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

(EUR millions)	*Notes*	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Change in inventories and work in progress	*11*	(33)	(847)	(670)
Change in trade accounts receivable [(a)]	*12*	(509)	51	(12)
Change in trade accounts payable	*22.1*	506	146	209
Change in other receivables and payables		591	71	5
Change in working capital [(b)]		**555**	**(579)**	**(468)**

(a) Including a positive impact of 25 million euros related to amounts owed to customers (negative impact of 4 million euros as of June 30, 2016 and positive impact of 3 million euros as of June 30, 2015).
(b) Increase/(Decrease) in cash and cash equivalents.

15.3. Operating investments

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

(EUR millions)	*Notes*	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Purchase of intangible fixed assets	*4*	(258)	(413)	(354)
Purchase of tangible fixed assets [(a)]	*7*	(1,449)	(2,075)	(1,663)
Deduction of purchase under finance lease		158	46	-
Changes in accounts payable related to fixed asset purchases		96	173	104
Net cash used in purchases of fixed assets		**(1,453)**	**(2,269)**	**(1,913)**
Net cash from fixed asset disposals		2	28	10
Guarantee deposits paid and other cash flows related to operating investments		(16)	(1)	(44)
OPERATING INVESTMENTS [(b)]		**(1,467)**	**(2,242)**	**(1,947)**

(a) Including finance lease acquisitions.
(b) Increase/(Decrease) in cash and cash equivalents.

NOTE 16 – EQUITY

16.1 Share capital and share premium account

As of December 31, 2016, the share capital consisted of 180,507,516 fully paid-up shares (180,507,516 as of June 30, 2016 and 2015), with a par value of 2 euros per share, including 126,618,532 shares with double voting rights (126,302,864 as of June 30, 2016 and 126,090,731 as of June 30, 2015). Double voting rights are attached to registered shares held for more than three years.

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

	December 31, 2016				June 30, 2016	June 30, 2015
				Amount	Amount	Amount
(EUR millions)	Number of shares	Share Capital	Share premium account	Total	Total	Total
At beginning of period	**180,507,516**	**361**	**194**	**555**	**555**	**2,568**
Distributions in kind of Hermès shares [(a)]	-	-	-	-	-	(1,848)
Retirement of shares	-	-	-	-	-	(165)
AT END OF PERIOD	**180,507,516**	**361**	**194**	**555**	**555**	**555**

(a) See Note 9.

16.2. Christian Dior treasury shares

The portfolio of Christian Dior shares, and their allocation, is as follows:

	December 31, 2016		June 30, 2016	June 30, 2015
(number of shares or EUR millions)	Number	Amount	Amount	Amount
Share purchase option plans	795,679	61	66	88
Bonus share and performance share plans	251,720	36	34	22
Future plans	44,219	7	9	6
Shares pending retirement	-	-	-	-
CHRISTIAN DIOR SHARES	**1,091,618**	**104**	**109**	**116**

The portfolio movements of Christian Dior shares during the fiscal year ended December 31, 2016 were as follows:

(EUR millions)	Number of shares	Amount	Impact on cash
As of June 30, 2016	**1,188,053**	**109**	**-**
Share purchases	51,591	10	(10)
Exercise of share purchase options	(61,213)	(5)	5
Vested bonus shares and performance shares	(86,813)	(10)	-
Retirement of shares	-	-	-
AS OF DECEMBER 31, 2016	**1,091,618**	**104**	**(5)**

16.3. Dividends paid by the parent company, Christian Dior

In accordance with French regulations, dividends are taken from the profit for the fiscal year and the distributable reserves of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares. As of December 31, 2016, the distributable amount was 2,484 million euros; after taking into account the proposed dividend distribution in respect of the fiscal year ended December 31, 2016, it was 2,231 million euros.

(EUR millions, except for data per share in EUR)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
Interim dividend for the current fiscal year (June 30, 2016: 1.35 euros; June 30, 2015: 1.25 euros)	-	244	226
Distribution in kind of Hermès shares [(a)]	-	-	751
Impact of treasury shares	-	(2)	(2)
Gross amount disbursed for the fiscal year	**-**	**242**	**975**
Final dividend for the previous fiscal year (June 30, 2016: 2.20 euros; June 30, 2015: 1.95 euros; June 30, 2014: 1.90 euros)	397	352	345
Distribution in kind of Hermès shares	-	-	2,088
Impact of treasury shares	(2)	(3)	(5)
Gross amount disbursed for the previous fiscal year	**395**	**349**	**2,428**
TOTAL GROSS AMOUNT DISBURSED DURING THE PERIOD [(b)]	**395**	**591**	**3,403**

(a) See Note 9.
(b) Excludes the impact of tax regulations applicable to the recipients.

The cash dividend for the fiscal year ended December 31, 2016, as proposed at the Shareholders' Meeting of April 13, 2017, is 1.40 euros per share, for a total of 253 million euros before deducting the amount attributable to treasury shares held at the ex-dividend date.

16.4. Cumulative translation adjustment

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

(EUR millions)	**Dec. 31, 2016**	**Change** (6 months)	**June 30, 2016**	**June 30, 2015**
US dollar	198	36	162	154
Swiss franc	316	15	301	340
Japanese yen	29	(6)	35	52
Hong Kong dollar	232	37	195	173
Pound sterling	(38)	(12)	(26)	31
Other currencies	(4)	16	(20)	14
Foreign currency net investment hedges [(a)]	(213)	(7)	(206)	(210)
TOTAL, GROUP SHARE	**520**	**79**	**441**	**554**

(a) Including -70 million euros with respect to the US dollar and -56 million euros with respect to the Hong Kong dollar as of December 31, 2016.

16.5. Strategy relating to the Group's financial structure

The Group believes that the management of its financial structure, together with the development of the companies it owns and the management of its brand portfolio, helps create value for its shareholders. Maintaining a suitable-quality credit rating is a core objective for the Group, ensuring good access to markets under favorable conditions, which allows it to seize opportunities and procure the resources it needs to develop its business.

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

- net financial debt (see Note 19) to equity;
- cash from operations before changes in working capital to net financial debt;
- net cash from operations before changes in working capital;
- net cash from operating activities and operating investments (free cash flow);
- long-term resources to fixed assets;
- proportion of long-term debt in net financial debt.

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

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

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

NOTE 17 – STOCK OPTION AND SIMILAR PLANS

17.1. General characteristics of plans

Share purchase option plans

The Shareholders' Meeting of December 6, 2016 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in February 2019, to grant share subscription or share purchase options to employees or executives of Group companies, on one or more occasions, in an amount not to exceed 1% of the Company's share capital as of the date of the authorization.

Each purchase plan has a term of ten years. Provided the conditions set by the plan are met, options may be exercised, depending on the plan, after a four-year period from the plan's commencement date.

No share purchase option plans have been set up since 2010.

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

Bonus share and performance share plans

The Shareholders' Meeting of December 1, 2015 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in January 2018, to award bonus shares to employees and/or executive company officers of Group companies, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

For plans earlier than November 30, 2015, including those set up between 2012 and 2014, shares vest after a three-year period for French tax residents. Shares may be freely transferred or sold only after an additional two-year holding period. Bonus shares awarded to recipients who are not French residents for tax purposes vest after a period of four years and become freely transferable at that time.

For plans later than November 30, 2015, bonus shares awarded to all recipients, irrespective of their residence for tax purposes, vest after a three-year vesting period, provided certain conditions are met.

The plans combine awards of bonus shares and of performance shares in proportions determined in accordance with the recipient's level in the hierarchy and status.

Performance conditions

The majority of the Group's share purchase option plans and bonus share plans are subject to performance conditions that determine vesting.

Performance shares/options granted under pre-2014 plans are allowed to vest only if Christian Dior's consolidated financial statements for the calendar year in which the plan was set up (calendar year "Y") and year Y+1 show a positive change compared to calendar year Y-1 in relation to one or more of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, and current operating margin.

Since 2012, Christian Dior's fiscal year has not corresponded to the calendar year. For this reason, changes in these indicators are henceforth to be determined on the basis of the pro forma financial statements as of December 31 of each calendar year concerned.

For the October 16, 2014 plan, performance shares only vest if Christian Dior's consolidated financial statements for the 2015 calendar year show a positive change compared to calendar year 2014 in relation to one or more of the indicators mentioned above. This condition was satisfied.

For the plans set up since December 1, 2015, performance shares only vest if Christian Dior's consolidated financial statements for calendar years Y+1 and Y+2 after the year the plan was set up show a positive change compared to calendar year Y with respect to one or more of the indicators mentioned above.

The following table shows:

- the plans for which there were options outstanding or non-vested bonus shares at the end of the fiscal years presented;
- the calendar years used to assess the performance indicators for each of the plans concerned.

Plan commencement date	Type of plan	Shares/options awarded if there is a positive change in one of the indicators between calendar years
May 14, 2009	Share purchase option plan	2009 and 2008; 2010 and 2008
April 5, 2012	Bonus shares	2012 and 2011; 2013 and 2011
July 25, 2013	"	2013 and 2012; 2014 and 2012
October 16, 2014	"	2015 and 2014
December 1, 2015	"	2016 and 2015; 2017 and 2015
December 6, 2016	"	2017 and 2016; 2018 and 2016

Exercise of such options does not lead to any dilution for shareholders, since they are allocations of existing shares.

Impacts of the distributions in kind of Hermès shares (see Note 9) on stock option and similar plans

As a result of the distributions in kind in the form of Hermès International shares decided upon at the Combined Shareholders' Meeting of December 9, 2014 and by the Board of Directors on December 11, 2014, and to preserve (i) the rights of share purchase option recipients and (ii) the rights of bonus and performance share recipients, the exercise price and the number of options granted that had not been exercised as of December 17, 2014 were adjusted as of that date and the number of bonus and performance shares still in the vesting period was adjusted on December 17, 2014, in both cases as provided by law.

Thus, the quantities of Christian Dior share purchase options and bonus shares concerned were increased by 8.8%, while the exercise price of those options was reduced by 8.1%.

Since these adjustments only had the objective of maintaining the gain obtained by the recipients at the level attained prior to the distribution, they had no effect on the consolidated financial statements.

17.2. Share purchase option plans

The following table presents the main characteristics of the share purchase option plans and any changes that occurred during the fiscal year:

Plan commencement date	Number of options granted (a)	Exercise price *(EUR)*	Vesting period of rights	Number of options exercised in the fiscal year	Number of options expired in the fiscal year	Number of options outstanding as of Dec. 31, 2016
January 31, 2007	506,101	78.11	4 years	58,613	-	244,936
May 15, 2008	513,167	67.31	4 years		-	332,415
May 14, 2009 (b)	351,912	47.88	4 years	2,600	-	218,328
TOTAL	**1,371,180**			**61,213**	**-**	**795,679**

(a) After adjusting for the distributions in kind of Hermès shares. See Notes 9 and 17.1.
(b) Plan subject to performance conditions. See Note 17.1 General characteristics of plans.

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

	December 2016		June 2016		June 2015	
(EUR millions)	**Number**	**Weighted average exercise price** *(EUR)*	**Number**	**Weighted average exercise price** *(EUR)*	**Number**	**Weighted average exercise price** *(EUR)*
Share purchase options outstanding at beginning of period	856,892	66.13	1,163,198	66.12	1,428,450	69.22
Options exercised before the distributions in kind of Hermès shares	-	-	-	-	(128,022)	75.41
Adjustments to outstanding options because of the distributions in kind of Hermès shares:						
• Exercise price:	-	-	-	-	1,300,428	(5.56)
• Quantity:	-	-	-	-	114,671	63.06
Options expired	-	-	-	-	-	-
Options exercised after the distributions in kind of Hermès shares	(61,213)	76.83	(306,306)	66.09	(251,901)	48.92
Share purchase options outstanding at end of period	795,679	65.30	856,892	66.13	1,163,198	66.12

17.3. Bonus share and performance share plans

The following table presents the main characteristics of the bonus/performance share plans and any changes that occurred during the fiscal year:

Plan commencement date	Number of shares awarded initially [a]	Of which: performance shares [a][b]	Calendar years to which performance conditions apply	Conditions satisfied?	Vesting period of rights	Shares vested as of Dec. 31, 2016	Shares expired as of Dec. 31, 2016	Non-vested shares as of Dec. 31, 2016
July 25, 2013	96,286	89,757	2013 and 2014	yes	3 [c] or 4 [d] years	86,813	-	8,758
October 16, 2014	103,600	97,071	2015	yes	3 [c] or 4 [d] years	-	-	103,600
December 1, 2015	69,511	64,511	2016 and 2017	[e]	3 years	-	-	69,511
December 6, 2016	69,851	64,851	2017 and 2018	[e]	3 years	-	-	69,851
TOTAL	**339,248**	**316,190**				**86,813**	**-**	**251,720**

(a) After adjusting for the distributions in kind of Hermès shares. See Notes 9 and 17.1.
(b) See Note 17.1 General characteristics of plans.
(c) Recipients with tax residence in France.
(d) Recipients with tax residence outside France.
(e) The performance conditions were considered to have been met for the purpose of determining the expense for the fiscal year.

The number of non-vested shares awarded changed as follows during the fiscal year:

(number of shares)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Non-vested shares at beginning of period	**268,682**	**202,419**	**184,039**
Non-vested shares during the fiscal year	69,851	69,511	95,185
Adjustments for the distributions in kind of Hermès shares [(a)]	-	-	24,379
Shares vested during the period	(86,813)	(3,248)	(99,703)
Shares expired during the period	-	-	(1,481)
NON-VESTED SHARES AT END OF PERIOD	**251,720**	**268,682**	**202,419**

(a) See Note 9.

17.4. Expense for the fiscal year

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Expense for the fiscal year relating to purchase options and the allocation of Christian Dior bonus shares and performance shares	5	10	9
Expense for the fiscal year relating to share subscription options and the allocation of LVMH bonus shares and performance shares	20	39	38
EXPENSE FOR THE FISCAL YEAR	**25**	**49**	**47**

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

For LVMH

The LVMH share price on the day before the grant date of the plans was 167.35 euros for the plan dated October 20, 2016.

The unit value of non-vested bonus shares awarded under this plan was 155.10 euros.

For Christian Dior

The Christian Dior share price on the day before the grant date of the plan dated December 6, 2016 was 188.40 euros.

The average unit value of non-vested bonus shares awarded under this plan was 173.99 euros.

NOTE 18 – MINORITY INTERESTS

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
At beginning of period	**17,062**	**16,047**	**18,367**
Minority interests' share of net profit	1,666	2,595	3,787
Dividends paid to minority interests	(471)	(1,307)	(1,215)
Distributions in kind of Hermès shares	-	-	(4,016)
Impact of changes in control of consolidated entities:	(7)	27	-
Impact of acquisition and disposal of minority interests' shares:			
• Movements in LVMH SE share capital and treasury shares	(253)	22	30
• Other movements	(2)	(1)	1
Total impact of changes in ownership interests in consolidated entities	**(262)**	**48**	**31**
Capital increases subscribed by minority interests	35	92	6
Minority interests' share in gains and losses recognized in equity	301	(208)	(827)
Minority interests' share in stock option plan expenses	13	24	23
Impact of changes in minority interests with purchase commitments	(98)	(229)	(109)
AT END OF PERIOD	**18,246**	**17,062**	**16,047**

The change in minority interests' share in gains and losses recognized in equity, including the tax impact, breaks down as follows:

(EUR millions)	Cumulative translation adjustment	Available for sale financial assets	Hedges of future foreign currency cash flows	Vineyard land	Revaluation adjustments of employee benefits	Total share of minority interests
As of June 30, 2014	**(13)**	**1,730**	**15**	**763**	**(17)**	**2,478**
Changes for the fiscal year	886	(1,638)	(4)	(6)	(65)	(827)
Changes due to LVMH SE treasury shares	-	1	-	1	-	2
As of June 30, 2015	**873**	**93**	**11**	**758**	**(82)**	**1,653**
Changes for the fiscal year	(128)	(84)	(4)	28	(20)	(208)
Changes due to LVMH SE treasury shares	1	-	-	1	-	2
As of June 30, 2016	**746**	**9**	**7**	**787**	**(102)**	**1,447**
Changes for the fiscal year	159	65	(2)	91	(12)	301
Changes due to LVMH SE treasury shares	(1)	-	-	(1)	-	(2)
AS OF DECEMBER 31, 2016	**904**	**74**	**5**	**877**	**(114)**	**1,746**

Minority interests are essentially composed of LVMH SE shareholders excluding Christian Dior SE's controlling interest, i.e. shareholders owning 59% of LVMH SE.

Minority interests also include Diageo's 34% stake in Moët Hennessy and the 39% stake held by Robert Miller in DFS, which is part of the Selective Retailing business group. Diageo's stake in Moët Hennessy may be assessed using the revenue, operating profit and core assets of the Wines and Spirits business group, which are presented in Note 24. Since the 34% stake held by Diageo in Moët Hennessy is subject to a purchase commitment, it is reclassified at year-end under Other non-current liabilities and is therefore excluded from the total amount of minority interests at the fiscal year-end date. See Notes 1.12 and 21.

NOTE 19 – BORROWINGS

19.1 Net financial debt

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Long-term borrowings	5,241	5,453	6,130
Short-term borrowings	3,854	4,918	4,425
Gross borrowings	**9,095**	**10,371**	**10,555**
Interest rate risk derivatives	(65)	(86)	(49)
Gross borrowings after derivatives	**9,030**	**10,285**	**10,506**
Current available for sale financial assets [(a)]	(374)	(351)	(257)
Non-current available for sale financial assets used to hedge financial debt [(b)]	(131)	(122)	-
Cash and cash equivalents [(c)]	(3,772)	(3,035)	(2,771)
NET FINANCIAL DEBT	**4,753**	**6,777**	**7,478**

(a) See Note 14.
(b) See Note 9.
(c) See Note 15.1.

During the fiscal year ended December 31, 2016, LVMH redeemed a 650 million euro bond issued in 2013 and 2014.

During the previous fiscal year, in February 2016 LVMH issued exclusively cash-settled five-year convertible bonds with a total face value of 600 million US dollars; a 150 million US dollar tap issue was carried out in April 2016. These bonds, which were issued at 103% and 104.27% of their face value, respectively, are redeemable at par (if they are not converted) and do not bear interest.

In addition to these issues, LVMH subscribed to financial instruments with the same maturity, enabling it to fully hedge its exposure to any positive or negative changes in the share price. This set of transactions, involving euro-denominated swaps, provides the Group with the equivalent of traditional euro-denominated bond financing at an advantageous cost.

As provided by applicable accounting policies, the optional components of convertible bonds and financial instruments subscribed for hedging purposes are recorded under "Derivatives" (see Note 23), with hedging instruments other than these optional components recorded under "Non-current available for sale financial assets" (see Note 9). Given their connection to the bonds issued, hedging instruments are presented as deducted from gross financial debt in calculating net financial debt, and their impact on cash and cash equivalents is presented under "Financing activities" in the cash flow statement.

During the second half of the fiscal year ended June 30, 2016, Christian Dior issued a 350 million euro fixed-rate bond maturing in June 2021. These bonds were issued at 99.90% of their face value and are redeemable at par. The coupon rate is 0.75% per year. During the same period, Christian Dior repaid a 300 million euro bond issued in 2011.

Net financial debt does not take into consideration purchase commitments for minority interests' shares, which are classified as "Other non-current liabilities" (see Note 21).

19.2. Analysis of gross borrowings

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Bonds and Euro Medium-Term Notes (EMTNs)	4,322	4,723	5,390
Finance and other long-term leases	342	166	129
Bank borrowings	577	564	611
LONG-TERM BORROWINGS	**5,241**	**5,453**	**6,130**
Bonds and Euro Medium-Term Notes (EMTNs)	1,377	1,636	299
Finance and other long-term leases	10	17	8
Bank borrowings	425	375	608
Commercial paper	1,204	2,202	2,432
Other borrowings and credit facilities	588	441	595
Bank overdrafts	217	219	452
Accrued interest	33	28	31
SHORT-TERM BORROWINGS	**3,854**	**4,918**	**4,425**
TOTAL GROSS BORROWINGS	**9,095**	**10,371**	**10,555**

The market value of gross borrowings, based on market data and commonly used valuation models, was 9,128 million euros as of December 31, 2016 (10,495 million euros as of June 30, 2016 and 10,700 million euros as of June 30, 2015), including 3,852 million euros in short-term borrowings and 5,276 million euros in long-term borrowings.

As of December 31, 2016, as well as June 30, 2016 and 2015, no financial debt was recognized using the fair value option. See Note 1.20.

19.3. Bonds and EMTNs

Nominal amount *(in currency)*	Date of issuance	Maturity	Initial effective interest rate [(b)] *(as %)*	Dec. 31, 2016 *(EUR millions)*	June 30, 2016 *(EUR millions)*	June 30, 2015 *(EUR millions)*
USD 750,000,000 [(a)]	2016	2021	1.92	682	642	-
EUR 350,000,000	2016	2021	0.86	348	349	-
EUR 650,000,000	2014	2021	1.12	670	676	649
AUD 150,000,000	2014	2019	3.68	103	103	103
EUR 500,000,000	2014	2019	1.56	498	497	497
EUR 300,000,000	2014	2019	Floating	300	300	300
GBP 350,000,000	2014	2017	1.83	413	429	495
EUR 600,000,000	2013	2020	1.89	608	610	597
EUR 650,000,000 [(c)]	2013	2016	Floating	-	650	650
EUR 600,000,000 [(d)]	2013	2019	1.25	608	610	607
USD 850,000,000	2012	2017	1.75	811	773	765
EUR 500,000,000	2011	2018	4.08	505	506	510
EUR 300,000,000	2011	2016	4.22	-	-	299
EUR 150,000,000	2009	2017	4.81	153	155	159
Other placements in foreign currency				-	59	58
TOTAL BONDS AND EMTNS				**5,699**	**6,359**	**5,689**

(a) Cumulative amounts and weighted average initial effective interest rate based on a 600 million US dollar bond issued in February 2016 at an initial effective interest rate of 1.96% and a 150 million dollar tap issue carried out in April 2016 at an effective interest rate of 1.74%. These yields were determined excluding the option component.
(b) Before the impact of interest-rate hedges implemented when or after the bonds were issued.
(c) Cumulative amounts based on a 500 million euro floating-rate bond issued in 2013 and a 150 million euro floating-rate tap issue carried out in 2014.
(d) Cumulative amounts and weighted average initial effective interest rate based on a 500 million euro bond issued in 2013 at an initial effective interest rate of 1.38% and a 100 million euro tap issue carried out in 2014 at an effective interest rate of 0.62%.

19.4. Finance and other long-term leases

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

	December 31, 2016		June 30, 2016		June 30, 2015	
(EUR millions)	Minimum future payments	Present value of payments	Minimum future payments	Present value of payments	Minimum future payments	Present value of payments
Less than one year	31	23	24	17	18	13
One to five years	116	83	87	59	59	39
More than five years	790	246	361	107	342	85
Total minimum future payments	**937**		**472**		**419**	
Impact of discounting	(585)		(289)		(282)	
TOTAL DEBT UNDER FINANCE AND OTHER LONG-TERM LEASE AGREEMENTS	**352**	**352**	**183**	**183**	**137**	**137**

Most of the assets financed or refinanced under finance or other long-term leases are property assets or manufacturing equipment.

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

	Gross borrowings			Impact of derivatives			Gross borrowings after derivatives		
(EUR millions)	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
Maturity									
As of December 31, 2017	3,172	682	3,854	(1,365)	1,350	(15)	1,807	2,032	3,839
As of December 31, 2018	591	113	704	-	(4)	(4)	591	109	700
As of December 31, 2019	1,235	602	1,837	(353)	342	(11)	882	944	1,826
As of December 31, 2020	617	30	647	(400)	389	(11)	217	419	636
As of December 31, 2021	1,709	30	1,739	(650)	626	(24)	1,059	656	1,715
As of December 31, 2022	11	-	11	-	-	-	11	-	11
Thereafter	294	9	303	-	-	-	294	9	303
TOTAL	**7,629**	**1,466**	**9,095**	**(2,768)**	**2,703**	**(65)**	**4,861**	**4,169**	**9,030**

See Note 23.4 for the market value of interest rate risk derivatives.

Gross borrowings falling due in 2017 break down as follows by quarter:

(EUR millions)	Maturing in December 2017
First quarter	1,907
Second quarter	1,082
Third quarter	707
Fourth quarter	158
TOTAL	**3,854**

19.6. Analysis of gross borrowings by currency after derivatives

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Euro	6,966	7,928	8,003
US dollar	698	646	258
Swiss franc	633	902	944
Japanese yen	290	298	329
Other currencies	443	511	972
TOTAL	**9,030**	**10,285**	**10,506**

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

19.7. Sensitivity

On the basis of debt as of December 31, 2016:

- an instantaneous increase of 1 point in the yield curves of the Group's debt currencies would raise the cost of net financial debt by 42 million euros after hedging, and would lower the market value of gross fixed-rate borrowings by 106 million euros after hedging;
- an instantaneous decline of 1 point in these same yield curves would lower the cost of net financial debt by 42 million euros after hedging, and would raise the market value of gross fixed-rate borrowings by 106 million euros after hedging.

These changes would have no impact on the amount of equity as of December 31, 2016, due to the absence of hedging of future interest payments.

19.8. Covenants

As is normal practice for syndicated loans, Christian Dior SE has signed commitments to maintain an ownership interest and voting rights in certain subsidiaries.

In connection with certain loan agreements, the Group may undertake to comply with certain covenants. As of December 31, 2016, no significant loan agreements are concerned by those covenants.

19.9. Undrawn confirmed credit lines

As of December 31, 2016, undrawn confirmed credit lines totaled 4.8 billion euros.

19.10. Guarantees and collateral

As of December 31, 2016, borrowings secured by collateral were less than 200 million euros.

NOTE 20 – PROVISIONS

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Provisions for pensions, medical costs and similar commitments	715	741	687
Provisions for contingencies and losses	1,653	1,271	1,642
Provisions for reorganization	18	25	48
Non-current provisions	**2,386**	**2,037**	**2,377**
Provisions for pensions, medical costs and similar commitments	5	4	4
Provisions for contingencies and losses	320	325	303
Provisions for reorganization	29	26	16
Current provisions	**354**	**355**	**323**
TOTAL	**2,740**	**2,392**	**2,700**

During the fiscal year ended December 31, 2016, the changes in provisions were as follows:

(EUR millions)	June 30, 2016	Increases	Amounts used	Amounts released	Changes in the scope of consolidation	Other items [a]	Dec. 31, 2016
Provisions for pensions, medical costs and similar commitments	745	70	(96)	(2)	(1)	4	720
Provisions for contingencies and losses	1,596	561	(112)	(117)	(9)	54	1,973
Provisions for reorganization	51	34	(30)	(2)	(4)	(2)	47
TOTAL	**2,392**	**665**	**(238)**	**(121)**	**(14)**	**56**	**2,740**
Of which:							
Profit from recurring operations		352	(202)	(37)			
Net financial income (expense)		3	-	(56)			
Other		310	(36)	(28)			

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

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes (see Note 32), or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the tax computation and relations with the Group's partners (such as distributors, suppliers and shareholders in subsidiaries).

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

Given the uncertain duration of tax measures favorable to the Group's businesses considered by several countries in which the Group has a significant presence, a provision has been established representing a significant proportion of the increases in provisions for fiscal year 2016.

Provisions for retirement benefit obligations, contribution to medical costs and other employee benefit commitments are analyzed in Note 30.

NOTE 21 – OTHER NON-CURRENT LIABILITIES

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Purchase commitments for minority interests' shares	7,877	7,871	6,823
Derivatives [a]	134	68	12
Employee profit sharing	91	78	79
Other liabilities	407	458	348
TOTAL	**8,509**	**8,475**	**7,262**

(a) See Note 23.

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

As of December 31, 2016 and June 30, 2016 and 2015, purchase commitments for minority interests mainly include the put option granted by LVMH to Diageo plc for its 34% share in Moët Hennessy, with six months' advance notice and for 80% of the fair value of Moët Hennessy at the exercise date of the commitment. With regard to this commitment's valuation, the fair value was determined by applying the share price multiples of comparable firms to Moët Hennessy's consolidated operating results.

Purchase commitments for minority interests' shares also include commitments relating to minority shareholders in Loro Piana (20%) and distribution subsidiaries in various countries, mainly in the Middle East. Put options granted to minority interests in Ile de Beauté (35%) and Heng Long (35%) were exercised during the fiscal year. See Note 2.

NOTE 22 – TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

22.1 Trade accounts payable

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

(EUR millions)	*Notes*	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
At beginning of period		**3,835**	**3,602**	**3,164**
Changes in trade accounts payable	*15.2*	506	146	209
Changes in amounts owed to customers		25	(4)	3
Changes in the scope of consolidation		(31)	125	(9)
Translation adjustment		68	(33)	246
Reclassifications		(19)	(1)	(11)
AT END OF PERIOD		**4,384**	**3,835**	**3,602**

22.2. Other current liabilities

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Derivatives (see Note 23)	208	202	278
Employees and social institutions	1,407	1,121	1,091
Employee profit sharing	103	57	57
Taxes other than income taxes	594	421	390
Advances and payments on account from customers	259	237	171
Deferred payment for tangible and financial non-current assets	625	519	415
Deferred income	251	205	221
Other liabilities	1,175	931	799
TOTAL	**4,622**	**3,693**	**3,422**

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

NOTE 23 – FINANCIAL INSTRUMENTS AND MARKET RISK MANAGEMENT

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

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

The management of foreign exchange and interest rate risk, in addition to transactions involving shares and financial instruments, is centralized at each sub-consolidation level.

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

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

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

The Group's hedging strategy is presented to the Audit Committee. Hedging decisions are made according to a clearly established process that includes regular presentations to the management bodies concerned and detailed documentation.

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

23.2. Financial assets and liabilities recognized at fair value by measurement method

	December 31, 2016			June 30, 2016			June 30, 2015		
(EUR millions)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money market funds)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money market funds)	Available for sale financial assets	Derivatives	Cash and cash equivalents (SICAV and FCP money market funds)
Valuation [(a)] based on:									
Published price quotations	727	-	3,772	601	-	3,035	413	-	2,771
Valuation model based on market data	204	439	-	191	443	-	220	460	-
Private quotations	193	-	-	210	-	-	256	-	-
ASSETS	**1,124**	**439**	**3,772**	**1,002**	**443**	**3,035**	**889**	**460**	**2,771**
Valuation [(a)] based on:									
Published price quotations		-			-			-	
Valuation model based on market data		342			270			290	
Private quotations		-			-			-	
LIABILITIES		**342**			**270**			**290**	

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

Derivatives used by the Group are measured at fair value according to generally accepted models and on the basis of observable market data. The counterparty risk associated with these derivatives (i.e. the credit valuation adjustment) is assessed on the basis of credit spreads from observable market data, as well as on the basis of the derivatives' market value adjusted by flat-rate add-ons depending on the type of underlying and the maturity of the derivative. It was not significant as of December 31, 2016, June 30, 2016 or June 30, 2015.

The amount of financial assets valued on the basis of private quotations changed as follows in the fiscal year ended December 31, 2016:

(EUR millions)	Dec. 31, 2016 (6 months)
At beginning of period	**210**
Acquisitions	15
Disposals (at net realized value)	(25)
Gains and losses recognized in income statement	(17)
Gains and losses recognized in equity	10
Reclassifications	-
AT END OF PERIOD	**193**

23.3. Summary of derivatives

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

(EUR millions)		*Notes*	Dec. 31, 2016	June 30, 2016	June 30, 2015
Interest rate risk					
Assets:	non-current		53	75	45
	current		17	22	16
Liabilities:	non-current		-	-	(1)
	current		(5)	(11)	(11)
		23.4	**65**	**86**	**49**
Foreign exchange risk					
Assets:	non-current		46	45	21
	current		254	268	378
Liabilities:	non-current		(65)	(40)	(11)
	current		(200)	(191)	(266)
		23.5	**35**	**82**	**122**
Other risks					
Assets:	non-current		69	27	-
	current		-	6	-
Liabilities:	non-current		(69)	(28)	-
	current		(3)	-	(1)
		23.6	**(3)**	**5**	**(1)**
TOTAL					
Assets:	non-current	*10*	168	147	66
	current	*13*	271	296	394
Liabilities:	non-current	*21*	(134)	(68)	(12)
	current	*22*	(208)	(202)	(278)
			97	**173**	**170**

23.4. Derivatives used to manage interest rate risk

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

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

Derivatives used to manage interest rate risk outstanding as of December 31, 2016 break down as follows:

	Nominal amounts by maturity				Market value [(a)] [(b)]		
(EUR millions)	**Less than one year**	**One to five years**	**Thereafter**	**Total**	**Fair value hedges**	**Not allocated**	**Total**
Interest rate swaps in euros, floating-rate payer	1,365	1,403	-	2,768	66	-	66
Foreign currency swaps	1,158	122	-	1,280	(1)	-	(1)
Other interest rate risk derivatives	75	190	-	265	-	-	-
TOTAL					**65**	**-**	**65**

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

23.5. Derivatives used to manage foreign exchange risk

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

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

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

Derivatives used to manage foreign exchange risk outstanding as of December 31, 2016 break down as follows:

	Nominal amounts by year of allocation [a]				Market value [b] [c]				
(EUR millions)	**2016**	**2017**	**Thereafter**	**Total**	**Fair value hedges**	**Future cash flow hedges**	**Foreign currency net investment hedges**	**Not allocated**	**Total**
Options purchased									
Put USD	72	44	-	116	-	1	-	-	1
Put HKD	39	-	-	39	-	-	-	-	-
Put GBP	15	4	-	19	1	-	-	-	1
Other	41	-	-	41	-	-	-	-	-
	167	**48**	**-**	**215**	**1**	**1**	**-**	**-**	**2**
Collars									
Written USD	143	4,590	707	5,440	(1)	(38)	-	(1)	(40)
Written JPY	12	896	55	963	-	41	-	-	41
Written GBP	12	168	-	180	2	2	-	1	5
	167	**5,654**	**762**	**6,583**	**1**	**5**	**-**	**-**	**6**
Forward exchange contracts									
USD	232	(2)	-	230	(6)	-	9	-	3
JPY	51	-	-	51	-	-	-	-	-
CHF	19	-	-	19	-	-	-	-	-
Other	238	86	-	324	(2)	-	-	(2)	(4)
	540	**84**	**-**	**624**	**(8)**	**-**	**9**	**(2)**	**(1)**
Foreign exchange swaps									
USD	2,366	-	-	2,366	70	-	(30)	23	63
CHF	293	-	-	293	(2)	-	(5)	-	(7)
GBP	216	-	-	216	(24)	-	-	-	(24)
JPY	455	-	-	455	7	-	-	9	16
CNY	325	23	30	378	(2)	-	-	-	(2)
Other	265	(4)	-	261	(9)	-	(9)	-	(18)
	3,920	**19**	**30**	**3,969**	**40**	**-**	**(44)**	**32**	**28**
TOTAL					**34**	**6**	**(35)**	**30**	**35**

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

The impact on the income statement of gains and losses on hedges of future cash flows, as well as the future cash flows hedged using these instruments, will mainly be recognized in 2017; the amount will depend on exchange rates at the date of the cash flow in question.

23.6. Financial instruments used to manage other risks

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

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

The Group may also use equity-based derivatives to synthetically create an economic exposure to certain assets, to hedge cash-settled compensation plans index-linked to the LVMH share price, or to hedge certain risks related to changes in the LVMH share price. If applicable, the carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the fiscal year-end. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices.

The Group – mainly through its Watches and Jewelry business group – may be exposed to changes in the prices of certain precious metals, such as gold. In certain cases, in order to ensure visibility with regard to production costs, hedges may be implemented. This is achieved either by negotiating the forecast price of future deliveries of alloys with precious metal refiners, or the price of semi-finished products with producers, or directly by purchasing hedges from top-ranking banks. In the latter case, gold may be purchased from banks, or future and/or options contracts may be taken out with a physical delivery of the gold. Derivatives outstanding relating to the hedging of precious metal prices as of December 31, 2016 have a negative market value of 3 million euros. Considering nominal values of 121 million euros for those derivatives, a uniform 1% change in their underlying assets' prices as of December 31, 2016 would have a net impact on the Group's consolidated reserves of less than 1 million euros. These instruments mature primarily in 2017.

23.7. Liquidity risk

Aside from the Group's local liquidity risks, which are generally not significant, its overall exposure to liquidity risk can be assessed (a) with regard to outstanding amounts in respect of its commercial paper program (1.2 billion euros) and (b) by comparing the amount of the short-term portion of its net financial debt before hedging (3.9 billion euros) to the amount of cash and cash equivalents (3.8 billion euros), amounting to 0.1 billion euros as of December 31, 2016. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 4.8 billion euros.

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

The following table presents the contractual schedule of disbursements for financial liabilities (excluding derivatives) recognized as of December 31, 2016, at nominal value and with interest, excluding discounting effects:

(EUR millions)	2017	2018	2019	2020	2021	More than 5 years	Total
Bonds and EMTNs	1,444	558	1,541	620	1,721	-	5,884
Bank borrowings	442	187	324	31	30	8	1,022
Other borrowings and credit facilities	627	1	1	-	-	1	630
Finance and other long-term leases	31	29	29	29	29	790	937
Commercial paper	1,204	-	-	-	-	-	1,204
Bank overdrafts	217	-	-	-	-	-	217
Gross borrowings	**3,965**	**775**	**1,895**	**680**	**1,780**	**799**	**9,894**
Other liabilities, current and non-current [(a)]	4,163	82	24	18	28	94	4,409
Trade accounts payable	4,384	-	-	-	-	-	4,384
Other financial liabilities	**8,547**	**82**	**24**	**18**	**28**	**94**	**8,793**
TOTAL FINANCIAL LIABILITIES	**12,512**	**857**	**1,919**	**698**	**1,808**	**893**	**18,687**

(a) Corresponds to "Other current liabilities" (excluding derivatives and deferred income) for 4,163 million euros and to "Other non-current liabilities" (excluding derivatives, purchase commitments for minority interests and deferred income in the amount of 252 million euros as of December 31, 2016) for 246 million euros.

See Note 31.3 for the contractual maturity dates of collateral and other guarantee commitments. See Notes 19.6 and 23.5 for foreign exchange derivatives and Notes 19.5 and 23.4 for interest rate risk derivatives.

NOTE 24 – SEGMENT INFORMATION

The Group's brands and trade names are organized into seven business groups. Five business groups – Christian Dior Couture, Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes, in addition to a specific management team. Information on Louis Vuitton and Bvlgari is presented according to the brand's main business, namely the Fashion and Leather Goods business group for Louis Vuitton and the Watches and Jewelry business group for Bvlgari. The Selective Retailing business group comprises the Group's own-label retailing activities. Other activities and holding companies comprise brands and businesses that are not associated with any of the above-mentioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

24.1. Information by business group

***December 31, 2016** (6 months)*

(EUR millions)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Eliminations and not allocated [a]	Total
Sales outside the Group	1,040	2,765	6,869	2,155	1,826	6,473	308	-	21,436
Intra-Group sales	3	14	21	461	33	20	26	(578)	-
TOTAL REVENUE	**1,043**	**2,779**	**6,890**	**2,616**	**1,859**	**6,493**	**334**	**(578)**	**21,436**
Profit from recurring operations	178	939	2,243	279	253	509	(156)	(7)	4,238
Other operating income and expenses	(11)	(17)	25	(6)	(31)	(63)	10	-	(93)
Depreciation and amortization expense	(75)	(77)	(305)	(114)	(109)	(219)	(29)	-	(928)
Impairment expense	(8)	(4)	(33)	(1)	(32)	(62)	(1)	-	(141)
Intangible assets and goodwill [b]	153	7,220	6,689	2,024	5,879	3,692	1,457	-	27,114
Property, plant and equipment	811	2,613	2,143	585	529	1,777	4,526	(22)	12,962
Inventories	394	4,920	1,501	581	1,403	2,172	242	(284)	10,929
Other operating assets	264	1,419	974	948	720	908	983	7,563 [c]	13,779
TOTAL ASSETS	**1,622**	**16,172**	**11,307**	**4,138**	**8,531**	**8,549**	**7,208**	**7,257**	**64,784**
Equity	-	-	-	-	-	-	-	30,084	30,084
Liabilities	474	1,524	2,641	1,593	918	2,924	1,201	23,425 [d]	34,700
TOTAL LIABILITIES AND EQUITY	**474**	**1,524**	**2,641**	**1,593**	**918**	**2,924**	**1,201**	**53,509**	**64,784**
Operating investments [e]	(73)	(184)	(306)	(158)	(134)	(322)	(289)	(1)	(1,467)

June 30, 2016 *(12 months)*

(EUR millions)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations and not allocated [(a)]	Total
Sales outside the Group	1,850	4,698	12,282	3,974	3,306	11,362	496	-	37,968
Intra-Group sales	4	31	39	806	59	36	48	(1,023)	-
TOTAL REVENUE	**1,854**	**4,729**	**12,321**	**4,780**	**3,365**	**11,398**	**544**	**(1,023)**	**37,968**
Profit from recurring operations	209	1,446	3,474	547	432	917	(207)	(26)	6,792
Other operating income and expenses	-	(52)	(123)	(7)	(32)	(4)	22	-	(196)
Depreciation and amortization expense	(134)	(141)	(634)	(196)	(208)	(372)	(41)	-	(1,726)
Impairment expense	-	(15)	(71)	-	-	(3)	(11)	-	(100)
Intangible assets and goodwill [(b)]	184	7,367	7,222	2,016	5,872	3,470	1,394	-	27,525
Property, plant and equipment	810	2,494	2,059	530	495	1,631	4,108	(21)	12,106
Inventories	399	4,980	1,618	580	1,526	2,021	203	(274)	11,053
Other operating assets	230	1,086	839	783	706	740	1,134	6,702 [(c)]	12,220
TOTAL ASSETS	**1,623**	**15,927**	**11,738**	**3,909**	**8,599**	**7,862**	**6,839**	**6,407**	**62,904**
Equity	-	-	-	-	-	-	-	28,129	28,129
Liabilities	464	1,276	2,337	1,331	895	2,200	1,195	25,077 [(d)]	34,775
TOTAL LIABILITIES AND EQUITY	**464**	**1,276**	**2,337**	**1,331**	**895**	**2,200**	**1,195**	**53,206**	**62,904**
Operating investments [(e)]	(231)	(237)	(473)	(240)	(197)	(492)	(377)	5	(2,242)

***June 30, 2015** (12 months)*

(EUR millions)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations and not allocated [(a)]	Total
Sales outside the Group	1,760	4,197	11,695	3,644	3,004	10,387	394	-	35,081
Intra-Group sales	5	29	36	703	64	36	42	(915)	-
TOTAL REVENUE	**1,765**	**4,226**	**11,731**	**4,347**	**3,068**	**10,423**	**436**	**(915)**	**35,081**
Profit from recurring operations	226	1,168	3,363	456	381	922	(196)	(24)	6,296
Other operating income and expenses	-	(34)	(136)	(14)	2	(74)	(42)	-	(298)
Depreciation and amortization expense	(112)	(127)	(613)	(169)	(180)	(329)	(35)	-	(1,565)
Impairment expense	-	(22)	(72)	(10)	(1)	(84)	(40)	-	(229)
Intangible assets and goodwill [(b)]	179	6,647	7,407	1,946	5,918	3,339	1,171	-	26,607
Property, plant and equipment	693	2,387	2,186	499	461	1,439	3,753	-	11,418
Inventories	334	4,814	1,695	490	1,500	1,882	244	(255)	10,704
Other operating assets	232	1,133	895	749	693	670	493	6,436 [(c)]	11,301
TOTAL ASSETS	**1,438**	**14,981**	**12,183**	**3,684**	**8,572**	**7,330**	**5,661**	**6,181**	**60,030**
Equity	-	-	-	-	-	-	-	26,320	26,320
Liabilities	465	1,189	2,338	1,264	792	1,974	871	24,817 [(d)]	33,710
TOTAL LIABILITIES AND EQUITY	**465**	**1,189**	**2,338**	**1,264**	**792**	**1,974**	**871**	**51,137**	**60,030**
Operating investments [(e)]	(205)	(189)	(591)	(234)	(200)	(348)	(180)		(1,947)

(a) Eliminations correspond to sales between business groups; these generally consist of sales to Selective Retailing from other business groups. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Intangible assets and goodwill correspond to the carrying amounts shown under Notes 4 and 5.
(c) Assets not allocated include available for sale financial assets, other financial assets, and income tax receivables.
(d) Liabilities not allocated include financial debt and both current and deferred tax liabilities.
(e) Increase/(Decrease) in cash and cash equivalents.

Since the fiscal year ended June 30, 2016, Kendo's activities, which were previously presented under the Selective Retailing business group, have been presented under Perfumes and Cosmetics. Comparative data has been restated to reflect this change, the impact of which is not significant.

24.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
France	2,173	3,842	3,662
Europe (excluding France)	4,075	6,964	6,491
United States	5,634	9,977	8,334
Japan	1,488	2,677	2,332
Asia (excluding Japan)	5,546	10,142	9,958
Other countries	2,520	4,366	4,304
REVENUE	**21,436**	**37,968**	**35,081**

Operating investments by geographic region are as follows:

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
France	460	770	614
Europe (excluding France)	229	445	378
United States	358	380	315
Japan	51	54	79
Asia (excluding Japan)	195	460	430
Other countries	174	133	131
OPERATING INVESTMENTS	**1,467**	**2,242**	**1,947**

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

24.3. Quarterly information

Periodic revenue by business group break down as follows:

(EUR millions)	Christian Dior Couture	Wines and Spirits	Fashion and Leather Goods	Perfumes and Cosmetics	Watches and Jewelry	Selective Retailing	Other and holding companies	Elimi-nations	Total
Period from July 1 to September 30, 2016	502	1,225	3,106	1,241	877	2,803	150	(272)	9,632
Period from October 1 to December 31, 2016	541	1,554	3,784	1,375	982	3,690	184	(306)	11,804
TOTAL AS OF DECEMBER 31, 2016	**1,043**	**2,779**	**6,890**	**2,616**	**1,859**	**6,493**	**334**	**(578)**	**21,436**
Period from July 1 to September 30, 2015	471	1,199	2,939	1,143	852	2,603	88	(249)	9,046
Period from October 1 to December 31, 2015	490	1,474	3,497	1,300	904	3,315	128	(251)	10,857
Period from January 1 to March 31, 2016	429	1,033	2,965	1,213	774	2,747	158	(278)	9,041
Period from April 1 to June 30, 2016	464	1,023	2,920	1,124	835	2,733	170	(245)	9,024
TOTAL AS OF JUNE 30, 2016	**1,854**	**4,729**	**12,321**	**4,780**	**3,365**	**11,398**	**544**	**(1,023)**	**37,968**
Period from July 1 to September 30, 2014	417	948	2,647	981	706	2,232	74	(206)	7,799
Period from October 1 to December 31, 2014	437	1,348	3,151	1,138	810	2,916	102	(228)	9,674
Period from January 1 to March 31, 2015	433	992	2,975	1,129	723	2,648	96	(245)	8,751
Period from April 1 to June 30, 2015	478	938	2,958	1,099	829	2,627	164	(236)	8,857
TOTAL AS OF JUNE 30, 2015	**1,765**	**4,226**	**11,731**	**4,347**	**3,068**	**10,423**	**436**	**(915)**	**35,081**

NOTE 25 – REVENUE AND EXPENSES BY NATURE

25.1 Analysis of revenue

Revenue consists of the following:

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Revenue generated by brands and trade names	21,240	37,461	34,574
Royalties and license revenue	58	160	150
Income from investment property	5	10	32
Other revenue	133	337	325
TOTAL	**21,436**	**37,968**	**35,081**

The portion of total revenue generated by the Group at its own stores, including sales through e-commerce websites, was approximately 66% of revenue for the six-month fiscal year ended December 31, 2016 (66% of revenue for the fiscal year ended June 30, 2016 and 65% of revenue for the fiscal year ended June 30, 2015), i.e. 14,159 million euros as of December 31, 2016 (24,963 million euros as of June 30, 2016 and 22,960 million euros as of June 30, 2015).

25.2. Expenses by nature

Profit from recurring operations includes the following expenses:

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Advertising and promotion expenses	2,329	4,406	4,007
Commercial lease expenses	1,875	3,672	3,326
Personnel costs	3,640	6,959	6,357
Research and development expenses	61	108	86

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

As of December 31, 2016, a total of 4,148 stores were operated by the Group worldwide (4,077 as of June 30, 2016 and 3,966 as of June 30, 2015), particularly by the Christian Dior Couture, Fashion and Leather Goods, and Selective Retailing business groups.

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

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Fixed or minimum lease payments	929	1,803	1,581
Variable portion of indexed leases	371	721	597
Airport concession fees – fixed portion or minimum amount	295	573	606
Airport concession fees – variable portion	280	575	542
COMMERCIAL LEASE EXPENSES	**1,875**	**3,672**	**3,326**

Personnel costs consist of the following elements:

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Salaries and social security expenses	3,564	6,797	6,213
Pensions, contribution to medical costs and expenses in respect of defined-benefit plans [(a)]	51	113	97
Stock option plan and related expenses [(b)]	25	49	47
PERSONNEL COSTS	**3,640**	**6,959**	**6,357**

(a) See Note 30.
(b) See Note 17.

In 2016, the average workforce as full-time equivalent broke down as follows by professional category:

(in number or as %)	Dec. 31, 2016	%
Executives and managers	24,749	20
Technicians and supervisors	13,237	11
Administrative and sales employees	70,539	56
Production workers	15,900	13
TOTAL	**124,425**	**100**

25.3. Fees received by Statutory Auditors

The amount of fees paid to the Statutory Auditors of Christian Dior SE and members of their networks recorded in the consolidated income statement for the 2016 fiscal year breaks down as follows:

			Dec. 31, 2016 (6 months)
(EUR millions, excluding VAT)	ERNST & YOUNG et Autres	MAZARS	Total
Certification of the consolidated and individual financial statements	8	4	12
Other services related to the certification assignment	3	n.s.	3
Total audit-related service fees	**11**	**4**	**15**
Tax services	2	n.s.	2
Other	n.s.	n.s.	n.s.
Total non-audit-related service fees	**2**	**n.s.**	**2**
TOTAL	**13**	**4**	**17**

n.s.: non-significant.

Services, other than certifying the financial statements, provided by the Statutory Auditors to Christian Dior SE were not significant during the fiscal year and corresponded to (i) agreed-upon procedures and certifications for Ernst & Young et Autres, and (ii) agreed-upon procedures, certifications and IT reviews for Mazars.

For the fiscal year ended December 31, 2016, Other services related to the certification assignment included work related to the disposal of Donna Karan International for 2.5 million euros.

Tax services are mainly performed outside France to ensure that the Group's subsidiaries and expatriates meet their local tax declaration obligations.

NOTE 26 – OTHER OPERATING INCOME AND EXPENSES

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Net gains (losses) on disposals	56	(15)	(1)
Restructuring costs	-	(68)	(65)
Transaction costs relating to the acquisition of consolidated companies	(3)	(2)	-
Impairment or amortization of brands, trade names, goodwill and other property	(144)	(109)	(251)
Other items, net	(2)	(2)	19
OTHER OPERATING INCOME AND EXPENSES	**(93)**	**(196)**	**(298)**

Amounts booked as impairment or amortization for the fiscal years shown here mainly relate to brands and goodwill.

Net gains (losses) on disposals included the gain related to the sale of Donna Karan International to G-III Apparel Group. See Note 2.

NOTE 27 – NET FINANCIAL INCOME (EXPENSE)

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Borrowing costs	(67)	(127)	(184)
Income from cash, cash equivalents and current available for sale financial assets	14	31	30
Fair value adjustment of borrowings and interest rate hedges	(10)	(1)	(10)
Cost of net financial debt	**(63)**	**(97)**	**(164)**
Dividends received from non-current available for sale financial assets	4	3	5
Ineffective portion of foreign exchange derivatives	(199)	(279)	(473)
Net gain/(loss) related to available for sale financial assets and other financial instruments	(7)	43	3,355
Other items, net	(19)	(37)	(38)
Other financial income (expense)	**(221)**	**(270)**	**2,849**
NET FINANCIAL INCOME (EXPENSE)	**(284)**	**(367)**	**2,685**

For the fiscal year ended June 30, 2015, income from available for sale financial assets and other financial instruments consisted mainly of the 3,193 million euro pre-tax capital gain recognized following the exceptional distributions in kind of Hermès shares. See Note 9.

For the three fiscal years shown, the net gain/loss related to available for sale financial assets and other financial instruments, excluding the Hermès transactions, is due to gains or losses on sales of current and non-current available for sale financial assets.

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

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Income from cash and cash equivalents	7	17	18
Income from current available for sale financial assets	7	14	12
INCOME FROM CASH, CASH EQUIVALENTS AND CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS	**14**	**31**	**30**

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

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Hedged financial debt	20	(43)	-
Hedging instruments	(22)	46	(5)
Unallocated derivatives	(8)	(4)	(5)
FAIR VALUE ADJUSTMENT OF BORROWINGS AND INTEREST RATE HEDGES	**(10)**	**(1)**	**(10)**

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

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Ineffective portion of commercial foreign exchange derivatives	(174)	(187)	(440)
Ineffective portion of foreign exchange derivatives related to net investments denominated in foreign currency	3	(14)	6
Ineffective portion of other foreign exchange derivatives	(28)	(78)	(39)
INEFFECTIVE PORTION OF FOREIGN EXCHANGE DERIVATIVES	**(199)**	**(279)**	**(473)**

NOTE 28 – INCOME TAXES

28.1 Analysis of the income tax expense

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Current income taxes for the fiscal year	(1,736)	(2,334)	(2,736)
Current income taxes relating to previous fiscal years	(2)	-	50
Current income taxes	**(1,738)**	**(2,334)**	**(2,686)**
Change in deferred tax	169	170	184
Impact of changes in tax rates on deferred tax	432	99	(16)
Deferred tax	**601**	**269**	**168**
TOTAL TAX EXPENSE PER INCOME STATEMENT	**(1,137)**	**(2,065)**	**(2,518)**
TAX ON ITEMS RECOGNIZED IN EQUITY	**100**	**(13)**	**501**

During the fiscal year ended December 31, 2016, the impact of changes in tax rates on deferred taxes essentially resulted from the reduction in the tax rate in France passed in the 2017 Budget Act, which lowers the tax rate to 28.92% starting in 2020. As a result, long-term deferred taxes – essentially related to acquired brands – were revalued based on the rate applicable as of 2020.

During the 2015/2016 fiscal year, this impact resulted from the reduction in the tax rate in Italy starting in 2017, which was applied to deferred taxes, mainly deferred taxes related to acquire brands. See Note 28.4.

The exceptional contribution on corporate income tax, which had been applicable in France since 2012, was discontinued in 2016. It amounted to 10.7% of the corporate income tax due for the fiscal years ended June 30, 2016 and June 30, 2015, representing an expense of 40 million euros and 64 million euros, respectively.

28.2. Analysis of net deferred tax on the balance sheet

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

(EUR millions)	**Dec. 31, 2016**	**June 30, 2016**	**June 30, 2015**
Deferred tax assets	2,136	2,158	2,031
Deferred tax liabilities	(4,894)	(5,584)	(5,738)
NET DEFERRED TAX ASSET (LIABILITY)	**(2,758)**	**(3,426)**	**(3,707)**

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

The effective tax rate is as follows:

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
Profit before tax	3,861	6,229	8,683
Total income tax expense	(1,137)	(2,065)	(2,518)
EFFECTIVE TAX RATE	**29.4%**	**33.2%**	**29.0%**

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

(as % of income before tax)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
French statutory tax rate	**34.4**	**34.4**	**34.4**
Changes in tax rates (a)	(11.2)	(1.6)	0.3
Differences in tax rates for foreign companies	(5.5)	(5.1)	(4.8)
Tax losses and tax loss carry forwards, and other changes in deferred tax	0.6	1.4	0.5
Differences between consolidated and taxable income, and income taxable at reduced rates, excluding the impact of the distribution of Hermès shares	8.5	1.5	2.2
Impact of the distributions of Hermès shares (b)	-	-	(6.2)
Tax on distribution (c)	2.6	2.6	2.6
EFFECTIVE TAX RATE OF THE GROUP	**29.4**	**33.2**	**29.0**

(a) See Note 28.1.
(b) See Note 9.
(c) Tax on distribution is mainly related to intercompany dividends. It also includes the 3% dividend tax paid by LVMH SE and Christian Dior SE.

28.4. Sources of deferred taxes

In the income statement [(a)]

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Valuation of brands	554	155	(30)
Other revaluation adjustments	54	6	(23)
Gains and losses on available for sale financial assets	2	1	(3)
Gains and losses on hedges of future foreign currency cash flows	40	(38)	86
Provisions for contingencies and losses	8	138	96
Intercompany margin included in inventories	(36)	12	61
Other consolidation adjustments	(40)	(3)	(10)
Losses carried forward	19	(2)	(9)
TOTAL	**601**	**269**	**168**

(a) Income/(Expense).

In equity [(a)]

(EUR millions)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Fair value adjustment of vineyard land	108	(22)	8
Gains and losses on available for sale financial assets	(4)	7	212
Gains and losses on hedges of future foreign currency cash flows	1	(4)	14
Actuarial gains and losses arising on employee benefit commitments	(6)	8	47
TOTAL	**99**	**(11)**	**281**

(a) Gain/Loss.

In the balance sheet [(a)]

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Valuation of brands	(3,875)	(4,412)	(4,582)
Fair value adjustment of vineyard land	(650)	(758)	(737)
Other revaluation adjustments	(316)	(358)	(357)
Gains and losses on available for sale financial assets	(3)	-	(8)
Gains and losses on hedges of future foreign currency cash flows	55	31	73
Provisions for contingencies and losses	734	764	493
Intercompany margin included in inventories	774	804	796
Other consolidation adjustments	463	467	574
Losses carried forward	60	36	41
TOTAL	**(2,758)**	**(3,426)**	**(3,707)**

(a) Assets/(Liabilities).

28.5. Tax consolidation

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

  LVMH has a tax consolidation group that includes most of its French subsidiaries in which it has an ownership interest of more than 95%.

  Christian Dior has a tax consolidation group that includes most of its French subsidiaries in which it has an ownership interest of more than 95%.

  The accounting estimate of the reduction in the current tax expense for the Group by virtue of these tax consolidation agreements amounted to 31 million euros as of December 31, 2016 (91 million euros as of June 30, 2016 and 245 million euros as of June 30, 2015). These amounts are (i) actual figures with respect to the Christian Dior consolidated tax group and (ii) estimates, as a matter of necessity, with respect to the LVMH consolidated tax group, whose fiscal year-end does not coincide with that of Christian Dior.

- The application of other tax consolidation agreements, notably in the United States, generated current tax savings of 49 million euros for the fiscal year ended December 31, 2016 (39 million euros as of June 30, 2016 and 1 million euros as of June 30, 2015).

28.6. Losses carried forward

As of December 31, 2016, unused tax loss carryforwards and tax credits for which no assets were recognized (deferred tax assets or receivables) had a potential positive impact on the future tax expense estimated at 577 million euros (546 million euros as of June 30, 2016 and 508 million euros as of June 30, 2015).

For the fiscal year ended December 31, 2016, at the level of the consolidated tax group whose head company is Christian Dior, there were no unused Group tax loss carryforwards or tax credits (the same was true as of both June 30, 2016 and June 30, 2015).

For the fiscal year ended December 31, 2016, at the level of the consolidated tax group whose head company is LVMH SE, there were no unused Group tax loss carryforwards or tax credits (the same was true as of both June 30, 2016 and June 30, 2015).

NOTE 29 – EARNINGS PER SHARE

	Dec. 31, 2016 (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
Net profit, Group share *(EUR millions)*	**1,058**	**1,569**	**2,378**
Impact of diluting instruments on the subsidiaries *(EUR millions)*	(4)	(6)	(10)
NET PROFIT, DILUTED GROUP SHARE *(EUR millions)*	**1,054**	**1,563**	**2,368**
Average number of shares in circulation during the fiscal year	180,507,516	180,507,516	181,117,282
Average number of Christian Dior treasury shares owned during the fiscal year	(1,139,836)	(1,293,909)	(2,189,098)
Average number of shares on which the calculation before dilution is based	**179,367,681**	**179,213,608**	**178,928,184**
BASIC GROUP SHARE OF NET EARNINGS PER SHARE *(EUR)*	**5.90**	**8.75**	**13.29**
Average number of shares in circulation on which the above calculation is based	179,367,681	179,213,608	178,928,184
Dilution effect of stock option plans	605,365	680,846	756,685
AVERAGE NUMBER OF SHARES IN CIRCULATION AFTER DILUTION	**179,973,046**	**179,894,454**	**179,684,869**
DILUTED GROUP SHARE OF NET EARNINGS PER SHARE *(EUR)*	**5.86**	**8.69**	**13.18**

As of December 31, 2016, all of the instruments in circulation that may dilute earnings per share have been taken into consideration when determining the impact of dilution, given that all of the outstanding purchase and subscription options are considered to be available to be exercised at that date, since the Christian Dior share price is higher than the exercise price of these options.

No events occurred between December 31, 2016 and February 9, 2017, the date on which the financial statements were approved for publication that would have significantly affected the number of shares outstanding or the potential number of shares.

As of June 30, 2015, the Group share of net profit had reflected the effect of distributions in kind in the form of Hermès shares (see Note 9).

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

30.1 Expense for the fiscal year

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

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
Service cost	45	101	92
Net interest cost	5	16	15
Actuarial gains and losses	1	3	4
Changes in plans	-	(7)	(14)
TOTAL EXPENSE FOR THE PERIOD FOR DEFINED-BENEFIT PLANS	**51**	**113**	**97**

30.2. Net recognized commitment

(EUR millions)	*Notes*	**Dec. 31, 2016**	**June 30, 2016**	**June 30, 2015**
Benefits covered by plan assets		1,524	1,464	1,392
Benefits not covered by plan assets		209	205	177
Defined-benefit obligation		**1,733**	**1,669**	**1,569**
Market value of plan assets		**(1,038)**	**(958)**	**(906)**
NET RECOGNIZED COMMITMENT		**695**	**711**	**663**
Of which:				
Non-current provisions	*20*	715	741	687
Current provisions	*20*	5	4	4
Other assets		(25)	(34)	(28)
TOTAL		**695**	**711**	**663**

30.3. Analysis of the change in net recognized commitment

(EUR millions)	Defined-benefit obligation	Market value of plan assets	Net recognized commitment
As of June 30, 2016	**1,669**	**(958)**	**711**
Service cost	45	-	45
Net interest cost	15	(10)	5
Payments to recipients	(37)	31	(6)
Contributions to plan assets	-	(74)	(74)
Contributions of employees	8	(8)	-
Changes in scope and reclassifications	(2)	-	(2)
Changes in plans	-	-	-
Actuarial gains and losses: experience adjustments [(a)]	(1)	(12)	(13)
Actuarial gains and losses: changes in demographic assumptions [(a)]	(17)	-	(17)
Actuarial gains and losses: changes in financial assumptions [(a)]	38	-	38
Translation adjustment	15	(7)	8
AS OF DECEMBER 31, 2016	**1,733**	**(1,038)**	**695**

(a) (Gain)/Loss.

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

Actuarial gains and losses resulting from experience adjustments related to fiscal years 2013 to 2016 were as follows:

(EUR millions)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)	**June 30, 2014** (12 months)	**June 30, 2013** (2 months)
Experience adjustments on the defined-benefit obligation	(11)	3	-	-
Experience adjustments on the market value of plan assets	(15)	(20)	(22)	-
ACTUARIAL GAINS AND LOSSES RESULTING FROM EXPERIENCE ADJUSTMENTS [(a)]	**(26)**	**(17)**	**(22)**	**-**

(a) (Gain)/Loss.

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

	December 31, 2016 (6 months)					June 30, 2016 (12 months)					June 30, 2015 (12 months)				
(as %)	France	United States	United Kingdom	Japan	Switzer-land	France	United States	United Kingdom	Japan	Switzer-land	France	United States	United Kingdom	Japan	Switzer-land
Discount rate [(a)]	1.30	3.92	2.80	0.50	0.11	1.5	3.5	3.2	0.5	0.3	2.0	4.0	3.7	1.0	1.3
Future rate of increase of salaries	2.75	4.88	4.00	2.00	1.77	2.8	4.9	3.9	2.0	1.9	3.0	5.0	4.0	2.0	2.3

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

The assumed rate of increase of medical expenses in the United States is 6.9% for 2017, after which it is assumed to decline progressively to reach 4.5% in 2037.

A rise of 0.5 points in the discount rate would result in a reduction of 105 million euros in the amount of the defined-benefit obligation as of December 31, 2016; a decrease of 0.5 points in the discount rate would result in a rise of 108 million euros.

30.4. Analysis of benefits

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

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Supplementary pensions	1,335	1,289	1,226
Retirement and other indemnities	316	298	270
Medical costs of retirees	53	53	51
Jubilee awards	24	24	22
Other	5	5	-
DEFINED-BENEFIT OBLIGATION	**1,733**	**1,669**	**1,569**

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

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
France	576	534	523
Europe (excluding France)	623	602	586
United States	347	341	304
Japan	130	135	98
Asia (excluding Japan)	50	50	55
Other countries	7	7	3
DEFINED-BENEFIT OBLIGATION	**1,733**	**1,669**	**1,569**

The main components of the Group's net commitment for retirement and other defined-benefit obligations as of December 31, 2016 are as follows:

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

30.5. Analysis of related plan assets

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

(as % of market value of related plan assets)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Shares	28	26	30
Bonds			
- private issues	34	38	35
- public issues	8	10	13
Cash, investment funds, real estate and other assets	30	26	22
TOTAL	**100**	**100**	**100**

These assets do not include any debt securities issued by Group companies, nor any LVMH or Christian Dior shares in significant amounts.

The Group plans to increase the related plan assets in 2017 by paying in approximately 107 million euros.

NOTE 31 – OFF-BALANCE SHEET COMMITMENTS

31.1 Purchase commitments

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Grapes, wines and eaux-de-vie	1,962	2,242	1,745
Other purchase commitments for raw materials	87	113	68
Industrial and commercial fixed assets	785	900	685
Investments in joint venture shares and non-current available for sale financial assets	953	132	110

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

As of December 31, 2016, the maturity dates of these commitments break down as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Grapes, wines and eaux-de-vie	620	1,297	45	1,962
Other purchase commitments for raw materials	60	25	2	87
Industrial and commercial fixed assets	670	115	-	785
Investments in joint venture shares and non-current available for sale financial assets	688	246	19	953

As of December 31, 2016, purchase commitments for shares and non-current available for sale financial assets included the amount related to the acquisition of Rimowa. See Note 34.

31.2. Lease and similar commitments

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

The fixed or minimum portions of commitments in respect of the irrevocable period of these operating lease or concession contracts were as follows as of December 31, 2016:

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Less than one year	2,261	2,136	2,004
One to five years	5,476	5,234	4,809
More than five years	3,412	3,282	3,034
COMMITMENTS GIVEN FOR OPERATING LEASES AND CONCESSIONS	**11,149**	**10,652**	**9,847**
Less than one year	14	16	13
One to five years	17	12	17
More than five years	6	2	2
COMMITMENTS RECEIVED FOR SUB-LEASES	**37**	**30**	**32**

In addition, the Group may enter into operating leases or concession contracts that have variable guaranteed amounts. For example, in June 2012, DFS was awarded three additional five-year concessions at Hong Kong International Airport. The concession agreement provides for the payment of a variable concession fee which is dependent notably on the number of passengers using the airport. For the fiscal year ended December 31, 2016, this fee amounted to 214 million euros.

31.3. Collateral and other guarantees

As of December 31, 2016, these commitments break down as follows:

(EUR millions)	Dec. 31, 2016	June 30, 2016	June 30, 2015
Securities and deposits	400	410	459
Other guarantees	132	115	99
GUARANTEES GIVEN	**532**	**525**	**558**
GUARANTEES RECEIVED	**34**	**33**	**27**

The maturity dates of these commitments are as follows:

(EUR millions)	Less than one year	One to five years	More than five years	Total
Securities and deposits	251	142	7	400
Other guarantees	59	61	12	132
GUARANTEES GIVEN	**310**	**203**	**19**	**532**
GUARANTEES RECEIVED	**12**	**6**	**16**	**34**

31.4. Other commitments

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

NOTE 32 – EXCEPTIONAL EVENTS AND LITIGATION

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

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

On September 2, 2014, under the aegis of the President of the Paris Commercial Court, LVMH Moët Hennessy - Louis Vuitton, Christian Dior, Financière Jean Goujon and Hermès entered into a settlement agreement aimed at definitively ending the litigation to which LVMH's acquisition of an equity stake in Hermès had given rise, and at restoring a climate of positive relations between them. According to the terms of this agreement, (i) in December 2014, LVMH distributed to its shareholders all of the Hermès shares held by the LVMH group, and Christian Dior, which at that date held 40.9% of LVMH's share capital via Financière Jean Goujon, distributed the Hermès shares received from LVMH, and (ii) LVMH and Hermès ceased all proceedings and actions undertaken against one another. See Note 8 for the impact of this transaction on the consolidated financial statements as of June 30, 2015.

On December 17, 2012, the Mayor of Paris granted two distinct building permits authorizing the architectural project for the restructuring and reconstruction of the former La Samaritaine department stores 2 (Seine block) and 4 (Rivoli block). Both of these permits were the subject of an action for cancellation before the Paris Administrative Court (Tribunal administratif de Paris). On April 11, 2014, the Paris Administrative Court rejected the action for cancellation filed against the building permit authorizing the restructuring of former department store 2, which is registered as a Historic Monument (Seine block). That first permit thereby became definitive. On May 13, 2014, the Paris Administrative Court canceled the second building permit order authorizing the partial demolition of former department store 4 and the reconstruction of a contemporary building designed by the architectural firm SANAA (Rivoli block). The company Grands Magasins de La Samaritaine and the City of Paris appealed this judgment. On January 5, 2015, the Paris Administrative Court of Appeal (Cour administrative d'appel de Paris) dismissed their appeals. La Samaritaine and the City of Paris filed a cassation appeal before the Council of State (Conseil d'État), which, in a judgment dated June 19, 2015, overturned the judgment of the Administrative Court of Appeal, thereby definitively validating the second building permit.

In the first half of 2011, Christian Dior Couture SA dismissed John Galliano and terminated the consulting agreement it had entered into with Cheyenne Freedom SARL, a company owned by Mr. Galliano. John Galliano SA, a subsidiary of Christian Dior Couture, also terminated Mr. Galliano's employment contract. Mr. Galliano brought legal proceedings against these two Group companies.

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

NOTE 33 – RELATED-PARTY TRANSACTIONS

33.1 Relations of the Christian Dior group with Groupe Arnault and the Financière Agache group

The Christian Dior group is consolidated in the accounts of Financière Agache, which is controlled by Groupe Arnault SE.

Relations of the Christian Dior group with Groupe Arnault and its subsidiaries

Groupe Arnault provides assistance to the Christian Dior group, primarily in the areas of financial engineering, strategy, development, and corporate and real estate law. Groupe Arnault also leases office premises to the Christian Dior group.

Groupe Arnault leases office space from the Christian Dior group, and the Christian Dior group also provides Groupe Arnault with various forms of administrative assistance.

In December 2015, LVMH and Groupe Arnault took a joint 35.8% equity stake in L Catterton Management via LC Investissements. In 2016, after obtaining the required authorizations, LVMH and Groupe Arnault sold their equity stakes in their fund management companies to L Catterton Management. At the same time, LC Investissements subscribed to a capital increase by L Catterton Management, raising its stake in this company to 40%.

Transactions between the Christian Dior group and Groupe Arnault may be summarized as follows:

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
• Purchases by Christian Dior group from Groupe Arnault	(5)	(11)	(10)
Amount payable outstanding at the fiscal year-end	(2)	(2)	(2)
• Sales by Christian Dior group to Groupe Arnault	2	3	3
Amount receivable outstanding at the fiscal year-end	1	1	-

Relations of the Christian Dior group with the Financière Agache group

As of December 31, 2016, transactions between the Christian Dior group and the Financière Agache group were not significant.

33.2. Relations of the Christian Dior group with Diageo

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

Under this agreement, Moët Hennessy assumed 17.5% of the shared expenses for the fiscal year ended December 31, 2016 (17.5% for the fiscal year ended June 30, 2016 and 17% for the fiscal year ended June 30, 2015), and billed the related excess costs to LVMH SE, after which the amount of the costs assumed by Moët Hennessy was 14 million euros as of December 31, 2016 (15 million euros for the fiscal year ended June 30, 2016 and 15 million euros for the fiscal year ended June 30, 2015).

33.3. Relations with the Fondation Louis Vuitton

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

The Fondation Louis Vuitton also obtains external financing guaranteed by LVMH. These guarantees are part of LVMH's off-balance sheet commitments (see Note 31.3).

33.4. Executive bodies

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

(EUR millions)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)	**June 30, 2015** (12 months)
Gross compensation, employers' charges and benefits in kind [(a)]	6	9	16
Post-employment benefits	1	2	2
Other long-term benefits	3	7	-
End of contract indemnities	-	-	-
Stock option and similar plans	2	8	8
TOTAL	**12**	**26**	**26**

(a) Excluding previously provisioned items of compensation.

The commitment recognized as of December 31, 2016 for post-employment benefits, net of related financial assets, was 10 million euros (11 million euros as of June 30, 2016 and 20 million euros as of June 30, 2015).

NOTE 34 – SUBSEQUENT EVENTS

On January 23, 2017, pursuant to the transaction agreement announced on October 4, 2016, LVMH acquired, for 640 million euros, an 80% stake in Rimowa, the luggage and leather goods maker founded in Cologne in 1898 and known for its innovative, high-quality luggage. The 20% of the share capital that has not been acquired is covered by a put option granted by LVMH, exercisable from 2020. Rimowa will be fully consolidated with effect from January 2017. Rimowa's revenue for 2016 is expected to exceed 400 million euros.

On January 20, 2017, the put option for the remaining Loro Piana shares held by the Loro Piana family was partially exercised. The sale will take place in February 2017 and will increase LVMH's stake in Loro Piana by 4.8%, bringing its shareholding to 84.8%.

No other significant subsequent events occurred between December 31, 2016 and February 9, 2017, the date at which the financial statements were approved for publication by the Board of Directors.

Main consolidated companies

Company	Registered office	Method of consolidation	% interest
CHRISTIAN DIOR COUTURE			
Christian Dior Couture SA	Paris, France	FC	100%
Christian Dior Fourrure M.C. S.A.M.	Monaco, Principality of Monaco	FC	100%
Christian Dior GmbH	Pforzheim, Germany	FC	100%
Christian Dior Inc.	New York, USA	FC	100%
Christian Dior UK Limited	London, United Kingdom	FC	100%
Christian Dior Suisse SA	Geneva, Switzerland	FC	100%
Manufactures Dior Srl	Milan, Italy	FC	100%
Ateliers AS	Pierre Bénite, France	EM	25%
Christian Dior Far East Limited	Hong Kong, China	FC	100%
Christian Dior Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	100%
Christian Dior Hong Kong Ltd	Hong Kong, China	FC	100%
Christian Dior Taiwan Limited	Hong Kong, China	FC	90%
Christian Dior Singapore Pte Ltd	Singapore	FC	100%
Christian Dior Saipan Ltd	Saipan, Northern Mariana Islands	FC	100%
Christian Dior Australia Pty Ltd	Sydney, Australia	FC	100%
Christian Dior New Zealand Ltd	Auckland, New Zealand	FC	100%
Christian Dior (Thailand) Co. Ltd	Bangkok, Thailand	FC	100%
Christian Dior KK (Kabushiki Kaisha)	Tokyo, Japan	FC	100%
Christian Dior Couture Korea Ltd	Seoul, South Korea	FC	100%
Christian Dior Guam Ltd	Tumon Bay, Guam	FC	100%
Christian Dior Espanola SL	Madrid, Spain	FC	100%
Christian Dior do Brasil Ltda	São Paulo, Brazil	FC	100%
Christian Dior Italia Srl	Milan, Italy	FC	100%
Christian Dior Belgique SA	Brussels, Belgium	FC	100%
Bopel Srl	Lugagnano Val d'Arda, Italy	FC	85%
Christian Dior Puerto Banus SL	Madrid, Spain	FC	75%
Christian Dior Couture CZ s.r.o.	Prague, Czech Republic	FC	100%
Christian Dior Couture Maroc SA	Casablanca, Morocco	FC	100%
Christian Dior Couture FZE	Dubai, United Arab Emirates	FC	100%
Christian Dior Macau Single Shareholder Company Limited	Macao, China	FC	100%
Les Ateliers Bijoux GmbH	Pforzheim, Germany	FC	100%
Christian Dior S. de R. L. de C.V.	Lomas, Mexico	FC	100%
Christian Dior Commercial (Shanghai) Co. Ltd	Shanghai, China	FC	100%
Ateliers Modèles SAS	Paris, France	FC	100%
CDC Abu-Dhabi LLC Couture	Abu Dhabi, United Arab Emirates	FC	[b]
CDCH SA	Luxembourg	FC	75%
Dior Grèce Société Anonyme Garments Trading	Athens, Greece	FC	100%
Christian Dior Couture RUS LLC	Moscow, Russia	FC	100%
Christian Dior Couture Stoleshnikov LLC	Moscow, Russia	FC	100%
CDC General Trading LLC	Dubai, United Arab Emirates	FC	[b]
Christian Dior Istanbul Magazacilik Anonim Sirketi	Maslak-Istanbul, Turkey	FC	51%
Christian Dior Trading India Private Limited	Mumbai, India	FC	51%
John Galliano SA	Paris, France	FC	99.99%
Christian Dior Couture Qatar LLC	Doha, Qatar	FC	[b]
Christian Dior Couture Ukraine SARL	Kiev, Ukraine	FC	100%
CDCG FZCO	Dubai, United Arab Emirates	FC	[b]
PT Fashion Indonesia Trading Company	Jakarta, Indonesia	FC	100%
Christian Dior Couture Bahrain WLL	Manama, Bahrain	FC	[b]
COU.BO. Srl	Arzano, Italy	FC	85%
Christian Dior Vietnam LLC	Hanoi, Vietnam	FC	100%
Vermont SAS	Paris, France	FC	100%
Christian Dior Couture Kazakhstan LLP	Almaty, Kazakhstan	FC	100%
Christian Dior Austria GmbH	Vienna, Austria	FC	100%
Christian Dior Netherlands BV	Amsterdam, the Netherlands	FC	100%
Christian Dior Couture Azerbaijan LLC	Baku, Azerbaijan	FC	100%
Draupnir SA	Luxembourg	FC	100%
Myolnir SA	Luxembourg	FC	100%
Christian Dior Couture Luxembourg SA	Luxembourg	FC	100%
Christian Dior Couture Canada Inc.	Ottawa, Canada	FC	100%
Christian Dior Couture Panama Inc.	Panama City, Panama	FC	100%
IDMC Manufacture SAS	Paris, France	FC	52%
GINZA SA	Luxembourg	FC	100%
GFEC. Srl	Casoria, Italy	FC	100%
Aurelia Solutions Srl	Milan, Italy	FC	100%
WINES AND SPIRITS			
MHCS SCS	Épernay, France	FC	27%
Champagne Des Moutiers SA	Épernay, France	FC	27%
Société Viticole de Reims SA	Épernay, France	FC	27%
Cie Française du Champagne et du Luxe SA	Épernay, France	FC	27%
Chamfipar SA	Épernay, France	FC	27%
GIE MHIS	Épernay, France	FC	27%
Moët Hennessy Entreprise Adaptée SAS	Épernay, France	FC	27%
Champagne Bernard Breuzon SAS	Colombé-le-Sec, France	FC	27%
Champagne de Mansin SAS	Gyé-sur-Seine, France	FC	27%
Société Civile des Crus de Champagne SA	Reims, France	FC	27%
Moët Hennessy Italia S.p.A.	Milan, Italy	FC	27%
Moët Hennessy UK Ltd	London, United Kingdom	FC	27%
Moët Hennessy España SA	Barcelona, Spain	FC	27%
Moët Hennessy (Suisse) SA	Geneva, Switzerland	FC	27%
Moët Hennessy Deutschland GmbH	Munich, Germany	FC	27%
Moët Hennessy de Mexico, S.A. de C.V.	Mexico City, Mexico	FC	27%
Moët Hennessy Belux SA	Brussels, Belgium	FC	27%
Moët Hennessy Osterreich GmbH	Vienna, Austria	FC	27%
Moët Hennessy Suomi OY	Helsinki, Finland	FC	27%
Moët Hennessy Polska Sp. z o.o.	Warsaw, Poland	FC	27%
Moët Hennessy Czech Republic s.r.o.	Prague, Czech Republic	FC	27%
Moët Hennessy Sverige AB	Stockholm, Sweden	FC	27%
Moët Hennessy Norge AS	Hoevik, Norway	FC	27%
Moët Hennessy Danmark A/S	Copenhagen, Denmark	FC	27%
Moët Hennessy Nederland BV	Baarn, the Netherlands	FC	27%
Moët Hennessy USA Inc.	New York, USA	FC	27%
Moët Hennessy Turkey Ltd	Istanbul, Turkey	FC	27%
Moët Hennessy South Africa Plc	Johannesburg, South Africa	FC	27%
Moët Hennessy Korea Ltd	Seoul, South Korea	FC	27%
MHD Moët Hennessy Diageo SAS	Courbevoie, France [a]	FC	27%
Cheval des Andes SA	Buenos Aires, Argentina	EM	14%
Domaine Chandon Inc.	California, USA	FC	27%
Cape Mentelle Vineyards Ltd	Margaret River, Australia	FC	27%
Veuve Clicquot Properties, Pty Ltd	Margaret River, Australia	FC	27%
Moët Hennessy do Brasil – Vinhos E Destilados Ltda	São Paulo, Brazil	FC	27%
Cloudy Bay Vineyards Ltd	Blenheim, New Zealand	FC	27%
Bodegas Chandon Argentina SA	Buenos Aires, Argentina	FC	27%
Domaine Chandon Australia Pty Ltd	Coldstream, Victoria, Australia	FC	27%
Newton Vineyards LLC	California, USA	FC	25%
Domaine Chandon (Ningxia) Moët Hennessy Co. Ltd	Yinchuan, China	FC	27%
Moët Hennessy Chandon (Ningxia) Vineyards Co. Ltd	Yinchuan, China	FC	16%
Château d'Yquem SA	Sauternes, France	FC	40%
Château d'Yquem SC	Sauternes, France	FC	40%
Société Civile Cheval Blanc (SCCB)	Saint-Émilion, France	EM	21%
MH Shangri-La (Deqin) Winery Company Ltd	Deqin, China	FC	22%
Jas Hennessy & Co. SCS	Cognac, France	FC	27%
Distillerie de la Groie SARL	Cognac, France	FC	27%
SICA de Bagnolet	Cognac, France	FC	1%
Sodepa SARL	Cognac, France	FC	27%
Diageo Moët Hennessy BV	Amsterdam, the Netherlands [a]	FC	27%
Hennessy Dublin Ltd	Dublin, Ireland	FC	27%
Edward Dillon & Co. Ltd	Dublin, Ireland	EM	11%
Hennessy Far East Ltd	Hong Kong, China	FC	27%
Moët Hennessy Diageo Hong Kong Ltd	Hong Kong, China [a]	FC	27%
Moët Hennessy Diageo Macau Ltd	Macao, China [a]	FC	27%
Riche Monde (China) Ltd	Hong Kong, China [a]	FC	27%
Moët Hennessy Diageo Singapore Pte Ltd	Singapore [a]	FC	27%

Company	Registered office	Method of consolidation	% interest
Moët Hennessy Cambodia Co. Ltd	Phnom Penh, Cambodia	FC	14%
Moët Hennessy Philippines Inc.	Makati, Philippines	FC	20%
Société du Domaine des Lambrays SARL	Gevrey Chambertin, France	FC	41%
Moët Hennessy Services UK Ltd	London, United Kingdom	FC	27%
Moët Hennessy Services Singapore Pte Ltd	Singapore	FC	27%
Moët Hennessy Diageo Malaysia SDN. BHD.	Kuala Lumpur, Malaysia [a]	FC	27%
Diageo Moët Hennessy Thailand Ltd	Bangkok, Thailand [a]	FC	27%
Moët Hennessy Shanghai Ltd	Shanghai, China	FC	27%
Moët Hennessy India Pvt. Ltd	New Delhi, India	FC	27%
Moët Hennessy Taiwan Ltd	Taipei, Taiwan	FC	27%
MHD Chine Co. Ltd	Shanghai, China [a]	FC	27%
Moët Hennessy Whitehall Russia SA	Moscow, Russia	FC	27%
Moët Hennessy Vietnam Importation Co. Ltd	Ho Chi Minh City, Vietnam	FC	27%
Moët Hennessy Vietnam Distribution Co. Pte Ltd	Ho Chi Minh City, Vietnam	FC	14%
Moët Hennessy Rus LLC	Moscow, Russia	FC	27%
MHD Moët Hennessy Diageo KK	Tokyo, Japan [a]	FC	27%
Moët Hennessy Asia-Pacific Pte Ltd	Singapore	FC	27%
Moët Hennessy Australia Ltd	Rosebury, Australia	FC	27%
Polmos Zyrardow LLC	Zyrardow, Poland	FC	27%
The Glenmorangie Company Ltd	Edinburgh, United Kingdom	FC	27%
Macdonald & Muir Ltd	Edinburgh, United Kingdom	FC	27%
The Scotch Malt Whisky Society Ltd	Edinburgh, United Kingdom	FC	27%

FASHION AND LEATHER GOODS

Company	Registered office	Method of consolidation	% interest
Louis Vuitton Malletier SA	Paris, France	FC	41%
Manufacture de Souliers Louis Vuitton Srl	Fiesso d'Artico, Italy	FC	41%
Louis Vuitton Saint-Barthélemy SNC	Saint-Barthélemy, French Antilles	FC	41%
Louis Vuitton Cantacilik Ticaret AS	Istanbul, Turkey	FC	41%
Louis Vuitton Editeur SAS	Paris, France	FC	41%
Louis Vuitton International SNC	Paris, France	FC	41%
Société des Ateliers Louis Vuitton SNC	Paris, France	FC	41%
Manufacture des Accessoires Louis Vuitton Srl	Milan, Italy	FC	41%
Louis Vuitton Bahrain WLL	Manama, Bahrain	FC	[b]
Société Louis Vuitton Services SNC	Paris, France	FC	41%
Louis Vuitton Qatar LLC	Doha, Qatar	FC	[b]
Société des Magasins Louis Vuitton France SNC	Paris, France	FC	41%
Belle Jardinière SA	Paris, France	FC	41%
La Fabrique Du Temps Louis Vuitton SA	La Chaux-de-Fonds, Switzerland	FC	41%
Les Ateliers Joailliers Louis Vuitton SAS	Paris, France	FC	41%
Louis Vuitton Monaco SA	Monaco	FC	41%
ELV SNC	Paris, France	FC	41%
Louis Vuitton Services Europe Sprl	Brussels, Belgium	FC	41%
Louis Vuitton UK Ltd	London, United Kingdom	FC	41%
Louis Vuitton Ireland Ltd	Dublin, Ireland	FC	41%
Louis Vuitton Deutschland GmbH	Düsseldorf, Germany	FC	41%
Louis Vuitton Ukraine LLC	Kiev, Ukraine	FC	41%
Sociedad de Catalana Talleres Artesanos Louis Vuitton SA	Barcelona, Spain	FC	41%
Sociedad de Talleres de Accesorios en Cuero LV SL	Barcelona, Spain	FC	41%
La Fabrique de Maroquinerie Louis Vuitton SNC	Paris, France	FC	41%
Louis Vuitton BV	Amsterdam, the Netherlands	FC	41%
Louis Vuitton Belgium SA	Brussels, Belgium	FC	41%
Louis Vuitton Luxembourg SARL	Luxembourg	FC	41%
Louis Vuitton Hellas SA	Athens, Greece	FC	41%
Louis Vuitton Portugal Maleiro, Ltda.	Lisbon, Portugal	FC	41%
Louis Vuitton Ltd	Tel Aviv, Israel	FC	41%
Louis Vuitton Danmark A/S	Copenhagen, Denmark	FC	41%
Louis Vuitton Aktiebolag SA	Stockholm, Sweden	FC	41%
Louis Vuitton Suisse SA	Geneva, Switzerland	FC	41%
Louis Vuitton Polska Sp. z o.o.	Warsaw, Poland	FC	41%
Louis Vuitton Ceska s.r.o.	Prague, Czech Republic	FC	41%
Louis Vuitton Osterreich GmbH	Vienna, Austria	FC	41%
Louis Vuitton Kazakhstan LLP	Almaty, Kazakhstan	FC	41%
LV US Manufacturing, Inc.	New York, USA	FC	41%

Company	Registered office	Method of consolidation	% interest
Louis Vuitton Hawaii Inc.	Hawaii, USA	FC	41%
Louis Vuitton Guam Inc.	Tamuning, Guam	FC	41%
Louis Vuitton Saipan Inc.	Saipan, Northern Mariana Islands	FC	41%
Louis Vuitton Norge AS	Oslo, Norway	FC	41%
San Dimas Luggage Company	New York, USA	FC	41%
Louis Vuitton North America Inc.	New York, USA	FC	41%
Louis Vuitton USA Inc.	New York, USA	FC	41%
Louis Vuitton Liban Retail SAL	Beirut, Lebanon	FC	39%
Louis Vuitton Vietnam Company Ltd	Hanoi, Vietnam	FC	41%
Louis Vuitton Suomy Oy	Helsinki, Finland	FC	41%
Louis Vuitton România Srl	Bucharest, Romania	FC	41%
LVMH FG Brasil Ltda	São Paulo, Brazil	FC	41%
Louis Vuitton Panama Inc.	Panama City, Panama	FC	41%
Louis Vuitton Mexico S. de R.L. de C.V.	Mexico City, Mexico	FC	41%
Louis Vuitton Chile Ltda	Santiago de Chile, Chile	FC	41%
Louis Vuitton (Aruba) NV	Oranjestad, Aruba	FC	41%
Louis Vuitton Republica Dominicana Srl	Santo Domingo, Dominican Republic	FC	41%
Louis Vuitton Pacific Ltd	Hong Kong, China	FC	41%
Louis Vuitton Kuwait WLL	Kuwait City, Kuwait	FC	[b]
Louis Vuitton Hong Kong Ltd	Hong Kong, China	FC	41%
Louis Vuitton (Philippines) Inc.	Makati, Philippines	FC	41%
Louis Vuitton Singapore Pte Ltd	Singapore	FC	41%
LV IOS Private Ltd	Singapore	FC	41%
PT Louis Vuitton Indonesia LLC	Jakarta, Indonesia	FC	41%
Louis Vuitton (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
Louis Vuitton (Thailand) SA	Bangkok, Thailand	FC	41%
Louis Vuitton Taiwan Ltd	Taipei, Taiwan	FC	41%
Louis Vuitton Australia Pty Ltd	Sydney, Australia	FC	41%
Louis Vuitton (China) Co. Ltd	Shanghai, China	FC	41%
Louis Vuitton Mongolia LLC	Ulaanbaatar, Mongolia	FC	41%
Louis Vuitton New Zealand Limited	Auckland, New Zealand	FC	41%
Louis Vuitton India Retail Private Limited	New Delhi, India	FC	41%
Louis Vuitton EAU LLC	Dubai, United Arab Emirates	FC	[b]
LV Saudi Arabia SARL	Saudi Arabia	FC	[b]
Louis Vuitton Middle East	Dubai, United Arab Emirates	FC	27%
Louis Vuitton – Jordan PCLS	Amman, Jordan	FC	41%
Louis Vuitton Orient LLC	Ras al-Khaimah, United Arab Emirates	FC	27%
Louis Vuitton Korea Ltd	Seoul, South Korea	FC	41%
LVMH Fashion Group Trading Korea Ltd	Seoul, South Korea	FC	41%
Louis Vuitton Hungaria SARL	Budapest, Hungary	FC	41%
Louis Vuitton Vostock LLC	Moscow, Russia	FC	41%
LV Colombia SA	Santafe de Bogota, Colombia	FC	41%
Louis Vuitton Maroc SARL	Casablanca, Morocco	FC	41%
Louis Vuitton South Africa Ltd	Johannesburg, South Africa	FC	41%
Louis Vuitton Macau Company Ltd	Macao, China	FC	41%
LVMH Fashion (Shanghai) Trading Co. Ltd	Shanghai, China	FC	41%
Louis Vuitton Japan KK	Tokyo, Japan	FC	41%
Louis Vuitton Services KK	Tokyo, Japan	FC	41%
Louis Vuitton Canada Inc.	Toronto, Canada	FC	41%
Louis Vuitton (Barbados) Ltd	Saint Michael, Barbados	FC	41%
Atepeli – Ateliers de Ponte de Lima SA	Ponte de Lima, Portugal	FC	41%
Somarest SARL	Sibiu, Romania	FC	41%
LVMH – Métiers d'Art	Paris, France	FC	41%
Les Tanneries Roux SA	Romans-sur-Isère, France	FC	41%
Heng Long International Holding Pte Ltd	Singapore	FC	41%
Heng Long International Ltd	Singapore	FC	41%
Heng Long Leather Co. Pte Ltd	Singapore	FC	41%
Heng Long Leather (Guangzhou) Co. Ltd	Guangzhou, China	FC	41%
HL Australia Proprietary Ltd	Sydney, Australia	FC	39%
Starke Holding LLC	Starke, USA (*)	FC	41%
Cypress Creek Farms LLC	Starke, USA (*)	FC	41%
Florida Alligator Company LLC	Starke, USA (*)	FC	41%
Pellefina LLC	Starke, USA (*)	FC	41%
Marc Jacobs International LLC	New York, USA	FC	33%
Marc Jacobs International (UK) Ltd	London, United Kingdom	FC	33%
Marc Jacobs Trademark LLC	New York, USA (*)	FC	33%
Marc Jacobs Japon KK	Tokyo, Japan	FC	33%
Marc Jacobs International Italia Srl	Milan, Italy	FC	33%

Company	Registered office	Method of consolidation	% interest
Marc Jacobs International France SAS	Paris, France	FC	33%
Marc Jacobs Commercial & Trading (Shanghai) Co. Ltd	Shanghai, China	FC	33%
Marc Jacobs Hong Kong Ltd	Hong Kong, China	FC	33%
Marc Jacobs Holdings LLC	New York, USA (*)	FC	33%
Marc Jacobs Hong Kong Distribution Company Ltd	Hong Kong, China	FC	33%
Marc Jacobs Macau Distribution Company Ltd	Macao, China	FC	33%
Loewe SA	Madrid, Spain	FC	41%
Loewe Hermanos SA	Madrid, Spain	FC	41%
Manufacturas Loewe SL	Madrid, Spain	FC	41%
LVMH Fashion Group France SNC	Paris, France	FC	41%
Loewe Hermanos UK Ltd	London, United Kingdom	FC	41%
Loewe Hong Kong Ltd	Hong Kong, China	FC	41%
Loewe Commercial & Trading (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Loewe Fashion Pte Ltd	Singapore	FC	41%
Loewe Taiwan Ltd	Taipei, Taiwan	FC	41%
Loewe Macao Ltd	Macao, China	FC	41%
Loewe Italy S.p.A.	Milan, Italy	FC	41%
Loewe Alemania GmbH	Frankfurt, Germany	FC	41%
Loewe Hawaii Inc.	Honolulu, USA	FC	41%
LVMH Fashion Group Support SAS	Paris, France	FC	41%
Berluti SA	Paris, France	FC	41%
Manifattura Ferrarese Srl	Ferrara, Italy	FC	41%
Berluti LLC	New York, USA	FC	41%
Berluti UK Ltd	London, United Kingdom	FC	41%
Berluti Macau Company Ltd	Macao, China	FC	41%
Berluti (Shanghai) Company Ltd	Shanghai, China	FC	41%
Berluti Hong Kong Company Ltd	Hong Kong, China	FC	41%
Berluti Deutschland GmbH	Munich, Germany	FC	41%
Berluti Singapore Pte Ltd	Singapore	FC	41%
LV Japan KK	Tokyo, Japan	FC	41%
Berluti Orient FZ LLC	Ras al-Khaimah, United Arab Emirates	FC	27%
Berluti UAE LLC	Dubai, United Arab Emirates	FC	(b)
Berluti Taiwan Ltd	Taipei, Taiwan	FC	41%
Berluti Korea Company Ltd	Seoul, South Korea	FC	27%
Rossimoda S.p.A.	Vigonza, Italy	FC	41%
Rossimoda USA Ltd	New York, USA	FC	41%
Brenta Suole Srl	Vigonza, Italy	FC	41%
Rossimoda Romania Srl	Cluj-Napoca, Romania	FC	41%
LVMH Fashion Group Services SAS	Paris, France	FC	41%
Montaigne KK	Tokyo, Japan	FC	41%
Interlux Company Ltd	Hong Kong, China	FC	41%
Céline SA	Paris, France	FC	41%
Avenue M International SCA	Paris, France	FC	41%
Enilec Gestion SARL	Paris, France	FC	41%
Céline Montaigne SA	Paris, France	FC	41%
Céline Monte-Carlo SA	Monaco	FC	41%
Céline Germany GmbH	Berlin, Germany	FC	41%
Céline Production Srl	Florence, Italy	FC	41%
Céline Suisse SA	Geneva, Switzerland	FC	41%
Céline UK Ltd	London, United Kingdom	FC	41%
Céline Inc.	New York, USA (*)	FC	41%
Céline Hong Kong Ltd	Hong Kong, China	FC	41%
Céline Commercial & Trading (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Céline Taiwan Ltd	Taipei, Taiwan	FC	41%
CPC Macau Ltd	Macao, China	FC	41%
LVMH FG Services UK Ltd	London, United Kingdom	FC	41%
Céline Distribution Spain S.L.U.	Madrid, Spain	FC	41%
Céline Distribution Singapore Pte Ltd	Singapore	FC	41%
RC Diffusion Rive Droite SAS	Paris, France	FC	41%
C EAU LLC	Dubai, United Arab Emirates	FC	(b)
Céline Netherlands BV	Baarn, the Netherlands	FC	41%
Céline Australia Pty Ltd	Sydney, Australia	FC	41%
Céline Sweden AB	Stockholm, Sweden	FC	41%
Céline Middle East FZ LLC	Dubai, United Arab Emirates	FC	(b)
Kenzo SA	Paris, France	FC	41%
Kenzo Belgique SA	Brussels, Belgium	FC	41%
Kenzo UK Ltd	London, United Kingdom	FC	41%
Kenzo Japan KK	Tokyo, Japan	FC	41%
Kenzo Accessories Srl	Lentate Sul Seveso, Italy	FC	41%
Kenzo Seta Srl	Grandate, Italy	FC	21%
Kenzo Paris KK	Tokyo, Japan	FC	41%
Kenzo Paris Singapore Pte Ltd	Singapore	FC	41%

Company	Registered office	Method of consolidation	% interest
Kenzo Paris Hong Kong Company Ltd	Hong Kong, China	FC	41%
Kenzo Paris USA LLC	New York, USA	FC	41%
Givenchy SA	Paris, France	FC	41%
Givenchy Corporation	New York, USA	FC	41%
Givenchy China Co. Ltd	Hong Kong, China	FC	41%
Givenchy Shanghai Commercial and Trading Co. Ltd	Shanghai, China	FC	41%
GCCL Macau Co. Ltd	Macao, China	FC	41%
Givenchy Italia Srl	Florence, Italy	FC	41%
LVMH Fashion Group Japan KK Givenchy Japan	Tokyo, Japan	FC	41%
Givenchy Couture Ltd	London, United Kingdom	FC	41%
Givenchy Taiwan Ltd	Taipei, Taiwan	FC	41%
Givenchy Middle East FZ LLC	Dubai, United Arab Emirates	FC	(b)
George V EAU LLC	Dubai, United Arab Emirates	FC	(b)
Fendi Prague s.r.o.	Prague, Czech Republic	FC	41%
Luxury Kuwait for Ready Wear Company WLL	Kuwait City, Kuwait	FC	(b)
Fendi Canada Inc.	Toronto, Canada	FC	41%
Fendi Private Suites Srl	Rome, Italy	FC	41%
Fun Fashion Qatar LLC	Doha, Qatar	FC	(b)
Fendi International SA	Paris, France	FC	41%
Fun Fashion Emirates LLC	Dubai, United Arab Emirates	FC	(b)
Fendi SA	Luxembourg	FC	41%
Fun Fashion Bahrain WLL	Manama, Bahrain	FC	(b)
Fendi Srl	Rome, Italy	FC	41%
Fendi Dis Ticaret LSi	Istanbul, Turkey	FC	41%
Fendi Adele Srl	Rome, Italy	FC	41%
Fendi Italia Srl	Rome, Italy	FC	41%
Fendi UK Ltd	London, United Kingdom	FC	41%
Fendi France SAS	Paris, France	FC	41%
Fendi North America Inc.	New York, USA	FC	41%
Fendi (Thailand) Company Ltd	Bangkok, Thailand	FC	41%
Fendi Asia-Pacific Ltd	Hong Kong, China	FC	41%
Fendi Korea Ltd	Seoul, South Korea	FC	41%
Fendi Taiwan Ltd	Taipei, Taiwan	FC	41%
Fendi Hong Kong Ltd	Hong Kong, China	FC	41%
Fendi China Boutiques Ltd	Hong Kong, China	FC	41%
Fendi (Singapore) Pte Ltd	Singapore	FC	41%
Fendi Fashion (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
Fendi Switzerland SA	Geneva, Switzerland	FC	41%
Fendi Kids SA	Mendrisio, Switzerland	FC	41%
Fun Fashion FZCO LLC	Dubai, United Arab Emirates	FC	30%
Fendi Macau Company Ltd	Macao, China	FC	41%
Fendi Germany GmbH	Stuttgart, Germany	FC	41%
Fendi Austria GmbH	Vienna, Austria	FC	41%
Fendi (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Fun Fashion India Pte Ltd	Mumbai, India	FC	30%
Interservices & Trading SA	Lugano, Switzerland	FC	41%
Fendi Silk SA	Lugano, Switzerland	FC	41%
Outshine Mexico, S. de R.L. de C.V.	Mexico City, Mexico	FC	41%
Fendi Timepieces USA Inc.	New Jersey, USA	FC	41%
Fendi Timepieces Service Inc.	New Jersey, USA	FC	41%
Fendi Timepieces SA	Neuchâtel, Switzerland	FC	41%
Taramax Japan KK	Tokyo, Japan	FC	41%
Support Retail Mexico, S. de R.L. de C.V.	Mexico City, Mexico	FC	41%
Fendi Brasil – Grupo de Moda Ltda	São Paulo, Brazil	FC	41%
Fendi RU LLC	Moscow, Russia	FC	41%
Fendi Australia Pty Ltd	Sydney, Australia	FC	41%
Emilio Pucci Srl	Florence, Italy	FC	41%
Emilio Pucci International BV	Baarn, the Netherlands	FC	28%
Emilio Pucci, Ltd	New York, USA	FC	41%
Emilio Pucci Hong Kong Co. Ltd	Hong Kong, China	FC	41%
Emilio Pucci (Shanghai) Commercial Ltd	Shanghai, China	FC	41%
Emilio Pucci UK Ltd	London, United Kingdom	FC	41%
Emilio Pucci (Singapore) Pte Ltd	Singapore	FC	41%
Thomas Pink Holdings Ltd	London, United Kingdom	FC	41%
Thomas Pink Ltd	London, United Kingdom	FC	41%
Thomas Pink BV	Rotterdam, the Netherlands	FC	41%
Thomas Pink Inc.	New York, USA (*)	FC	41%
Thomas Pink Ireland Ltd	Dublin, Ireland	FC	41%
Thomas Pink France SAS	Paris, France	FC	41%
Thomas Pink Canada Inc.	Toronto, Canada	FC	41%
Edun Apparel Ltd	Dublin, Ireland	EM	20%
Edun Americas Inc.	North Carolina, USA	EM	20%

Company	Registered office	Method of consolidation	% interest
Nowness LLC	New York, USA (*)	FC	41%
Nowness SAS	Paris, France	FC	41%
Loro Piana S.p.A.	Quarona, Italy	FC	33%
Loro Piana Switzerland SA	Lugano, Switzerland	FC	33%
Loro Piana France SARL	Paris, France	FC	33%
Loro Piana GmbH	Munich, Germany	FC	33%
Loro Piana GB Ltd	London, United Kingdom	FC	33%
Warren Corporation	Stafford Springs, Connecticut, USA	FC	33%
Loro Piana & C. Inc.	New York, USA	FC	33%
Loro Piana USA LLC	New York, USA	FC	33%
Loro Piana Ltd	Hong Kong, China	FC	33%
Loro Piana Com. Ltd	Shanghai, China	FC	33%
Loro Piana Textile Trading Ltd	Shanghai, China	FC	33%
Loro Piana Mongolia Ltd	Ulaanbaatar, Mongolia	FC	33%
Loro Piana Korea Ltd	Seoul, South Korea	FC	33%
Loro Piana Ltda	Macao, China	FC	33%
Loro Piana Monaco SARL	Monaco	FC	33%
Loro Piana España S.L.U.	Madrid, Spain	FC	33%
Loro Piana Japan Ltd	Tokyo, Japan	FC	33%
Loro Piana Far East Pte Ltd	Singapore	FC	33%
Loro Piana Peru S.A.C.	Lucanas, Ayacucho, Peru	FC	33%
SDM Maglierie Srl	Sillavengo, Italy	FC	33%
Fibre Nobili Srl	Verona, Italy	FC	33%
Loro Piana Oesterreich GmbH	Vienna, Austria	FC	33%
Loro Piana Nederland BV	Amsterdam, the Netherlands	FC	33%
Loro Piana Czech Republic s.r.o.	Prague, Czech Republic	FC	33%
Loro Piana Belgique	Brussels, Belgium	FC	33%
SANIN SA	Rawson, Argentina	FC	20%
Nicholas Kirkwood Ltd	London, United Kingdom	FC	22%
Nicholas Kirkwood Corp.	New York, USA	FC	22%
NK Washington LLC	Delaware, USA	FC	22%
Nicholas Kirkwood LLC	New York, USA	FC	22%
NK WLV LLC	Nevada, USA	FC	22%
JW Anderson Ltd	London, United Kingdom	EM	19%
Marco De Vincenzo Srl	Rome, Italy	EM	19%

PERFUMES AND COSMETICS

Company	Registered office	Method of consolidation	% interest
Parfums Christian Dior SA	Paris, France	FC	41%
LVMH P&C Thailand Co. Ltd	Bangkok, Thailand	FC	20%
LVMH Parfums & Cosmétiques do Brasil Ltda	São Paulo, Brazil	FC	41%
France Argentine Cosmetics SA	Buenos Aires, Argentina	FC	41%
LVMH P&C Shanghai Co. Ltd	Shanghai, China	FC	41%
Parfums Christian Dior Finland Oy	Helsinki, Finland	FC	41%
SNC du 33 avenue Hoche	Paris, France	FC	41%
LVMH Fragrances & Cosmetics (Singapore) Pte Ltd	Singapore	FC	41%
Parfums Christian Dior Orient Co.	Dubai, United Arab Emirates	FC	25%
Parfums Christian Dior Emirates LLC	Dubai, United Arab Emirates	FC	12%
LVMH Cosmetics KK	Tokyo, Japan	FC	41%
Parfums Christian Dior Arabia LLC	Jeddah, Saudi Arabia	FC	19%
EPCD Sp. z o.o.	Warsaw, Poland	FC	41%
EPCD CZ & SK s.r.o.	Prague, Czech Republic	FC	41%
EPCD RO Distribution Srl	Bucharest, Romania	FC	41%
Parfums Christian Dior (UK) Ltd	London, United Kingdom	FC	41%
Parfums Christian Dior BV	Rotterdam, the Netherlands	FC	41%
Iparkos BV	Rotterdam, the Netherlands	FC	41%
Parfums Christian Dior S.A.B. SA	Brussels, Belgium	FC	41%
Parfums Christian Dior (Ireland) Ltd	Dublin, Ireland	FC	41%
Parfums Christian Dior Hellas SA	Athens, Greece	FC	41%
Parfums Christian Dior AG	Zurich, Switzerland	FC	41%
Christian Dior Perfumes LLC	New York, USA	FC	41%
Parfums Christian Dior Canada Inc.	Montreal, Canada	FC	41%
LVMH P&C de Mexico S.A. de C.V.	Mexico City, Mexico	FC	41%
Parfums Christian Dior Japon KK	Tokyo, Japan	FC	41%
Parfums Christian Dior (Singapore) Pte Ltd	Singapore	FC	41%
Inalux SA	Luxembourg	FC	41%
LVMH P&C Asia-Pacific Ltd	Hong Kong, China	FC	41%
Fa Hua Fragrance & Cosmetic Co. Ltd	Hong Kong, China	FC	41%
Fa Hua Frag & Cosm Taiwan Ltd	Taipei, Taiwan	FC	41%
Parfums Christian Dior China Co. Ltd	Shanghai, China	FC	41%
LVMH P&C Korea Ltd	Seoul, South Korea	FC	41%
Parfums Christian Dior Hong Kong Ltd	Hong Kong, China	FC	41%

Company	Registered office	Method of consolidation	% interest
LVMH P&C Malaysia Sdn Berhad Inc.	Kuala Lumpur, Malaysia	FC	41%
Pardior S.A. de C.V.	Mexico City, Mexico	FC	41%
Parfums Christian Dior A/S Ltd	Copenhagen, Denmark	FC	41%
LVMH Perfumes & Cosmetics Group Pty Ltd	Sydney, Australia	FC	41%
Parfums Christian Dior AS Ltd	Hoevik, Norway	FC	41%
Parfums Christian Dior AB	Stockholm, Sweden	FC	41%
Parfums Christian Dior (New Zealand) Ltd	Auckland, New Zealand	FC	41%
Parfums Christian Dior GmbH Austria	Vienna, Austria	FC	41%
L Beauty Luxury Asia Inc.	Taguig City, Philippines	FC	21%
SCI Annabell	Paris, France	FC	41%
PT. L Beauty Brands LLC	Jakarta, Indonesia	FC	21%
L Beauty Pte Ltd	Singapore	FC	21%
L Beauty Vietnam LLC	Ho Chi Minh City, Vietnam	FC	21%
SCI *Rose* Blue	Paris, France	FC	41%
PCD Saint Honoré SAS	Paris, France	FC	41%
LVMH Perfumes & Cosmetics Macau Ltd	Macao, China	FC	41%
DP Seldico	Kiev, Ukraine	FC	41%
OOO SELDICO	Moscow, Russia	FC	41%
LVMH P&C Kazakhstan LLP	Almaty, Kazakhstan	FC	41%
PCD Dubai General Trading LLC	Dubai, United Arab Emirates	FC	12%
PCD Doha Perfumes & Cosmetics LLC	Doha, Qatar	FC	6%
Cosmetic of France Inc.	Florida, USA	FC	41%
LVMH Recherche GIE	Saint-Jean de Braye, France	FC	41%
Parfums et Cosmétiques Information Services – PCIS GIE	Levallois-Perret, France	FC	41%
Perfumes Loewe SA	Madrid, Spain	FC	41%
Acqua di Parma Srl	Milan, Italy	FC	41%
Acqua di Parma LLC	New York, USA	FC	41%
Acqua di Parma Ltd	London, United Kingdom	FC	41%
Cha Ling SCA	Paris, France	FC	41%
Cha Ling Hong Kong Ltd	Hong Kong, China	FC	41%
Guerlain SA	Paris, France	FC	41%
LVMH Parfums & Kosmetik Deutschland GmbH	Düsseldorf, Germany	FC	41%
Guerlain GmbH	Vienna, Austria	FC	41%
Guerlain SA (Belgique)	Fleurus, Belgium	FC	41%
Guerlain Ltd	London, United Kingdom	FC	41%
LVMH Perfumes e Cosmetica Lda	Lisbon, Portugal	FC	41%
PC Parfums Cosmétiques SA	Zurich, Switzerland	FC	41%
Guerlain Inc.	New York, USA	FC	41%
Guerlain Canada Ltd	Montreal, Canada	FC	41%
Guerlain De Mexico SA	Mexico City, Mexico	FC	41%
Guerlain Asia-Pacific Ltd	Hong Kong, China	FC	41%
Guerlain KK	Tokyo, Japan	FC	41%
Guerlain KSA	Paris, France	FC	33%
Guerlain Orient JLT LLC	Dubai, United Arab Emirates	FC	41%
Guerlain Saudi Arabia LLC	Jeddah, Saudi Arabia	FC	25%
Guerlain Oceania Australia Pty Ltd	Melbourne, Australia	FC	41%
PT Guerlain Cosmetics Indonesia LLC	Jakarta, Indonesia	FC	21%
Make Up For Ever SA	Paris, France	FC	41%
SCI Edison	Paris, France	FC	41%
Make Up For Ever LLC	New York, USA (*)	FC	41%
Make Up For Ever Canada Ltd	Montreal, Canada	FC	41%
LVMH Fragrance Brands SA	Levallois-Perret, France	FC	41%
LVMH Fragrance Brands Ltd	London, United Kingdom	FC	41%
LVMH Fragrance Brands GmbH	Düsseldorf, Germany	FC	41%
LVMH Fragrance Brands LLC	New York, USA (*)	FC	41%
LVMH Fragrance Brands Canada Ltd	Toronto, Canada	FC	41%
LVMH Fragrance Brands KK	Tokyo, Japan	FC	41%
LVMH Fragrance Brands WHD Inc.	New York, USA (*)	FC	41%
LVMH Fragrance Brands Hong Kong Ltd	Hong Kong, China	FC	41%
LVMH Fragrance Brands Singapore Pte Ltd	Singapore	FC	41%
Benefit Cosmetics LLC	California, USA	FC	41%
Benefit Cosmetics Ireland Ltd	Dublin, Ireland	FC	41%
Benefit Cosmetics UK Ltd	Chelmsford, United Kingdom	FC	41%
Benefit Cosmetics Canada Inc.	Toronto, Canada	FC	41%
Benefit Cosmetics Korea Ltd	Seoul, South Korea	FC	41%
Benefit Cosmetics SAS	Boulogne-Billancourt, France	FC	41%
Benefit Cosmetics Hong Kong Limited	Hong Kong, China	FC	41%
L Beauty Sdn. Bhn.	Kuala Lumpur, Malaysia	FC	21%
L Beauty Thailand Co Ltd	Bangkok, Thailand	FC	20%
Fresh Inc.	Massachusetts, USA	FC	33%

Company	Registered office	Method of consolidation	% interest
Fresh SAS	Boulogne-Billancourt, France	FC	41%
Fresh Cosmetics Ltd	London, United Kingdom	FC	33%
Fresh Hong Kong Ltd	Hong Kong, China	FC	33%
Fresh Korea Ltd	Seoul, South Korea	FC	33%
Kendo Holdings Inc.	California, USA	FC	41%
Ole Henriksen of Denmark Inc.	California, USA	FC	41%
SLF USA Inc.	Delaware, USA	FC	41%
Suzanne Lang Fragrance Inc.	Toronto, Canada	FC	41%
BHUSA Inc.	Delaware, USA	FC	41%
Kat von D Beauty LLC	Delaware, USA	FC	29%
Fenty Beauty LLC	California, USA	FC	21%

WATCHES AND JEWELRY

Company	Registered office	Method of consolidation	% interest
TAG Heuer International SA	Luxembourg	FC	41%
LVMH Relojeria & Joyeria España SA	Madrid, Spain	FC	41%
LVMH Montres & Joaillerie France SA	Paris, France	FC	41%
LVMH Watch & Jewelry Central Europe GmbH	Bad Homburg, Germany	FC	41%
LVMH Watch & Jewelry UK Ltd	Manchester, United Kingdom	FC	41%
LVMH Watch & Jewelry USA Inc.	New Jersey, USA	FC	41%
LVMH Watch & Jewelry Canada Ltd	Toronto, Canada	FC	41%
LVMH Watch & Jewelry Far East Ltd	Hong Kong, China	FC	41%
LVMH Watch & Jewelry Singapore Pte Ltd	Singapore	FC	41%
LVMH Watch & Jewelry Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
LVMH Watch & Jewelry Capital Pte Ltd	Singapore	FC	41%
LVMH Watch & Jewelry Japan KK	Tokyo, Japan	FC	41%
LVMH Watch & Jewelry Australia Pty Ltd	Melbourne, Australia	FC	41%
LVMH Watch & Jewelry Hong Kong Ltd	Hong Kong, China	FC	41%
LVMH Watch & Jewelry Taiwan Ltd	Hong Kong, China	FC	41%
LVMH Watch & Jewelry India Pvt Ltd	New Delhi, India	FC	41%
LVMH Watch & Jewelry (Shanghai) Commercial Co. Ltd	Shanghai, China	FC	41%
LVMH Watch & Jewelry Russia SARL	Moscow, Russia	FC	41%
Timecrown Ltd	Worsley, United Kingdom	FC	41%
ArteCad SA	Tramelan, Switzerland	FC	41%
Alpha Time Corp. Ltd	Hong Kong, China	FC	41%
Dreamtech (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Dreamtech Intl Trading Co. Ltd	Shanghai, China	FC	41%
Chaumet International SA	Paris, France	FC	41%
Chaumet London Ltd	London, United Kingdom	FC	41%
Chaumet Horlogerie SA	Bienne, Switzerland	FC	41%
Chaumet Korea Yuhan Hoesa LLC	Seoul, South Korea	FC	41%
Chaumet Middle East FZCO	Dubai, United Arab Emirates	FC	25%
Chaumet UAE	Dubai, United Arab Emirates	(b)	(b)
LVMH Watch and Jewellery Macau Company Limited	Macao, China	FC	41%
LVMH Swiss Manufactures SA	La Chaux-de-Fonds, Switzerland	FC	41%
Farouk Trading Ltd	Riyadh, Saudi Arabia	(b)	(b)
LVMH Watch & Jewelry Italy S.p.A.	Milan, Italy	FC	41%
Delano SA	La Chaux-de-Fonds, Switzerland	FC	41%
Fred Paris SA	Paris, France	FC	41%
Joaillerie de Monaco SA	Monaco	FC	41%
Fred Inc.	California, USA (*)	FC	41%
Fred Londres Ltd	London, United Kingdom	FC	41%
Hublot SA	Nyon, Switzerland	FC	41%
Bentim International SA	Luxembourg	FC	41%
Hublot SA Genève	Geneva, Switzerland	FC	41%
Hublot of America, Inc.	Florida, USA	FC	41%
Nyon LLC	Miami, USA	FC	21%
Nyon Services LLC	Miami, USA (*)	FC	21%
Atlanta Boutique LLC	Atlanta, USA	FC	21%
Echidna Distribution Company LLC	Dallas, USA	FC	21%
Furioso LLC	Orlando, USA	FC	21%
Fusion World Dallas LLC	Dallas, USA	FC	21%
Fusion World Houston LLC	Houston, USA	FC	21%
New World of Fusion LLC	Miami, USA (*)	FC	21%
De Beers Diamond Jewellers Ltd	London, United Kingdom	EM	21%
De Beers Diamond Jewellers Trademark Ltd	London, United Kingdom	EM	21%
De Beers Diamond Jewellers UK Ltd	London, United Kingdom	EM	21%
De Beers Diamond Jewellers Japan KK Co.	Tokyo, Japan	EM	21%
De Beers Diamond Jewellers (Hong Kong) Ltd	Hong Kong, China	EM	21%
De Beers Diamond Jewellers Limited Taiwan	Taipei, Taiwan	EM	21%
De Beers Diamond Jewellers US Inc.	Delaware, USA	EM	21%
De Beers Jewellers Commercial (Shanghai) Co. Ltd	Shanghai, China	EM	21%
De Beers Diamond Jewellers (Macau) Company Limited	Macao, China	EM	21%
Bvlgari S.p.A.	Rome, Italy	FC	41%
Bvlgari Italia S.p.A.	Rome, Italy	FC	41%
Bvlgari International Corporation (BIC) NV	Amsterdam, the Netherlands	FC	41%
Bvlgari Corporation of America Inc.	New York, USA	FC	41%
Bvlgari SA	Geneva, Switzerland	FC	41%
Bvlgari Horlogerie SA	Neuchâtel, Switzerland	FC	41%
Bvlgari France SAS	Paris, France	FC	41%
Bvlgari Montecarlo SAM	Monaco	FC	41%
Bvlgari (Deutschland) GmbH	Munich, Germany	FC	41%
Bvlgari España SA Unipersonal	Madrid, Spain	FC	41%
Bvlgari South Asian Operations Pte Ltd	Singapore	FC	41%
Bvlgari (UK) Ltd	London, United Kingdom	FC	41%
Bvlgari Belgium SA	Brussels, Belgium	FC	41%
Bvlgari Australia Pty Ltd	Sydney, Australia	FC	41%
Bvlgari (Malaysia) Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
Bvlgari Global Operations SA	Neuchâtel, Switzerland	FC	41%
Bvlgari Asia-Pacific Ltd	Hong Kong, China	FC	41%
Bvlgari (Taiwan) Ltd	Taipei, Taiwan	FC	41%
Bvlgari Korea Ltd	Seoul, South Korea	FC	41%
Bvlgari Saint Barth SAS	Saint-Barthélemy, French Antilles	FC	41%
Bvlgari Gioielli S.p.A.	Valenza, Italy	FC	41%
Bvlgari Accessori Srl	Florence, Italy	FC	41%
Bvlgari Holdings (Thailand) Ltd	Bangkok, Thailand	FC	41%
Bvlgari (Thailand) Ltd	Bangkok, Thailand	FC	41%
Bvlgari Commercial (Shanghai) Co. Ltd	Shanghai, China	FC	41%
Bvlgari Japan Ltd	Tokyo, Japan	FC	41%
Bvlgari Panama Inc.	Panama City, Panama	FC	41%
Bvlgari Ireland Ltd	Dublin, Ireland	FC	41%
Bvlgari Qatar Lcc	Doha, Qatar	(b)	(b)
Bvlgari Kuwait WLL	Kuwait City, Kuwait	(b)	(b)
Gulf Luxury Trading LLC	Dubai, United Arab Emirates	FC	21%
Bvlgari do Brazil Ltda	São Paulo, Brazil	FC	41%
Bvlgari Hotels and Resorts Milano Srl	Rome, Italy	EM	21%
Lux Jewels Kuwait for Trading in Gold Jewelry and Precious Stones WLL	Kuwait City, Kuwait	(b)	(b)
Lux Jewels Bahrain WLL	Manama, Bahrain	(b)	(b)
India Luxco Retail Pte Ltd	New Delhi, India	(b)	(b)
BK for Jewelry and Precious Metals and Stones Co. WLL	Kuwait City, Kuwait	(b)	(b)
Bvlgari Turkey Lüks Ürün Ticareti Limited Sirketi	Istanbul, Turkey	FC	41%
Bvlgari Russia LLC	Moscow, Russia	FC	41%
Bvlgari Prague s.r.o.	Prague, Czech Republic	FC	41%
Bvlgari Mexico S.A. de C.V.	Cancún, Mexico	FC	41%
Bvlgari Canada Inc.	Quebec, Canada	FC	41%
Bvlgari Portugal Lda	Lisbon, Portugal	FC	41%
Actar International SA	Luxembourg	EM	17%

SELECTIVE RETAILING

Company	Registered office	Method of consolidation	% interest
LVMH Iberia SL	Madrid, Spain	FC	41%
LVMH Italia S.p.A.	Milan, Italy	FC	41%
Sephora SA	Boulogne-Billancourt, France	FC	41%
Sephora Luxembourg SARL	Luxembourg	FC	41%
Sephora Portugal Perfumaria Lda	Lisbon, Portugal	FC	41%
Sephora Pologne Sp. z o.o.	Warsaw, Poland	FC	41%
Sephora Marinopoulos SA	Alimos, Greece	FC	41%
Sephora Marinopoulos Romania SA	Bucharest, Romania	FC	41%
Sephora Switzerland SA	Geneva, Switzerland	FC	41%
Sephora s.r.o.	Prague, Czech Republic	FC	41%
Sephora Monaco SAM	Monaco	FC	41%

Company	Registered office	Method of consolidation	% interest
Sephora Cosmeticos España	Madrid, Spain	FC	21%
S+ SAS	Boulogne-Billancourt, France	FC	41%
Sephora Marinopoulos Bulgaria EOOD	Sofia, Bulgaria	FC	41%
Sephora Marinopoulos Cyprus Ltd	Nicosia, Cyprus	FC	41%
Sephora Unitim Kozmetik AS	Istanbul, Turkey	FC	41%
Perfumes & Cosmeticos Gran Via SL	Madrid, Spain	FC	19%
Sephora Marinopoulos Cosmetics d.o.o.	Belgrade, Serbia	FC	41%
Sephora Danmark ApS	Copenhagen, Denmark	FC	41%
Sephora Sweden AB	Malmö, Sweden	FC	41%
Sephora Moyen Orient SA	Fribourg, Switzerland	FC	25%
Sephora Middle East FZE	Dubai, United Arab Emirates	FC	25%
Sephora Qatar	Doha, Qatar	FC	22%
Sephora Arabia Limited LLC	Jeddah, Saudi Arabia	FC	(c)
Sephora Asia Pte Ltd	Shanghai, China	FC	41%
Sephora (Shanghai) Cosmetics Co. Ltd	Shanghai, China	FC	34%
Sephora (Beijing) Cosmetics Co. Ltd	Beijing, China	FC	34%
Sephora Xiangyang (Shanghai) Cosmetics Co. Ltd	Shanghai, China	FC	34%
Sephora Singapore Pte Ltd	Singapore	FC	41%
Sephora Thailand Company Ltd	Bangkok, Thailand	FC	41%
Sephora Australia Pty Ltd	Sydney, Australia	FC	41%
Luxola Pte Ltd	Singapore	FC	39%
Luxola Trading Pte Ltd	Singapore	FC	39%
LX Holding Pte Ltd	Singapore	FC	39%
LXEDIT (Thailand) Ltd	Bangkok, Thailand	FC	39%
Luxola (Thailand) Ltd	Bangkok, Thailand	FC	39%
Luxola India Services Pvt Ltd	Bangalore, India	FC	39%
PT Luxola Services Indonesia	Jakarta, Indonesia	FC	39%
LX Services Pte Ltd	Singapore	FC	39%
PT MU and SC Trading	Jakarta, Indonesia	FC	39%
Sephora USA Inc.	California, USA	FC	41%
Sephora Cosmetics Pte Ltd	New Delhi, India	FC	41%
Sephora Beauty Canada, Inc.	California, USA	FC	41%
Sephora Puerto Rico LLC	California, USA	FC	41%
Sephora Mexico, S. de R.L. de C.V.	Lomas de Chapultepec, Mexico	FC	41%
Servicios Ziphorah, S. de R.L. de C.V.	Mexico City, Mexico	FC	41%
Sephora Emirates LLC	Dubai, United Arab Emirates	FC	(c)
Sephora Bahrain WLL	Manama, Bahrain	FC	(c)
PT Sephora Indonesia LLC	Jakarta, Indonesia	FC	41%
Dotcom Group Comercio de Presentes SA	Rio de Janeiro, Brazil	FC	41%
LGCS Inc.	New York, USA	FC	41%
Sephora Do Brazil – avenue Hoche SA	São Paulo, Brazil	FC	41%
Galonta Holdings Limited	Nicosia, Cyprus	FC	41%
United Europe – Securities OJSC	Moscow, Russia	FC	41%
Beauty in Motion Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	41%
Le Bon Marché SA	Paris, France	FC	41%
SEGEP SNC	Paris, France	FC	41%
Franck & Fils SA	Paris, France	FC	41%
DFS Holdings Ltd	Hamilton, Bermuda	FC	25%
DFS Australia Pty Ltd	Sydney, Australia	FC	25%
DFS Group Ltd	Delaware, USA	FC	25%
DFS Group Limited	Hong Kong, China	FC	25%
TRS Hong Kong Ltd	Hong Kong, China	EM	11%
DFS France SAS	Paris, France	FC	25%
DFS Okinawa KK	Okinawa, Japan	FC	25%
TRS Okinawa	Okinawa, Japan	EM	11%
JAL/DFS Co. Ltd	Chiba, Japan	FC	10%
DFS Korea Ltd	Seoul, South Korea	FC	25%
DFS Seoul Ltd	Seoul, South Korea	FC	25%
DFS Cotai Limitada	Macao, China	FC	25%
DFS Sdn. Bhd.	Kuala Lumpur, Malaysia	FC	25%
DFS Middle East LLC	Abu Dhabi, United Arab Emirates	FC	25%
DFS Merchandising Ltd	Delaware, USA	FC	25%
DFS New Zealand Ltd	Auckland, New Zealand	FC	25%
TRS New Zealand Ltd	Auckland, New Zealand	EM	11%
Commonwealth Investment Company Inc.	Saipan, Northern Mariana Islands	FC	24%
DFS Saipan Ltd	Saipan, Northern Mariana Islands	FC	25%
Kinkaï Saipan LP	Saipan, Northern Mariana Islands	FC	25%
DFS Business Consulting (Shanghai) Co. Ltd	Shanghai, China	FC	25%
Hainan DFS Retail Company Limited	Hainan, China	FC	25%
DFS Singapore Pte Ltd	Singapore	FC	25%
DFS Venture Singapore Pte Ltd	Singapore	FC	25%
TRS Singapore Pte Ltd	Singapore	EM	11%
DFS India Pte Ltd	Mumbai, India	EM	13%
DFS Vietnam (S) Pte Ltd	Singapore	FC	18%
New Asia Wave International Pte Ltd	Singapore	FC	18%
IPP Group Pte Ltd	Singapore	FC	18%
DFS Group LP	Delaware, USA	FC	25%
LAX Duty Free Joint Venture	California, USA	FC	19%
Royal Hawaiian Insurance Company Ltd	Hawaii, USA	FC	25%
JFK Terminal 4 Joint Venture	New York, USA	FC	20%
DFS Guam LP	Tamuning, Guam	FC	25%
DFS Liquor Retailing Ltd	Delaware, USA	FC	25%
Twenty Seven – Twenty Eight Corp.	Delaware, USA	FC	25%
DFS Italy Srl	Milan, Italy	FC	25%
DFS (Cambodia) Limited	Phnom Penh, Cambodia	FC	18%
TRS Hawaii LLC	Hawaii, USA	FC	11%
TRS Saipan Ltd	Saipan, Northern Mariana Islands	EM	11%
TRS Guam LLC	Tamuning, Guam	EM	11%
Tumon Entertainment LLC	Tamuning, Guam	FC	41%
Comete Guam Inc.	Tamuning, Guam	FC	41%
Tumon Aquarium LLC	Tamuning, Guam	FC	40%
Comete Saipan Inc.	Saipan, Northern Mariana Islands	FC	41%
Tumon Games LLC	Tamuning, Guam	FC	41%
DFS Vietnam LLC	Ho Chi Minh City, Vietnam	FC	25%
PT Sona Topas Tourism Industry Tbk	Jakarta, Indonesia	FC	11%
Cruise Line Holdings Co.	Delaware, USA	FC	41%
Starboard Cruise Services Inc.	Delaware, USA	FC	41%
Starboard Holdings Ltd	Delaware, USA	FC	41%
International Cruise Shops Ltd	Cayman Islands	FC	41%
Vacation Media Ltd	Kingston, Jamaica	FC	41%
STB Srl	Florence, Italy	FC	41%
On Board Media Inc.	Delaware, USA	FC	41%
Parazul LLC	Delaware, USA	FC	41%
Onboard.com LLC	Delaware, USA	FC	41%
Rhapsody SAS	Paris, France	FC	41%

OTHER ACTIVITIES

Company	Registered office	Method of consolidation	% interest
Christian Dior SE	Paris, France	Parent company	
Financière Jean Goujon SAS	Paris, France	FC	100%
Sadifa SA	Paris, France	FC	100%
Lakenbleker BV	Amsterdam, the Netherlands	FC	100%
Granville SA	Luxembourg	FC	100%
Les Ateliers Horlogers Dior SA	La Chaux-de-Fonds, Switzerland	FC	71%
Dior Montres SARL	Paris, France	FC	71%
Groupe Les Echos SA	Paris, France	FC	41%
Dematis SAS	Paris, France	FC	33%
Les Echos Management SAS	Paris, France	FC	41%
Régiepress SAS	Paris, France	FC	41%
Les Echos Légal SAS	Paris, France	FC	41%
Radio Classique SAS	Paris, France	FC	41%
Les Echos Medias SAS	Paris, France	FC	41%
SFPA SARL	Paris, France	FC	41%
Les Echos SAS	Paris, France	FC	41%
Investir Publications SAS	Paris, France	FC	41%
Les Echos Business SAS	Paris, France	FC	41%
SID Presse SAS	Paris, France	FC	41%
Pelham Media Ltd	London, United Kingdom	FC	24%
WordAppeal SARL	Paris, France	FC	24%
Pelham Media SARL	Paris, France	FC	24%
L'Eclaireur SARL	Paris, France	FC	24%
KCO Event SAS	Paris, France	FC	24%
Pelham Media Inc.	California, USA	FC	24%
Pelham Media Production SAS	Paris, France	FC	24%
Grands Magasins de La Samaritaine SA	Paris, France	FC	41%
Mongoual SA	Paris, France	EM	17%
Le Jardin d'Acclimatation SA	Paris, France	FC	33%
RVL Holding BV	Kaag, the Netherlands	FC	41%
Royal Van Lent Shipyard BV	Kaag, the Netherlands	FC	41%
Tower Holding BV	Kaag, the Netherlands	FC	41%
Green Bell BV	Kaag, the Netherlands	FC	41%
Gebroeders Olie Beheer BV	Waddinxveen, the Netherlands	FC	41%
Van der Loo Yachtinteriors BV	Waddinxveen, the Netherlands	FC	41%

Company	Registered office	Method of consolidation	% interest
Red Bell BV	Kaag, the Netherlands	FC	41%
De Voogt Naval Architects BV	Haarlem, the Netherlands	EM	19%
Feadship Holland BV	Amsterdam, the Netherlands	EM	19%
Feadship America Inc.	Florida, USA	EM	19%
OGMNL BV	Nieuw-Lekkerland, the Netherlands	EM	19%
Sonata Yachting Limited BV	La Valette, Malta	FC	41%
Probinvest SAS	Paris, France	FC	41%
Ufipar SAS	Paris, France	FC	41%
Sofidiv SAS	Paris, France	FC	41%
GIE LVMH Services	Paris, France	FC	35%
Moët Hennessy SNC	Paris, France	FC	27%
LVMH Services Ltd	London, United Kingdom	FC	41%
UFIP (Ireland) PRU	Dublin, Ireland	FC	41%
Moët Hennessy Investissements SA	Paris, France	FC	27%
LV Group SA	Paris, France	FC	41%
Moët Hennessy International SAS	Paris, France	FC	27%
Creare SA	Luxembourg	FC	41%
Creare Pte Ltd	Singapore	FC	41%
Bayard (Shanghai) Investment and Consultancy Co. Ltd	Shanghai, China	FC	41%
Villa Foscarini Srl	Milan, Italy	FC	41%
Liszt Invest SA	Luxembourg	FC	41%
Gorgias SA	Luxembourg	FC	41%
LC Investissements	Paris, France	FC	21%
LVMH Investissements SAS	Paris, France	FC	41%
LVMH Canada Inc.	Toronto, Canada	FC	41%
Société Montaigne Jean Goujon SAS	Paris, France	FC	41%
Delphine SAS	Paris, France	FC	41%
LVMH Finance SA	Paris, France	FC	41%
Primae SAS	Paris, France	FC	41%
Eutrope SAS	Paris, France	FC	41%
Flavius Investissements SA	Paris, France	FC	41%
LBD Holding SA	Paris, France	FC	41%
LVMH Hotel Management SAS	Paris, France	FC	41%
Ufinvest SAS	Paris, France	FC	41%
Delta SAS	Paris, France	FC	41%
White 1921 Courchevel SEH SARL	Courchevel, France	FC	41%
Société Immobilière Paris Savoie Les Tovets SARL	Courchevel, France	FC	41%
SEH La Samaritaine SAS	Paris, France	FC	41%
SEH Isle de France SARL	Saint-Barthélemy, French Antilles	FC	23%
SICBI SAS	Saint-Barthélemy, French Antilles	FC	23%
Hôtel de la Pinède SAS	Saint-Tropez, France	FC	41%
Villa Jacquemone SAS	Saint-Tropez, France	FC	41%
Moët Hennessy Inc.	New York, USA	FC	27%
One East 57th Street LLC	New York, USA	FC	41%
LVMH Moët Hennessy-Louis Vuitton Inc.	New York, USA	FC	41%
Sofidiv Art Trading LLC	New York, USA	FC	41%
Sofidiv Inc.	New York, USA	FC	41%
598 Madison Leasing Corp	New York, USA	FC	41%
1896 Corp	New York, USA	FC	41%
313-317 N. Rodeo Drive LLC	New York, USA	FC	41%
319-323 N. Rodeo LLC	New York, USA	FC	41%
420 N. Rodeo LLC	New York, USA	FC	41%
LVMH MJ Holding Inc.	New York, USA	FC	41%
LVMH P&C Inc.	New York, USA	FC	41%
Arbelos Insurance Inc.	New York, USA	FC	41%
Meadowland Florida LLC	New York, USA	FC	41%
LVMH Participations BV	Naarden, the Netherlands	FC	41%
LVMH Moët Hennessy-Louis Vuitton BV	Naarden, the Netherlands	FC	41%
LVP Holding BV	Naarden, the Netherlands	FC	41%
LVMH Services BV	Baarn, the Netherlands	FC	41%
LVMH Finance Belgique SA	Brussels, Belgium	FC	41%
LVMH International SA	Brussels, Belgium	FC	41%
Marithé SA	Luxembourg	FC	41%
LVMH EU SA	Luxembourg	FC	41%
Ufilug SA	Luxembourg	FC	41%
Delphilug SA	Luxembourg	FC	41%
Glacea SA	Luxembourg	FC	41%
Naxara SA	Luxembourg	FC	41%
Pronos SA	Luxembourg	FC	41%
Sofidil SA	Luxembourg	FC	41%
LVMH Publica SA	Brussels, Belgium	FC	41%
Sofidiv UK Ltd	London, United Kingdom	FC	41%
LVMH Moët Hennessy-Louis Vuitton KK	Tokyo, Japan	FC	41%
Osaka Fudosan Company Ltd	Tokyo, Japan	FC	41%
LVMH Asia-Pacific Ltd	Hong Kong, China	FC	41%
LVMH Shanghai Management and Consultancy Co. Ltd	Shanghai, China	FC	41%
LVMH South & South East Asia Pte Ltd	Singapore	FC	41%
Vicuna Holding S.p.A.	Milan, Italy	FC	41%
Pasticceria Confetteria Cova Srl	Milan, Italy	FC	33%
Cova Montenapoleone Srl	Milan, Italy	FC	33%
Investissement Hotelier Saint Barth Plage des Flamands SAS	Saint-Barthélemy, French Antilles	FC	23%
Alderande SAS	Paris, France	FC	23%
Le Parisien Libéré SAS	Saint-Ouen, France	FC	41%
Team Diffusion SAS	Saint-Ouen, France	FC	41%
Team Media SAS	Boulogne-Billancourt, France	FC	41%
Société Nouvelle SICAVIC SAS	Saint-Ouen, France	FC	41%
SICAP SAS	Saint-Ouen, France	FC	41%
L.P.M. SAS	Paris, France	FC	41%
Société de Distribution et de Ventes du Parisien (S.D.V.P.) SARL	Saint-Ouen, France	FC	41%
Proximy SAS	Saint-Ouen, France	FC	31%
Media Presse SAS	Saint-Ouen, France	FC	31%
LP Management SAS	Saint-Ouen, France	FC	41%
Wagner Capital SA	Luxembourg	FC	21%
L Catterton Management Ltd	London, United Kingdom	EM	8%
LVMH Representações Ltda	São Paulo, Brazil	FC	41%
LVMH Moët Hennessy-Louis Vuitton SE	Paris, France	FC	41%

(*) The address given corresponds to the company's administrative headquarters; the corporate registered office is located in the state of Delaware.
(a) Joint venture company with Diageo: only the Moët Hennessy activity is consolidated.
(b) The Group's percentages of control and ownership interest are not disclosed, the results of these companies being consolidated on the basis of the Group's contractual share in their business.
FC Full consolidation.
EM Equity method.

7. Statutory Auditors' report

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

1. Opinion

In compliance with the assignment entrusted to us by your Shareholder's Meeting, we have audited the accompanying consolidated financial statements of Christian Dior for the six-month fiscal year ended December 31, 2016.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2016, and of the results of its operations for the fiscal year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The above opinion is consistent with the conclusions set out in our report to the Audit Committee.

2. Basis of audit opinion

Audit reference framework

We conducted our audit in accordance with professional standards applicable in France and pursuant to Regulation (EU) No. 537/2014. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are described in more detail in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of this report.

Independence

We confirm that we have conducted our audit in accordance with applicable rules concerning independence over the period from July 1, 2016, to the date of issuing our report, and in particular that no services were provided other than certification of the financial statements, as prohibited by Article 5 (1) of Regulation (EU) No. 537/2014 and the Code of Ethics for Statutory Auditors.

3. Justification of our assessments – Key audit points

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points arising from the audit relating to the risks of material misstatement that according to our professional judgment were the most significant for the audit of the consolidated financial statements for the year, as well as the solutions we have put forward to address these risks.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed as expressed above. These assessments do not constitute a separate opinion on financial statement items taken in isolation.

Impairment testing of fixed assets

Risk identified

As at December 31, 2016, the value of the Group's fixed assets stood at 40 billion euros, with total balance sheet assets of 65 billion euros. These fixed assets comprise primarily brands, trade names and goodwill arising from acquisitions and, to a lesser extent, property, plant and equipment, primarily land, vineyards, buildings and store fixtures and fittings.

We considered that the value of these fixed assets is a key point of the audit due to their significance in the Group's financial statements, and because determining their recoverable value – usually on the basis of projected discounted cash flow – requires the use of assumptions, estimates and assessments, as stated in Note 1.5 to the consolidated financial statements.

Our response

The Group tests these assets for impairment, as described in Notes 1.14 and 6 to the consolidated financial statements.

Within this framework, we reviewed the methods used to carry out these impairment tests and focused our work primarily on the Group companies whose carrying value represents a high multiple of profit from recurring operations. In particular, of the most significant intangible assets recognized by the Group listed in Note 6 to the consolidated financial statements, particular attention has been paid to recent acquisitions due to the expected outlook for growth.

We assessed the reasonableness of the main estimates used, in particular projected cash flows, long-term growth rates and discount rates applied. We also analyzed the consistency of forecasts with past performance, the market outlook and the Group's historic performance, and conducted sensitivity analysis of impairment tests carried out. In addition, where the recoverable value is determined in reference to similar recent transactions, we corroborated the analysis provided with available market data. All of this analysis was carried out with the help of our evaluation experts.

Lastly, we also verified the appropriateness of the information provided in the notes to the consolidated financial statements.

Valuation of inventories and work in progress

Risk identified

The success of the Group's products, particularly in Fashion and Leather Goods and Watches and Jewelry, depends mainly on its ability to identify new trends and changes in consumer behavior and consumers' tastes, in order to offer products and experiences that meet their expectations. The Group determines the amount of provisions to be set aside for impairment of inventories on the basis of projected sales on the various markets, as specified in Note 1.16 to the consolidated financial statements.

We considered this to be a key point of the audit as the aforementioned projections and any resulting provisions are by their nature dependent on assumptions, estimates or assessments made by the Group. Furthermore, inventories are present at a large number of subsidiaries and determining these provisions depends primarily on estimated returns and monitoring of internal margins, canceled out in the consolidated financial statements until inventories are sold to non-Group clients.

Our response

As part of our due diligence procedures, we analyzed projected sales as estimated by the Group in the light of past performances and recent budgets in order to corroborate the resulting amounts of impairment. Where applicable, we reviewed the assumptions made by the Group for the recognition of specific provisions. We also checked the consistency of internal margins canceled out in the consolidated financial statements by reviewing in particular margins generated with the various distribution subsidiaries and checking that the percentage of elimination applied is consistent.

Provisions for contingencies and losses

Risk identified

The Group's activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time and applies to areas ranging from product composition and packaging to the tax computation and relations with the Group's partners (distributors, suppliers, shareholders in subsidiaries, etc.). Against this backdrop, the Group's activities may lead to risks, disputes or litigation proceedings and the Group's entities in France and abroad may be subject to tax inspections and, in certain cases, to rectification claims from local administrations.

In particular, as stated in Note 20 to the consolidated financial statements, these rectification claims, together with any uncertain tax positions that have been identified but not yet officially reassessed, give rise to provisions, the amount of which is established in accordance with IAS 37 "Provisions" and IAS 12 "Income Taxes".

We considered this to be a key point of the audit in view of the amounts involved and the level of judgment required to determine these provisions within multiple and constantly changing regulatory contexts.

Our response

In the context of our audit of the consolidated financial statements, our work consisted primarily of:

- reviewing the procedures implemented by the Group to identify and record all risks;
- familiarizing ourselves with the risk analysis carried out by the Group and the corresponding documentation, and reviewing, if applicable, written consultations from external advisors;
- assessing – with the help of our experts, in particular tax experts – the main risks identified and reviewing the reasonableness of the assumptions made by Executive Management to estimate the amount of these provisions;
- checking the appropriateness of information relating to these risks provided in the notes to the consolidated financial statements.

4. Verification of information relating to the Group provided in the Management Report

As required by law, we also verified, in accordance with professional standards applicable in France, the Group-related information presented in the Management report of the Board of Directors.

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

5. Information resulting from other legal and regulatory requirements

Appointment of Statutory Auditors

Our mandates as Statutory Auditors for Christian Dior were renewed by your Shareholders' Meeting of December 19, 2013.

The six-month fiscal year ended December 31, 2016, is Ernst & Young et Autres' tenth fiscal year as Statutory Auditors and Mazars' sixteenth fiscal year.

6. Responsibilities of Executive Management and persons charged with corporate governance relating to the consolidated financial statements

It is the responsibility of Executive Management to prepare consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union, as well as to implement the internal control procedures it deems necessary for preparing the consolidated financial statements without any material misstatement, whether due to fraud or error.

On preparing the consolidated financial statements, Executive Management is responsible for assessing the company's ability to continue as a going concern, and to present in the financial statements – if applicable – the necessary information relating to its continuation as a going concern and apply the standard accounting policy for a going concern, unless management intends to liquidate the company or cease trading, or if no other realistic solution presents itself.

It is the responsibility of the Audit Committee to monitor the process of preparing financial information and the effectiveness of internal control and risk management systems, as well as if applicable internal audit procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements have been approved by your Board of Directors.

7. Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Our role is to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, which however does not guarantee that an audit carried out in accordance with professional standards will always be able to identify any material misstatements. Misstatements may be due to fraud or error and are considered material when it can reasonably be expected that they may – taken individually or cumulatively – influence economic decisions of users taken on the basis of the financial statements.

In accordance with the provisions of Article L. 823-10-1 of the French Commercial Code, our assignment of certifying the financial statements does not consist of guaranteeing the viability or quality of your Company's management.

Within the context of an audit performed in accordance with professional standards applicable in France and pursuant to Regulation (EU) No. 537/2014, we exercise our professional judgment and take a critical approach throughout the audit. In addition:

- we identify and assess the risk of the consolidated financial statements containing material misstatements, whether due to fraud or error, define and implement audit procedures in response to these risks, and collect sufficient and appropriate information to form a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, false declarations or circumvention of internal control;
- we familiarize ourselves with internal control procedures relevant for the audit in order to define appropriate audit procedures in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of internal control procedures;
- we assess the appropriateness of accounting methods used and the reasonableness of accounting estimates made by management, as well as related information provided in the notes to the consolidated financial statements;
- we reach a conclusion on the appropriateness of management's application of the standard accounting policy for a going concern and, according to the information collected, whether there are any material uncertainties relating to events or circumstances that may call into question the company's ability to continue as a going concern. If we conclude that there is some material uncertainty, we are required to draw the attention of readers of our report on the information provided in the consolidated financial statements to the subject of this uncertainty or, if this information is not provided or not relevant, to issue a qualified opinion or a disclaimer of opinion. Our conclusions are based on information collected up to the date of our report. However, future circumstances or events could call into question the company's continuation as a going concern;
- we assess the overall presentation, structure and content of the consolidated financial statements, and assess whether the consolidated financial statements reflect the effects of underlying operations and events so as to give a true and fair view;
- concerning financial information for the persons or entities included in the scope of consolidation, we collect sufficient and appropriate information to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and carrying out of the audit of the consolidated financial statements. We take full responsibility for our opinion.

We send a report to the Audit Committee that looks in particular at the scope of our audit work and the program of work implemented, as well as the conclusions resulting from our work. We also bring to its attention the significant weaknesses of internal control procedures for the preparation and processing of accounting and financial information.

The information provided in this report includes the risks of material misstatements that we deem to have been most significant for the audit of the consolidated financial statements for the year and which as such constitute key points of the audit. These points are described in this report.

We also provide the Audit Committee with the declaration required by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of rules applicable in France as set out in Articles L. 822-10 to L. 822-14 of the French Commercial Code and the Code of Ethics. If applicable, we discuss with the Audit Committee the risks affecting our independence and safeguarding measures applied to attenuate these risks.

Paris-La Défense, March 2, 2017

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Benoit Schumacher

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

Parent company financial statements: Christian Dior

1. Balance sheet

Assets

(EUR thousands)	Notes	December 31, 2016 (6 months) Gross	Amortization and impairment	Net	June 30, 2016 (12 months) Net	June 30, 2015 (12 months) Net
Intangible assets	2.1/2.2	**34**	**(10)**	**24**	**25**	**29**
Property, plant and equipment	2.1/2.2	**284**	**(284)**	**-**	**-**	**-**
Investments		4,118,725	-	4,118,725	3,983,725	3,981,901
Other long-term investments	2.4	-	-	-	-	-
Loans		5	-	5	5	5
Other non-current financial assets		-	-	-	-	-
Non-current financial assets	2.1/2.2	**4,118,730**	**-**	**4,118,730**	**3,983,730**	**3,981,906**
NON-CURRENT ASSETS		**4,119,048**	**(294)**	**4,118,754**	**3,983,755**	**3,981,935**
Trade accounts receivable		-	-	-	-	-
Financial accounts receivable		-	-	-	-	1,651
Other receivables		406	-	406	13,653	52,574
Short-term investments	2.4	104,233	-	104,233	108,640	116,486
Cash and cash equivalents		158	-	158	1,162	384
CURRENT ASSETS	2.3/2.9	**104,797**	**-**	**104,797**	**123,455**	**171,095**
Prepaid expenses	2.3	171	-	171	416	349
Bond redemption premiums	2.3	1,439	-	1,439	1,706	2,095
TOTAL ASSETS		**4,225,455**	**(294)**	**4,225,161**	**4,109,332**	**4,155,474**

Liabilities and equity

(EUR thousands)	Notes	Dec. 31, 2016 (6 months) Before appropriation	June 30, 2016 (12 months) Before appropriation	June 30, 2015 (12 months) Before appropriation
Share capital		361,015	361,015	361,015
Share premium account		194,241	194,241	194,241
Revaluation reserves		16	16	16
Legal reserve		36,101	36,101	36,345
Regulated reserves		-	-	-
Optional reserves		244	244	-
Retained earnings [(a)]		2,123,163	2,095,362	5,412
Net profit		**270,124**	**664,601**	**3,414,393**
Interim dividends	*1.6*	-	(243,685)	(977,193)
EQUITY	*2.5*	**2,984,904**	**3,107,895**	**3,034,229**
PROVISIONS FOR CONTINGENCIES AND LOSSES	*2.6*	**33,906**	**34,718**	**20,839**
Bonds	*2.8*	855,065	850,276	801,865
Bank loans and borrowings		334,428	95,051	216,729
Miscellaneous loans and borrowings		-	-	51,905
Borrowings		**1,189,493**	**945,327**	**1,070,499**
Trade accounts payable		4,768	4,340	4,172
Tax and social security liabilities		5,304	108	23,358
Liabilities associated with non-current assets and related accounts		5,000	-	-
Other operating liabilities [(a)]		47	1,645	1,984
Operating liabilities		**15,119**	**6,093**	**29,514**
Other liabilities		1,739	15,299	393
LIABILITIES	*2.7/2.8/2.9*	**1,206,351**	**966,719**	**1,100,406**
Deferred income		-	-	-
TOTAL LIABILITIES AND EQUITY		**4,225,161**	**4,109,332**	**4,155,474**

(a) Dividends attributable to treasury shares were reclassified to retained earnings as of June 30, 2015, June 30, 2016, and December 31, 2016.

2. Income statement

(EUR thousands)	*Notes*	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Services provided		-	-	-
Net revenue		**-**	**-**	**-**
Reversals of provisions, depreciation, amortization and impairment		-	-	12,996
Other income and expense transfers		4,576	9,351	17,490
Operating income		**4,576**	**9,351**	**30,486**
Other purchases and external expenses		3,533	9,345	13,556
Taxes, duties and similar levies		153	313	1,778
Wages and salaries		4,576	9,351	26,639
Social security expenses		14	26	1,171
Depreciation, amortization and impairment		2	3	3
Provisions for contingencies and losses		3,706	7,413	-
Other losses		68	132	128
Operating expenses		**12,052**	**26,583**	**43,275**
OPERATING PROFIT/(LOSS)		**(7,476)**	**(17,232)**	**(12,789)**
NET FINANCIAL INCOME/(EXPENSE)	*2.10*	**292,853**	**683,714**	**3,439,703**
RECURRING PROFIT		**285,377**	**666,482**	**3,426,914**
NET EXCEPTIONAL INCOME/(EXPENSE)	*2.11*	**(9,101)**	**(2,885)**	**(5,038)**
Income taxes	*2.12/2.13*	(6,152)	1,004	(7,483)
NET PROFIT		**270,124**	**664,601**	**3,414,393**

3. Cash flow statement

(EUR millions)		Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
I – OPERATING ACTIVITIES				
Net profit		270	665	3,414
Net depreciation, amortization, impairment and provisions		(1)	15	-
Dividends in kind received		-	-	(2,840)
Gain (loss) on sale of fixed assets		-	-	(1)
Cash from operations before changes in working capital		**269**	**680**	**573**
Change in current assets		14	38	(31)
Change in current liabilities		(3)	(8)	21
Change in working capital		**11**	**30**	**(10)**
Net cash from operating activities	**I**	**280**	**710**	**563**
II – INVESTING ACTIVITIES				
Purchases of tangible and intangible fixed assets		-	-	-
Purchases of equity investments		(135)	(2)	-
Purchases of other non-current investments		-	-	-
Proceeds from sale of non-current financial assets		-	-	1
Net cash from (used in) investing activities	**II**	**(135)**	**(2)**	**1**
III – FINANCING ACTIVITIES				
Capital increase		-	-	-
Proceeds from financial debt		245	412	139
Repayments in respect of financial debt		(1)	(486)	(407)
Change in current accounts		-	(50)	(1)
Net cash from (used in) financing activities	**III**	**244**	**(124)**	**(269)**
IV – DIVIDENDS PAID DURING THE FISCAL YEAR	**IV**	**(395)**	**(591)**	**(564)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**I + II + III + IV**	**(6)**	**(7)**	**(269)**
Cash and cash equivalents at beginning of fiscal year		**110**	**117**	**386**
Cash and cash equivalents at end of fiscal year		**104**	**110**	**117**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(6)**	**(7)**	**(269)**

The cash flow statement analyzes the changes, from one fiscal year to the next, in cash (after deducting bank overdrafts) and in cash equivalents comprised of short-term investments, net of any impairment.

4. Notes to the parent company financial statements

Amounts are expressed in thousands of euros unless otherwise indicated.

The balance sheet total as of December 31, 2016 was 4,225,161 thousand euros. These parent company financial statements were approved by the Board of Directors on February 9, 2017.

At the Combined Shareholders' Meeting of December 1, 2015, the shareholders adopted a resolution to change the dates on which the fiscal year begins and ends to January 1 and December 31 of each calendar year (Article 24 of the Bylaws). Exceptionally, the fiscal year that began on July 1, 2016 ended on December 31, 2016.

NOTE 1 – ACCOUNTING POLICIES AND METHODS

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

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

The accounting items recorded have been evaluated using the historical cost method.

1.1. Intangible assets

Software is amortized using the straight-line method over one year.

1.2. Property, plant and equipment

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

- furniture: 10 years.

1.3. Non-current financial assets

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

The value in use of equity investments is based on criteria such as the value of the portion of the net asset value of the companies involved, taking into account the stock market value of the listed securities that they hold.

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

Christian Dior shares purchased for retirement are recorded under "Non-current financial assets" and are not impaired.

1.4. Accounts receivable and liabilities

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

1.5. Short-term investments

Short-term investments are valued at their acquisition cost. Impairment is recorded if their acquisition cost is higher than their market value determined as follows:

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

In the event of partial investment sales, any gains or losses are calculated based on the FIFO method.

With respect to Christian Dior treasury shares allocated to share purchase option plans:

- if the plan is deemed non-exercisable (market value of the Christian Dior share lower than the exercise price of the option), the calculation of the impairment, recorded under financial income and expense, is made in relation to the weighted average price of the plan in question;
- if the plan is deemed exercisable (market value of the Christian Dior share greater than the exercise price of the option), a provision for losses is recognized on the liability side of the balance sheet whenever the expected exercise price is lower than the purchase price of the shares. Where applicable, this provision is apportioned using the straight-line method over the vesting period for the options and is then taken to the income statement under the heading "Wages and salaries".

With respect to Christian Dior treasury shares allocated to bonus share and performance share plans:

- they are not subject to impairment;
- their expense (portfolio value of shares allocated to these plans) is apportioned on a straight-line basis over the vesting periods for the shares. It is taken to the income statement under the heading "Wages and salaries", offset by a provision for losses recognized on the liability side of the balance sheet.

Upon disposals of treasury shares, the cost of the shares sold is calculated for each plan individually based on the FIFO method. Gains or losses on the sale of treasury shares are recorded under exceptional income and expense, and under the heading "Wages and salaries" by way of the "Expense transfer" account.

1.6. Equity

In accordance with the recommendations of the Compagnie nationale des Commissaires aux comptes (France's national board of auditors), interim dividends are recorded as a deduction from equity.

1.7. Provisions for contingencies and losses

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

1.8. Foreign currency transactions

During the fiscal year, foreign currency transactions are translated into euros using the exchange rates prevailing on the transaction dates.

Liabilities, accounts receivable and liquid funds in foreign currencies are revalued on the balance sheet at fiscal year-end exchange rates. The difference resulting from the revaluation of liabilities and accounts receivable in foreign currencies at the latter rate is recorded in the "Translation adjustment"; it is recorded under "Foreign exchange gains and losses" when it originates from the revaluation of liquid funds, except in the case of bank accounts matched with a loan in the same currency. In the latter case, the revaluation follows the same procedure as for accounts receivable and liabilities.

Provisions are recorded for unrealized foreign exchange losses unless hedged.

1.9. Net financial income/(expense)

Net gains and losses on sales of short-term investments (excluding sales of treasury shares) comprise expenses and income associated with sales.

NOTE 2 – ADDITIONAL INFORMATION RELATING TO THE BALANCE SHEET AND INCOME STATEMENT

2.1. Non-current assets

		Increases	Decreases	
(EUR thousands)	Gross value as of July 1, 2016	Acquisitions, creations, contributions, transfers	Shares retired/ Disposals	Gross value as of Dec. 31, 2016
Concessions, patents and similar rights (software)	34	-	-	34
Advances and payments on account	-	-	-	-
Intangible assets	**34**	**-**	**-**	**34**
Other property, plant and equipment:				
• furniture	284	-	-	284
Property, plant and equipment	**284**	**-**	**-**	**284**
Subsidiaries and equity investments	3,983,725	135,000	-	4,118,725
Loans	5	3	3	5
Non-current financial assets	**3,983,730**	**135,003**	**3**	**4,118,730**
TOTAL	**3,984,048**	**135,003**	**3**	**4,119,048**

The increase in "Subsidiaries and equity investments" essentially corresponds to a capital increase made by a subsidiary.

2.2. Depreciation and amortization of fixed assets

(EUR thousands)	Depreciation and amortization as of July 1, 2016	Increases	Decreases	Depreciation and amortization as of Dec. 31, 2016
	Position and changes in the period			
Concessions, patents and similar rights (software)	9	1	-	10
Intangible assets	**9**	**1**	**-**	**10**
Other property, plant and equipment:				
• furniture	284	-	-	284
Property, plant and equipment	**284**	**-**	**-**	**284**
TOTAL	**293**	**1**	**-**	**294**

2.3. Accounts receivable by maturity

(EUR thousands)	Gross amount	Within 1 year	After 1 year
Other receivables	406	406	-
Prepaid expenses	171	171	-
Bond redemption premiums [(a)]	1,439	529	910
TOTAL	**2,016**	**1,106**	**910**

(a) Bond redemption premiums are amortized on a straight-line basis over the life of the bonds.

2.4. Transactions in the Company's own shares

2.4.1. Treasury shares

The value of the treasury shares held was allocated as follows as of December 31, 2016:

(EUR thousands)	Number of shares	Gross carrying amount	Impairment	Net carrying amount
	As of December 31, 2016			
502-1 Shares intended to be granted to employees and allocated to specific plans	1,047,399	96,534	-	96,534
502-2 Shares available to be granted to employees	44,219	7,699	-	7,699
SHORT-TERM INVESTMENTS	**1,091,618**	**104,233**	**-**	**104,233**

Portfolio movements over the fiscal year were as follows:

	Share purchase option plans		Bonus share plans		Non-allocated shares	
Short-term investments *(EUR thousands)*	**Number of shares**	**Gross carrying amount**	**Number of shares**	**Gross carrying amount**	**Number of shares**	**Gross carrying amount**
As of July 1, 2016	**856,892**	**65,565**	**268,682**	**33,984**	**62,479**	**9,506**
Purchases					51,591	8,975
Sales						
Transfers			69,851	10,782	(69,851)	(10,782)
Options exercised	(61,213)	(4,878)				
Shares allocated			(86,813)	(8,919)		
AS OF DECEMBER 31, 2016	**795,679**	**60,687**	**251,720**	**35,847**	**44,219**	**7,699**

2.4.2. *Stock option and similar plans*

Share purchase option plans

The Shareholders' Meeting of December 6, 2016 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in February 2019, to grant share subscription or share purchase options to employees or executives of Group companies on one or more occasions, in an amount not to exceed 1% of the Company's share capital as of the date of the authorization.

Each purchase plan has a term of ten years. Provided the conditions set by the plan are met, options may be exercised after a four-year period from the plan's commencement date.

No share purchase option plans have been set up since 2010.

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

Bonus share and performance share plans

The Shareholders' Meeting of December 1, 2015 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in February 2018, to grant bonus share awards to employees and/or executive company officers of Group companies, satisfied using either existing or newly issued shares, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

For plans earlier than November 30, 2015 (set up between 2012 and 2014), shares vest after a three-year period for French tax residents. Shares may be freely transferred or sold only after an additional two-year holding period. Bonus shares in awards granted to recipients who are not French residents for tax purposes vest after a period of four years and become freely transferable at that time.

For plans set up after November 30, 2015, bonus shares in awards to all recipients vest, provided certain conditions are met and irrespective of their residence for tax purposes, after a three-year vesting period, without any holding period.

The plans combine awards of bonus shares and of performance shares in proportions determined in accordance with the recipient's level in the hierarchy and status.

Performance conditions

The majority of the Group's share purchase option plans and bonus share plans are subject to performance conditions that determine vesting.

Performance share awards/options granted under pre-2014 plans only vest if Christian Dior's consolidated financial statements for the calendar year in which the plan was set up (calendar year "Y") and for calendar year Y+1 show a positive change compared to calendar year Y-1 in relation to at least one of the following indicators: the Group's profit from recurring operations, net cash from operating activities and operating investments, and current operating margin.

From 2012 until December 31, 2016, Christian Dior's fiscal year did not correspond to the calendar year. For this reason, changes in these indicators are determined on the basis of the pro forma financial statements as of December 31 for each calendar year concerned.

For the October 16, 2014 plan, performance shares only vest if Christian Dior's consolidated financial statements for the 2015 calendar year show a positive change compared to calendar year 2014 in relation to at least one of the aforementioned indicators. This condition was satisfied.

Performance shares in awards granted under the plans set up on December 1, 2015 and December 6, 2016 only vest if Christian Dior's consolidated financial statements for calendar years Y+1 and Y+2 show a positive change compared to calendar year Y (the year in which the plan was set up) in relation to at least one of the aforementioned indicators.

The following table presents:

- the plans for which there were options outstanding or non-vested bonus shares at the end of the fiscal years presented;
- the calendar years used to assess the performance indicators for each of the plans concerned.

Plan commencement date	Type of plan	Share awards/options granted if there is a positive change in at least one of the indicators between calendar years:
May 14, 2009	Share purchase option plan	2009 and 2008; 2010 and 2008
April 5, 2012	Bonus shares	2012 and 2011; 2013 and 2011
July 25, 2013	"	2013 and 2012; 2014 and 2012
October 16, 2014	"	2015 and 2014
December 1, 2015	"	2016 and 2015; 2017 and 2015
December 6, 2016	"	2017 and 2016; 2018 and 2016

When awards are satisfied using existing shares, the vesting of the shares does not entail any dilution for shareholders.

Impacts of the distributions in kind of Hermès shares on stock option and similar plans

As a result of the exceptional distributions in kind in the form of Hermès International shares decided on by the Combined Shareholders' Meeting of December 9, 2014 and by the Board of Directors on December 11, 2014, (i) the exercise price and the number of options granted that had not been exercised as of December 17, 2014 were adjusted as of that date to preserve the rights of share purchase option recipients, as provided by law; and (ii) the number of bonus shares and performance shares still in the vesting period was adjusted as of December 17, 2014 to preserve the rights of bonus share and performance share recipients, as provided by law.

Movements relating to stock option and similar plans

Movements during the fiscal year relating to rights granted under the various plans based on Christian Dior shares were as follows:

(number)	Share purchase option plans	Bonus share and performance share plans
Rights not exercised as of July 1, 2016	**856,892**	**268,682**
Provisional allocations for the period	-	69,851
Options/allocations expired between July 1, 2016 and December 31, 2016	-	-
Options exercised/allocations vested between July 1, 2016 and December 31, 2016	61,213	86,813
Rights not exercised as of December 31, 2016	**795,679**	**251,720**

2.5. Equity

2.5.1. *Share capital*

The share capital is represented by 180,507,516 shares, each with a par value of 2 euros, of which 126,618,532 shares carry double voting rights.

2.5.2. *Change in equity*

(EUR thousands)

Equity as of June 30, 2016 (prior to appropriation of net profit)	**3,107,895**
Net profit for the fiscal year ended December 31, 2016	270,124
Dividends paid for the fiscal year ended June 30, 2016	(397,116)
Impact of treasury shares	4,001
Equity as of December 31, 2016 (prior to appropriation of net profit)	**2,984,904**

2.6. Provisions for contingencies and losses

(EUR thousands)	Amount as of July 1, 2016	Provisions of period	Reversals of period	Amount as of Dec. 31, 2016
Provision for losses [(a)]	34,718	8,014	8,826	33,906
TOTAL	**34,718**	**8,014**	**8,826**	**33,906**

(a) Including provision for losses with respect to share purchase option plans deemed exercisable as of December 31, 2016 (market value of the Christian Dior share greater than the exercise price of the option) and bonus share plans (see Note 1.5 Accounting policies).

2.7. Liabilities by maturity

(EUR thousands)	Gross amount	Within 1 year	Between 1 and 5 years	After 5 years
Bonds	855,065	5,065	850,000	-
Bank loans and borrowings	334,428	101,428	233,000	-
Trade accounts payable	4,768	4,768	-	-
Tax and social security liabilities	5,304	5,304	-	-
Other operating liabilities	47	47	-	-
Liabilities associated with non-current assets and related accounts	5,000	5,000	-	-
Other liabilities	1,739	1,739	-	-
TOTAL	**1,206,351**	**123,351**	**1,083,000**	**-**

2.8. Bonds

(EUR thousands)	Nominal interest rate	Issue price *(as % of par value)*	Maturity	Par value as of Dec. 31, 2016	Accrued interest	Total
EUR 500,000,000 – 2014	1.375%	99.540%	2019	500,000	3,692	503,692
EUR 350.000.000 – 2016	0.750%	99.902%	2021	350,000	1,373	351,373
TOTAL				**850,000**	**5,065**	**855,065**

2.9. Accrued income and expenses by asset/liability line

(EUR thousands)	Accrued expenses	Accrued income
Receivables		
Other receivables	-	74
Liabilities		
Bonds	5,065	-
Bank loans and borrowings	115	-
Trade accounts payable	1,519	-
Tax and social security liabilities	5,304	-
Other liabilities	46	-

2.10. Financial income and expenses

(EUR thousands)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Income from subsidiaries and equity investments	295,305	716,272	3,483,565
Other interest and similar income	-	26	364
Reversals of provisions, impairment and expenses transferred	9,241	2,994	5,326
Foreign exchange gains	-	-	1
Financial income	**304,546**	**719,292**	**3,489,256**
Depreciation, amortization, impairment and provisions	4,574	10,607	18,028
Interest and similar expenses	7,119	24,971	31,525
Financial expenses	**11,693**	**35,578**	**49,553**
NET FINANCIAL INCOME/(EXPENSE)	**292,853**	**683,714**	**3,439,703**

2.11. Exceptional income and expenses

(EUR thousands)	Dec. 31, 2016 (6 months)	June 30, 2016 (12 months)	June 30, 2015 (12 months)
Income from management transactions	-	-	4
Income from capital transactions	-	166	2,843,141
Exceptional income	**-**	**166**	**2,843,145**
Expenses on management transactions	6	-	-
Expenses on capital transactions	9,095	3,051	2,848,183
Exceptional expenses	**9,101**	**3,051**	**2,848,183**
NET EXCEPTIONAL INCOME/(EXPENSE)	**(9,101)**	**(2,885)**	**(5,038)**

2.12. Income taxes

	December 31, 2016 (6 months)			June 30, 2016 (12 months)			June 30, 2015 (12 months)		
(EUR thousands)	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**	**Before tax**	**Tax**	**After tax**
Recurring profit	285,377	-	285,377	666,482	-	666,482	3,426,914	-	3,426,914
Net exceptional income/(expense)	(9,101)	(6,152) [(a)]	(15,253)	(2,885)	1,004	(1,881)	(5,038)	(7,483)	(12,521)
	276,276	**(6,152)**	**270,124**	**663,597**	**1,004**	**664,601**	**3,421,876**	**(7,483)**	**3,414,393**

(a) Including income from subsidiaries under the tax consolidation agreement: 32,513 thousand euros.

2.13. Tax position

Christian Dior SE is the parent company of a tax consolidation group that includes some of its subsidiaries.

For the fiscal year ended December 31, 2016, this tax consolidation group comprised Christian Dior, Financière Jean Goujon, Sadifa, CD Investissements, Christian Dior Couture, Ateliers Modèles, and John Galliano.

The tax consolidation agreement in force for the fiscal year ended December 31, 2016 does not change the tax position of the subsidiaries concerned, which remains identical to that which would have been reported if the subsidiaries had been taxed individually.

If a subsidiary leaves the tax consolidation group, Christian Dior SE is required, under the aforementioned tax consolidation agreement, to compensate the exiting subsidiary for its share of any unused tax loss carryforwards.

Any additional tax savings or tax expense – i.e. any difference between the tax recognized by each company and the tax resulting from the calculation of taxable income for the tax group – is recognized by Christian Dior.

The tax expense recognized was 6,152 thousand euros and the tax savings amounted to 1,004 thousand euros as of June 30, 2016.

As of December 31, 2016, the ordinary loss of Christian Dior SE amounted to 111,268 thousand euros, and can be carried forward indefinitely.

NOTE 3 – OTHER INFORMATION

3.1. Financial commitments

Hedging instruments

Christian Dior SE does not use any interest rate hedging instruments.

Covenants

Under the terms of certain loan agreements or its bond issues, the Company has signed commitments to maintain an ownership interest and voting rights in certain subsidiaries.

3.2. Lease commitments

The Company has not made any commitments in the area of leasing transactions.

3.3. Compensation of management bodies

In respect of the fiscal year ended December 31, 2016, the gross amount of compensation set aside for members of management bodies was 68 thousand euros.

3.4. Identity of the companies consolidating the accounts of Christian Dior

Company name	Registered office
Financière Agache	11 rue François 1er 75008 Paris, France
Groupe Arnault	41 avenue Montaigne 75008 Paris, France

5. Subsidiaries and equity investments

(EUR thousands)	Share capital	Equity other than share capital and excluding net profit	Percentage of share capital held	Carrying amount of shares held		Loans and advances provided	Deposits and sureties granted	Revenue excluding taxes for the prior fiscal year	Net profit (loss) for the prior fiscal year	Dividends received between 07/01/2016 and 12/31/2016
				Gross	Net					
A. Details on subsidiaries and equity investments										
1. Subsidiaries										
• Financière Jean Goujon	1,005,294	2,031,424	100.00%	3,478,680	3,478,680	-	-	-	285,499	295,305
• Sadifa	1,901	1,140	99.99%	2,656	2,656	-	-	61	(12)	-
• Grandville	100,000	534,229	100.00%	637,284	637,284	-	-	-	2,302	-
• CD Investissements	50	(8)	100.00%	101	101	-	-	-	(3)	-
2. Equity investments										
B. Summary information relating to other subsidiaries and equity investments										
• Other French equity investments				4	4	-	-			0
TOTAL				**4,118,725**	**4,118,725**					**295,305**

6. Portfolio of subsidiaries and equity investments and short-term investments

	As of December 31, 2016	
(EUR thousands)	Number of shares	Carrying amount
Financière Jean Goujon shares	62,830,900	3,478,680
Grandville shares	100,000,000	637,284
Sadifa shares	118,788	2,656
CD Investissements shares	5,000	101
LVMH shares	25	4
Christian Dior Couture shares	1	0
Subsidiaries and equity investments (shares)		**4,118,725**

	As of December 31, 2016	
(EUR thousands)	Number of shares	Carrying amount
Treasury shares	1,091,618	104,233
Short-term investments	**1,091,618**	**104,233**
TOTAL PORTFOLIO OF SUBSIDIARIES AND EQUITY INVESTMENTS AND SHORT-TERM INVESTMENTS		**4,222,958**

	At beginning of period	Increases	Decreases	At end of period
Number of treasury shares	1,188,053	51,591	148,026	1,091,618
TOTAL	**1,188,053**	**51,591**	**148,026**	**1,091,618**

7. Company results over the last five fiscal years

(EUR thousands, unless stated otherwise)	June 30, 2013 (2 months)	June 30, 2014 (12 months)	June 30, 2015 (12 months)	June 30, 2016 (12 months)	Dec. 31, 2016 (6 months)
1. Share capital					
Share capital at fiscal year-end	363,454	363,454	361,015	361,015	361,015
Number of ordinary shares outstanding	181,727,048	181,727,048	180,507,516	180,507,516	180,507,516
Maximum number of future shares to be created:					
• through exercise of equity warrants	-	-	-	-	-
• through exercise of share subscription options	-	-	-	-	-
2. Operations and profit for the fiscal year					
Revenue before taxes	-	-	-	-	-
Profit before taxes, depreciation, amortization, impairment, and movements in provisions	17,079	566,505	3,421,585	678,626	275,317
Income tax (income)/expense	(2,896)	(5,964)	7,483	(1,004)	6,152
Profit after taxes, depreciation, amortization, impairment, and movements in provisions	18,290	575,576	3,414,393	664,601	270,124
Profit distributed as dividends [(a)]	-	563,354	1,329,183	640,802	252,711
3. Earnings per share *(EUR)*					
Profit after taxes but before depreciation, amortization, impairment, and movements in provisions	0.11	3.15	18.91	3.77	1.49
Profit after taxes, depreciation, amortization, impairment, and movements in provisions	0.10	3.17	18.92	3.68	1.50
Gross dividend distributed per share [(b)]	-	3.10 [(c)]	3.20 [(d)]	3.55	1.40
4. Employees					
Average number of employees	-	-	-	-	-
Total payroll [(e)]	(68)	14,999	26,639	9,351	4,576
Amounts paid in respect of employee benefits	1	741	1 171	26	14

(a) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the impact of Christian Dior treasury shares held as of the distribution date. For the fiscal year ended December 31, 2016, amount proposed at the Shareholders' Meeting of April 13, 2017.
(b) Excluding the impact of tax regulations applicable to recipients.
(c) On December 17, 2014, an exceptional distribution in kind in the form of Hermès International shares was carried out for 11.67 euros per share (distribution of reserves and issue premiums under the seventh resolution of the Shareholders' Meeting of December 9, 2014).
(d) Furthermore, on December 17, 2014, an exceptional interim dividend in kind was also paid, in the form of Hermès International shares and corresponding to the amount of 4.20 euros per share for the fiscal year ended June 30, 2015.
(e) Including provisions with respect to share purchase option plans deemed exercisable and those related to bonus share award and performance share award plans, recognized as expenses.

8. Statutory Auditors' reports

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

1. Opinion

In compliance with the assignment entrusted to us by your Shareholder's Meeting, we have audited the accompanying parent company financial statements of Christian Dior SE for the six-month period ended December 31, 2016.

In our opinion, the parent company financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of the fiscal year-end and the results of its operations for the fiscal year then ended in accordance with accounting principles generally accepted in France.

The above opinion is consistent with the conclusions set out in our report to the Audit Committee.

2. Basis of audit opinion

Audit reference framework

We conducted our audit in accordance with professional standards applicable in France and pursuant to Regulation (EU) No. 537/2014. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are described in more detail in the section "Responsibilities of the Statutory Auditors relating to the audit of the parent company financial statements" in this report.

Independence

We confirm that we have conducted our audit in accordance with applicable rules concerning independence over the period from July 1, 2016 to the date of issuing our report, and in particular that no services were provided, other than certification of the financial statements, prohibited by Article 5 (1) of Regulation (EU) No. 537/2014 or the Code of Ethics for Statutory Auditors.

3. Justification of our assessments – Key audit points

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we are required to bring to your attention the key points arising from the audit relating to the risks of material misstatement that according to our professional judgment were the most significant for the audit of the parent company financial statements for the fiscal year, as well as the responses we have put forward to address these risks.

We determined that there were no key audit points to disclose in our report.

4. Verifications of the Management Report and documents addressed to the shareholders

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

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

Concerning the information provided in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code relating to compensation and benefits received by company officers and any other commitments made in their favor, we verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest that such information is accurate and fair, it being specified that, as indicated in the Management Report, this information relates to the compensation and benefits in kind paid or borne by your Company and the companies it controls.

Pursuant to the law, we have verified that the Management Report contains the appropriate disclosures as to shareholders' identities and voting rights.

5. Information resulting from other legal and regulatory requirements

Appointment of Statutory Auditors

Our mandates as Statutory Auditors for Christian Dior SE were renewed by your Shareholders' Meeting of December 19, 2013.

The six-month fiscal year ended December 31, 2016, is Ernst & Young et Autres' tenth fiscal year as Statutory Auditors and Mazars' sixteenth fiscal year.

6. Responsibilities of Executive Management and persons charged with corporate governance relating to the parent company financial statements

It is the responsibility of Executive Management to prepare the parent company financial statements presenting a true and fair view in accordance with accounting principles generally accepted in France, as well as to implement the internal control procedures it deems necessary for preparing the parent company financial statements without any material misstatement, whether due to fraud or error.

On preparing the parent company financial statements, Executive Management is responsible for assessing the Company's ability to continue as a going concern, and to present in the financial statements – if applicable – the necessary information relating to its continuation as a going concern and apply the standard accounting policy for a going concern, unless management intends to liquidate the Company or cease trading, or if no other realistic solution presents itself.

It is the responsibility of the Audit Committee to monitor the process of preparing financial information and the effectiveness of internal control and risk management systems, as well as if applicable internal audit procedures relating to the preparation and processing of accounting and financial information.

The parent company financial statements have been approved by the Board of Directors.

7. Responsibilities of the Statutory Auditors relating to the audit of the parent company financial statements

Our role is to prepare a report on the parent company financial statements. Our objective is to obtain reasonable assurance that the parent company financial statements taken as a whole are free of material misstatement. Reasonable assurance corresponds to a high level of assurance, which however does not guarantee that an audit carried out in accordance with professional standards will always be able to identify any material misstatements. Misstatements may be due to fraud or error and are considered material when it can reasonably be expected that they may – taken individually or cumulatively – influence economic decisions of users taken on the basis of the financial statements.

In accordance with the provisions of Article L. 823-10-1 of the French Commercial Code, our assignment of certifying the financial statements does not consist of guaranteeing the viability or quality of your Company's management.

Within the context of an audit performed in accordance with professional standards applicable in France and pursuant to Regulation (EU) No. 537/2014, we exercise our professional judgment and take a critical approach throughout the audit. In addition:

- we identify and assess the risk of the parent company financial statements containing material misstatements, whether due to fraud or error, define and implement audit procedures in response to these risks, and collect sufficient and appropriate information to form a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than that of a material misstatement due to error, as fraud may involve collusion, falsification, deliberate omissions, false declarations or circumvention of internal control;
- we familiarize ourselves with internal control procedures relevant for the audit in order to define appropriate audit procedures in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of internal control procedures;
- we assess the appropriateness of accounting methods used and the reasonableness of accounting estimates made by management, as well as related information provided in the parent company financial statements;
- we reach a conclusion on the appropriateness of management's application of the standard accounting policy for a going concern and, according to the information collected, whether there are any material uncertainties relating to events or circumstances that may cast doubt on the Company's ability to continue as a going concern. If we conclude that there is some material uncertainty, we are required to draw the attention of readers of our report on the information provided in the parent company financial statements to the subject of this uncertainty or, if this information is not provided or is not pertinent, to issue a qualified opinion or a disclaimer of opinion. Our conclusions are based on information collected up to the date of our report. However, future circumstances or events could call into question the company's continuation as a going concern;
- we assess the overall presentation, structure and content of the parent company financial statements, and assess whether the parent company financial statements reflect the effects of underlying operations and events so as to give a true and fair view.

We issue a report to the Audit Committee that looks in particular at the scope of our audit work and the program of work implemented, as well as the conclusions resulting from our work. We also bring to its attention the significant weaknesses of internal control procedures for the preparation and processing of accounting and financial information.

The information provided in this report includes the risks of material misstatements that we deem to have been most significant for the audit of the parent company financial statements for the fiscal year and which as such constitute key points of the audit.

We also provide the Audit Committee with the declaration required by Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of rules applicable in France as set out in Articles L. 822-10 to L. 822-14 of the French Commercial Code and the code of ethics. If applicable, we discuss with the Audit Committee any risks affecting our independence and safeguarding measures applied to mitigate such risks.

Paris-La Défense, March 2, 2017

The Statutory Auditors

MAZARS	ERNST & YOUNG et Autres
Simon Beillevaire	Benoit Schumacher

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

STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED RELATED-PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby submit our report on regulated related-party agreements and commitments.

Our responsibility is to inform you, on the basis of the information provided to us, of the main terms and conditions of the agreements and commitments that have been indicated to us or that we may have identified while performing our role, and of the reasons given for those agreements being in the Company's interest. We are not required to comment as to whether they are beneficial or appropriate, or to ascertain the existence of any other agreements or commitments. It is your responsibility, in accordance with Article R. 225-31 of the French Commercial Code (Code de commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In accordance with Article R. 225-31 of the French Commercial Code, we are also required, if applicable, to inform you of the implementation during the fiscal year of related-party agreements and commitments already approved by the Shareholders' Meeting.

We performed the procedures that we considered necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) applicable to this engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

Agreements and commitments submitted for approval at the Shareholders' Meeting

We hereby inform you that we were not informed of any agreements or commitments authorized during the fiscal year under review to be submitted for approval at the Shareholders' Meeting, pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

Agreements and commitments already approved at a Shareholders' Meeting

In accordance with Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments, which were already approved at a Shareholders' Meeting in a prior fiscal year, remained in effect during the fiscal year under review.

1. With Groupe Arnault SEDCS, a shareholder of your Company

Persons concerned

Bernard Arnault and Denis Dalibot.

Assistance agreement

An assistance agreement concerning financial services, the management of cash requirements and surpluses, accounting methods, tax, financial engineering, and human resources and personnel management assistance has been entered into by your Company and Groupe Arnault SEDCS. Under this agreement, your Company incurred an expense of 2,006,648.04 euros including taxes for the six-month fiscal year ended December 31, 2016.

2. With LVMH Moët Hennessy - Louis Vuitton SE, a subsidiary of your Company

Persons concerned

Delphine Arnault, Bernard Arnault and Pierre Godé.

Service agreement

The service agreement entered into with LVMH SE for the provision of legal services, particularly for corporate law issues and the management of your company's Securities Department, was maintained in the six-month fiscal year ended December 31, 2016.

Under this agreement, the expense incurred by your Company in respect of the six-month fiscal year ended December 31, 2016 was 36,000 euros including taxes.

Paris-La Défense, March 2, 2017

The Statutory Auditors

MAZARS	**ERNST & YOUNG et Autres**
Simon Beillevaire	Benoit Schumacher

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Resolutions for the approval of the Combined Shareholders' Meeting of April 13, 2017

Resolutions for the approval of the Combined Shareholders' Meeting of April 13, 2017

ORDINARY RESOLUTIONS

First resolution
(Approval of the parent company financial statements)

The Shareholders' Meeting, having reviewed the reports of the Board of Directors, the Chairman of the Board of Directors, and the Statutory Auditors, approves the parent company financial statements for the fiscal year ended December 31, 2016, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

Second resolution
(Approval of the consolidated financial statements)

The Shareholders' Meeting, having examined the reports of the Board of Directors and the Statutory Auditors, approves the consolidated financial statements for the fiscal year ended December 31, 2016, including the balance sheet, income statement and notes, as presented to the Meeting, as well as the transactions reflected in these statements and summarized in these reports.

Third resolution
(Approval of related-party agreements)

The Shareholders' Meeting, after examining the special report of the Statutory Auditors on the related-party agreements described in Article L. 225-38 of the French Commercial Code, hereby declares that it approves said agreements.

Fourth resolution
(Allocation of net profit – determination of dividend)

The Shareholders' Meeting, on the recommendation of the Board of Directors, decides to allocate and appropriate the distributable profit for the fiscal year ended December 31, 2016 as follows:

Amount available for distribution *(EUR)*	
Net profit	270,124,458.43
Retained earnings	2,123,162,791.07
DISTRIBUTABLE EARNINGS	**2,393,287,249.50**
Proposed appropriation	
Distribution of a gross dividend of 1.40 euros per share	252,710,522.40
Retained earnings	2,140,576,727.10
TOTAL	**2,393,287,249.50**

Should this appropriation be approved, the gross cash dividend distributed would be 1.40 euros per share. It will be paid on April 21, 2017.

Under existing applicable tax law as of December 31, 2016, with respect to this dividend distribution, individuals whose tax residence is in France will be entitled to the 40% tax deduction provided for in Article 158 of the French Tax Code.

Lastly, should the Company hold, at the time of payment of this dividend, any treasury shares under authorizations granted, the corresponding amount of unpaid dividends would be allocated to retained earnings.

Distribution of dividends

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

Fiscal year	Type	Payment date	Gross dividend [(a)] *(EUR)*	Tax deduction [(b)] *(EUR)*
June 30, 2016	Interim	April 21, 2016	1.35	0.54
	Final	December 13, 2016	2.20	0.88
	TOTAL		**3.55**	**1.42**
June 30, 2015 [(c)]	Interim	April 23, 2015	1.25	0.50
	Final	December 15, 2015	1.95	0.78
	TOTAL		**3.20**	**1.28**
June 30, 2014 [(d)]	Interim	April 17, 2014	1.20	0.48
	Final	December 15, 2014	1.90	0.76
	TOTAL		**3.10**	**1.24**

(a) Excludes the impact of tax regulations applicable to recipients.
(b) For individuals with tax residence in France.
(c) Excluding the exceptional interim dividend in kind in the form of Hermès International shares paid as of December 17, 2014, corresponding to 4.20150 euros per Christian Dior share, the entire amount of which qualifies as distributed income for tax purposes.
(d) Excluding the exceptional dividend in kind in the form of Hermès International shares voted for by the Combined Shareholders' Meeting of December 9, 2014, corresponding to 11.67083 euros per Christian Dior share, of which 1.34223 euros qualifies as distributed income for tax purposes and 10.32860 euros qualifies as a repayment of capital for tax purposes.

Fifth resolution
(Renewal of Bernard Arnault's appointment as a Director)

The Shareholders' Meeting decides to renew Bernard Arnault's appointment as a Director for a three-year term that will end at the close of the Ordinary Shareholders' Meeting convened in 2020 to approve the financial statements for the previous fiscal year.

Sixth resolution
(Renewal of Sidney Toledano's appointment as a Director)

The Shareholders' Meeting decides to renew Sidney Toledano's appointment as a Director for a three-year term that will end at the close of the Ordinary Shareholders' Meeting convened in 2020 to approve the financial statements for the previous fiscal year.

Seventh resolution
(Appointment of Maria Luisa Loro Piana as a Director)

The Shareholders' Meeting decides to appoint Maria Luisa Loro Piana as a Director for a three-year term that will end at the close of the Ordinary Shareholders' Meeting convened in 2020 to approve the financial statements for the previous fiscal year.

Eighth resolution
(Appointment of Pierre Godé as an Advisory Board member)

The Shareholders' Meeting decides to appoint Pierre Godé as an Advisory Board member for a three-year term that will end at the close of the Ordinary Shareholders' Meeting convened in 2020 to approve the financial statements for the previous fiscal year.

Ninth resolution
(Opinion on items of compensation due or granted to Bernard Arnault, Chairman of the Board of Directors)

The Shareholders' Meeting, consulted in application of the recommendations of the AFEP/MEDEF Code, which is the Company's frame of reference for corporate governance pursuant to Article L. 225-37 of the French Commercial Code, having reviewed the items of compensation due or granted, in respect of the fiscal year ended December 31, 2016, to Bernard Arnault and described in Section 6 "Compensation of company officers" of the Management report of the Board of Directors – Christian Dior parent company, in §6.1 and §6.2 as regards fixed, variable and exceptional compensation; §6.2 as regards directors' fees and benefits in kind; §6.8 as regards the supplementary pension plan; and §6.1 and §6.5 as regards performance share awards (page 43 et seq. of the Annual Report), and in §1.11 of the Report of the Chairman of the Board of Directors as regards the rules for allocating directors' fees (page 102 of the Annual Report), renders a favorable opinion on these items.

Tenth resolution

(Opinion on items of compensation due or granted to Sidney Toledano, Chief Executive Officer)

The Shareholders' Meeting, consulted in application of the recommendations of the AFEP/MEDEF Code, which is the Company's frame of reference for corporate governance pursuant to Article L. 225-37 of the French Commercial Code, having reviewed the items of compensation due or granted, in respect of the fiscal year ended December 31, 2016, to Sidney Toledano and described in Section 6 "Compensation of company officers" of the Management report of the Board of Directors – Christian Dior parent company, in §6.1 and §6.2 as regards fixed, variable and exceptional compensation; §6.2 as regards directors' fees and benefits in kind; §6.8 as regards the supplementary pension plan; and §6.1 and §6.5 as regards performance share awards (page 43 et seq. of the Annual Report), and in §1.11 of the Report of the Chairman of the Board of Directors as regards the rules for allocating directors' fees (page 102 of the Annual Report), renders a favorable opinion on these items.

Eleventh resolution

(Approval of the compensation policy for senior executive officers)

The Shareholders' Meeting, having reviewed the details of the compensation policy for senior executive officers presented in the Report of the Board of Directors, prepared pursuant to Article L. 225-37-2 of the French Commercial Code, approves the compensation policy as presented in this report.

EXTRAORDINARY RESOLUTIONS

Twelfth resolution

(Amendment of the Company's Bylaws)

The Shareholders' Meeting, having examined the report of the Board of Directors, decides to amend the Company's Bylaws to ensure compliance with the new requirements enacted in France by Law No. 2016-1691 of December 9, 2016, known as the Sapin II Law, and specifically by amending Article 4 on the relocation of the registered office, Article 17 on maintaining double voting rights in the event of a merger or spin-off, and Article 21 on the powers of the Extraordinary Shareholders Meeting, to read as follows:

Article 4 – Registered office

Subparagraph 2, as modified:

"*It may be transferred to any other location in France by decision of the Board of Directors subject to such decision being ratified at the next Ordinary Shareholders' Meeting, and to any location outside France pursuant to a resolution passed at an Extraordinary Shareholders' Meeting.*"

Article 17 – Shareholders' Meetings

ATTENDANCE

Subparagraph 15, as modified:

"*This double voting right shall automatically lapse in the case of registered shares being converted into bearer shares or conveyed in property. However, any transfer by right of inheritance, by way of liquidation of community property between spouses, or by way of deed of gift inter vivos to the benefit of a spouse or an heir shall neither cause the acquired right to be lost nor interrupt the above-mentioned three-year qualifying period. The same shall also apply to any transfer, following the merger or spin-off of a shareholding company, to the absorbing company or the company benefiting from the spin-off or, as the case may be, to the new company created as a result of the merger or spin-off.*"

Chapter III: Extraordinary Shareholders' Meetings

Article 21 – Powers

New subparagraph 2:

"*The shareholders may vote at an Extraordinary Shareholders' Meeting to delegate to the Board of Directors the power to make the necessary amendments to the Bylaws in order to align them with legal and regulatory requirements, subject to any such amendments being ratified at the next Extraordinary Shareholders' Meeting.*"

Thirteenth resolution

(Delegation granted to the Board of Directors to amend the Bylaws to comply with new legal and regulatory requirements)

The Shareholders' Meeting, having examined the report of the Board of Directors, delegates to the Board of Directors full powers to make any amendments needed to the Bylaws in order to ensure compliance with legal and regulatory requirements, subject to these amendments being ratified at the next Extraordinary Shareholders' Meeting.

Other information

GOVERNANCE

1. Principal positions and offices of members of the Board of Directors

1.1. RENEWALS OF APPOINTMENTS – APPOINTMENT

1.1.1. Renewals of appointments

Mr. Bernard ARNAULT, Chairman of the Board of Directors

Date of birth: March 5, 1949. French.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France).
Date of first appointment: March 20, 1985.
Number of Christian Dior shares held in a personal capacity: 380,647 shares.

Bernard Arnault began his career as an engineer with Ferret-Savinel, where he became Senior Vice-President for construction in 1974, Chief Executive Officer in 1977 and finally Chairman and Chief Executive Officer in 1978.

He remained with this company until 1984, when he became Chairman and Chief Executive Officer of Financière Agache and of Christian Dior. Shortly thereafter, he spearheaded a reorganization of Financière Agache following a development strategy focusing on luxury brands. Christian Dior was to become the cornerstone of this new structure.

In 1989, he became the leading shareholder of LVMH Moët Hennessy - Louis Vuitton, and thus created the world's leading luxury products group. He assumed the position of Chairman in January 1989.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Chairman of the Board of Directors
	Christian Dior Couture SA	Director
	Financière Jean Goujon SAS	Member of the Supervisory Committee
	Groupe Arnault SEDCS	Chairman of the Executive Board
	LVMH Moët Hennessy - Louis Vuitton SE [(a)]	Chairman and Chief Executive Officer
	Château Cheval Blanc SC	Chairman of the Board of Directors
	Louis Vuitton, Fondation d'Entreprise	Chairman of the Board of Directors
International	LVMH Moët Hennessy - Louis Vuitton Inc. (United States)	Director
	LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan)	Director
	LVMH Services Limited (United Kingdom)	Director

Other

France	Carrefour SA [(a)]	Director

Positions and offices that have ended since January 1, 2012

France	Christian Dior SE [(a)]	Chief Executive Officer
	Groupe Arnault SAS	Chairman
	Lagardère SCA [(a)]	Member of the Supervisory Board
International	LVMH International SA (Belgium)	Director

(a) Listed company.

Mr. Sidney TOLEDANO, Vice-Chairman and Chief Executive Officer

Date of birth: July 25, 1951. French.
Business address: Christian Dior Couture – 11, rue François 1er – 75008 Paris (France).
Date of first appointment: September 11, 2002.
Number of Christian Dior shares held in a personal capacity: 75,050 shares.

Sidney Toledano began his career in 1977 as a marketing consultant with Nielsen International. He then served as Company Secretary of Kickers before joining the Executive Management of Lancel in 1984. In 1994, he joined Christian Dior Couture as Deputy Chief Executive Officer. He has been its Chairman since 1998.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [a]	Vice-Chairman, Chief Executive Officer and Director
	Christian Dior Couture SA	Chairman and Chief Executive Officer
	John Galliano SA	Chairman of the Board of Directors
	IDMC Manufacture SAS	Permanent Representative of Christian Dior Couture SA, Chairman
International	CDCH SA (Luxembourg)	Chairman of the Board of Directors
	Christian Dior Australia Pty Ltd, Private Company Limited by shares (Australia)	Director
	Christian Dior Belgique SA (Belgium)	Permanent Representative of Christian Dior Couture SA, Director delegate
	Christian Dior Commercial (Shanghai) Co. Ltd, Limited Liability Company (China)	Chairman
	Christian Dior Couture CZ s.r.o., Limited Liability Company (Czech Republic)	Managing Director
	Christian Dior Couture Korea Ltd, Joint Stock Company (South Korea)	Director delegate
	Christian Dior Couture Maroc SA (Morocco)	Chairman of the Board of Directors
	Christian Dior Far East Limited, Private Company Limited by shares (Hong Kong, China)	Director
	Christian Dior Fashion (Malaysia) Sdn. Bhd., Private Company Limited by shares (Malaysia)	Director
	Christian Dior GmbH (Germany)	Managing Director
	Christian Dior Guam Ltd, Corporation (Guam)	Director
	Christian Dior Hong Kong Ltd, Private Company Limited by shares (Hong Kong, China)	Director
	Christian Dior Inc., Corporation (United States)	Chairman
	Christian Dior Italia Srl (Italy)	Chairman
	Christian Dior KK (Kabushiki Kaisha) (Japan)	Director
	Christian Dior Macau Single Shareholder Company Limited (Macao)	Director
	Christian Dior New Zealand Ltd, Private Company Limited by shares (New Zealand)	Director
	Christian Dior S. de R.L. de C.V., Limited Liability Company (Mexico)	Chairman
	Christian Dior Saipan Ltd, Corporation (Saipan)	Director
	Christian Dior Singapore Pte Ltd, Private Company Limited by shares (Singapore)	Director
	Christian Dior Taiwan Limited, Private Company Limited by shares (Hong Kong, China)	Director
	Christian Dior UK Limited (United Kingdom)	Chairman
	Christian Dior Vietnam LLC, Limited Liability Company (Vietnam)	Chairman
	Gorgias SA (Luxembourg)	Director
	Les Ateliers Horlogers Dior SA (Switzerland)	Director
	Manufactures Dior Srl (Italy)	Director

(a) Listed company.

Positions and offices that have ended since January 1, 2012

France	Christian Dior SE [(a)]	Group Managing Director
	Fendi International SAS	Chairman of the Board of Directors
International	Bopel Srl (Italy)	Chairman
	Fendi Adele Srl (Italy)	Director
	Fendi Asia-Pacific Limited (Hong Kong, China)	Director
	Fendi SA (Luxembourg)	Director
	Fendi Srl (Italy)	Director
	Fendi Italia Srl (Italy)	Director
	Fendi North America Inc. (United States)	Director
	FNLB BV (Netherlands)	Chairman
	Lucilla Srl (Italy)	Chairman
	Manufactures Dior Srl (Italy)	Chairman of the Board of Directors
	Mardi S.p.A. (Italy)	Chairman and Director delegate

1.1.2. Appointment

Ms. Maria Luisa LORO PIANA

Date of birth: November 15, 1961. Italian.
Business address: Loro Piana S.p.A., Via per Valduggia 22, 13011 Borgosesia (VC) (Italy).

Maria Luisa Decol Loro Piana was born and grew up in Venice. After living in London for a number of years, she worked for Krizia, first in the press department and later on the product team. After meeting Sergio Loro Piana, she worked with him for over twenty years to successfully create and position the Loro Piana brand, opening more than a hundred stores worldwide.

She is currently a Director of Loro Piana S.p.A., as well as an ambassador for the company's brand and image.

Current positions and offices

Other

Italy	Loro Piana S.p.A.	Director
	Palma Società Semplice	Partner-Director
	Sergio Loro Piana Foundation	Director

Positions and offices that have ended since January 1, 2012

None.

(a) Listed company.

1.2. CURRENTLY SERVING DIRECTORS

Ms. Delphine ARNAULT

Date of birth: April 4, 1975. French.
Business address: Louis Vuitton Malletier – 2, rue du Pont Neuf – 75001 Paris (France).
Date of first appointment: April 5, 2012.
End of term: Annual Shareholders' Meeting convened in 2018.
Number of Christian Dior shares held in a personal capacity: 144,637 shares.

Delphine Arnault began her career at the international strategy consultancy firm McKinsey, where she worked as a consultant for two years. In 2000, she moved to designer John Galliano's company, where she helped in development, acquiring concrete experience in the fashion industry. In 2001, she joined the Executive Committee of Christian Dior Couture, where she served as Deputy Managing Director until August 2013. Since September 2013, she has been Executive Vice President of Louis Vuitton, in charge of supervising all of Louis Vuitton's product-related activities.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Director
	Céline SA	Director
	Christian Dior Couture SA	Director
	Les Echos SAS	Member of the Supervisory Board
	LVMH Moët Hennessy - Louis Vuitton SE [(a)]	Director and Member of the Ethical and Sustainable Development Committee
	Château Cheval Blanc SC	Director
International	Emilio Pucci Srl (Italy)	Director
	Emilio Pucci International BV (Netherlands)	Director
	Loewe SA (Spain)	Director

Other

France	Havas SA [(a)]	Director and Member of the Compensation and Selection/Nomination Committee
	Métropole Télévision "M6" SA [(a)]	Member of the Supervisory Board
International	21st Century Fox Corporation (United States) [(a)]	Director
	Actar International SA (Luxembourg)	Permanent representative of Ufipar, Director
	Ferrari S.p.A. (Italy) [(a)]	Director

Positions and offices that have ended since January 1, 2012

France	Établissement Public de Sèvres – Cité de la Céramique	Director

(a) Listed company.

Mr. Denis DALIBOT

Date of birth: November 15, 1945. French.
Mailing address: avenue Mercure, 9/27 – “Le Chéridreux” – 1180 Brussels (Belgium).
Date of first appointment on the Board of Directors: May 17, 2000.
End of term: Annual Shareholders’ Meeting convened in 2019.
Number of Christian Dior shares held in a personal capacity: 230,000 shares.

Denis Dalibot began his career with the ITT group. From 1984 to 1987, he served as Deputy Administration and Finance Director for Sagem. He joined Groupe Arnault in 1987 as Group Finance Director, a position he held until February 2008. Mr. Dalibot is currently Chairman of the Supervisory Board and Belgium General Delegate of Groupe Arnault.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Director, Member of the Performance Audit Committee and the Nominations and Compensation Committee
	Belle Jardinière SA	Director
	Europatweb SA	Director
	Financière Agache SA	Director
	Financière Jean Goujon SAS	Member of the Supervisory Committee
	Franck & Fils SA	Permanent representative of Le Bon Marché – Maison Aristide Boucicaut, Director
	Groupe Arnault SEDCS	Chairman of the Supervisory Board
	Semyrhamis SA	Director
International	Cervinia SA (Belgium)	Director
	Courtinvest SA (Belgium)	Director
	Giminvest SA (Belgium)	Director
	GMPI SA (Belgium)	Director
	Le Peigné Invest SA (Belgium)	Director
	Le Peigné SA (Belgium)	Director
	Pilinvest SA (Belgium)	Director
	Roginvest SA (Belgium)	Director
	Willinvest SA (Belgium)	Director

Other

International	Aurea Finance SA (Luxembourg)	Chairman
	DYD Conseil (Belgium)	Managing Director
	Mercure Conseil Sprl (Belgium)	Managing Director

Positions and offices that have ended since January 1, 2012

France	Agache Développement SA	Director
	Ateliers AS SA	Permanent Representative of Christian Dior Couture SA, Director
	Christian Dior SE [(a)]	Advisory Board member
	Christian Dior Couture SA	Director
	Financière Agache Private Equity SA	Director
	Groupe Arnault SAS	Member of the Management Committee
	Le Jardin d’Acclimatation SA	Permanent representative of Ufipar, Director
	Semyrhamis SAS	Member of the Supervisory Committee
International	GO Invest SA (Belgium)	Chairman

(a) Listed company.

Ms. Hélène DESMARAIS

Date of birth: June 7, 1955. Canadian.
Business address: Centre d'Entreprises et d'Innovation de Montréal (CEIM) – 751 square Victoria – Montréal (Québec) H2Y 2J3 (Canada).
Date of first appointment: April 5, 2012.
End of term: Annual Shareholders' Meeting convened in 2018.
Number of Christian Dior shares held in a personal capacity: 200 shares.

Hélène Desmarais has been Chairman and Chief Executive Officer of Centre d'Entreprises et d'Innovation de Montréal, the biggest technology enterprise incubator in Canada, since it was founded in 1996. She holds directorships in a large number of companies and organizations in both the public and private sectors and has led initiatives in the areas of economics, education and healthcare. Ms. Desmarais is Chairman of the Boards of Directors of HEC Montréal (Hautes Études Commerciales de Montréal) and the Montreal Economic Institute. She also serves as Director of Garda World Security Corporation and is a member of the Board of Governors of the International Economic Forum of the Americas.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Director, Chairman of the Nominations and Compensation Committee
	Christian Dior Couture SA	Director

Other

Canada	Centre d'Entreprises et d'Innovation de Montréal (CEIM)	Founder and Chairman of the Board of Directors
	C.D. Howe Institute	Director
	Garda World Security Corporation	Director and Member of the Verification Committee and the Corporate Governance Committee
	International Economic Forum of the Americas	Chairman of the Strategic Orientation Committee and Member of the Board of Governors
	Hautes Études Commerciales de Montréal (HEC Montréal)	Chairman of the Board of Directors
	Institute for Governance of Private and Public Organizations	Founder and Director
	PME MTL Centre-Ville	Founder and Chairman of the Board of Directors

Positions and offices that have ended since January 1, 2012

Canada	C.D. Howe Institute	Chairman of Canadian Regional Committees
	Economic Orientation Committee of the City of Montreal	Member

Mr. Renaud DONNEDIEU DE VABRES

Date of birth: March 13, 1954. French.
Business address: 50, rue de Bourgogne – 75007 Paris (France).
Date of first appointment: February 5, 2009.
End of term: Annual Shareholders' Meeting convened in 2019.
Number of Christian Dior shares held in a personal capacity: 200 shares.

After serving in the prefectural administration as a sub-prefect, Renaud Donnedieu de Vabres was appointed as a member of France's highest administrative body, the Council of State, and embarked on a political career in 1986, notably serving as an aide to the Minister of Defense. He was elected as a deputy to the National Assembly representing the Indre-et-Loire département in 1997 and remained in this post until 2007. In 2002, he was appointed as Minister Delegate for European Affairs and then as Minister of Culture and Communication, from 2004 to 2007. In 2008, he was named the Ambassador for Culture during the French presidency of the European Union. He is now Chairman of the company RDDV Partner.

(a) Listed company.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Director, Member of the Performance Audit Committee
	Louis Vuitton, Fondation d'Entreprise	Director

Other

France	RDDV Partner SAS	Chairman

Positions and offices that have ended since January 1, 2012

France	Atout France GIE	Chairman of the Board of Directors
	FPPM L'Européenne de Marbre SAS	Chairman of the Supervisory Committee
	La Royale SAS	Chief Executive Officer

Ms. Ségolène GALLIENNE

Date of birth: June 7, 1977. Belgian.
Business address: 17 allée des Peupliers – 6280 Gerpinnes (Belgium).
Date of first appointment: April 15, 2010.
End of term: Annual Shareholders' Meeting convened in 2019.
Number of Christian Dior shares held in a personal capacity: 200 shares.

Ségolène Gallienne holds a Bachelor of Arts in Business and Economics from Collège Vesalius in Brussels. She has worked as Public Relations Manager at Belgacom and as Director of Communications for Dior Fine Jewelry.

Ms. Gallienne currently serves on the Boards of Directors of various companies in France and abroad, and is Chairman of the Board of Directors of Diane, a company specializing in the purchase, sale and rental of art objects.

Current positions and offices

Frère-Bourgeois group

International	Diane SA (Switzerland)	Chairman of the Board of Directors
	Domaines Frère-Bourgeois SA (Belgium)	Director
	Erbé SA (Belgium)	Director
	Frère-Bourgeois SA (Belgium)	Director
	Fonds Charles Albert Frère ASBL (Belgium)	Director
	Groupe Bruxelles Lambert SA (Belgium) [(a)]	Director and Member of the Standing Committee
	Pargesa Holding SA (Switzerland) [(a)]	Director
	Stichting Administratiekantoor Frère-Bourgeois (Netherlands)	Director
	Stichting Administratiekantoor Peupleraie (Netherlands)	Chairman of the Board of Directors

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Director
	Château Cheval Blanc SC	Director

Other

France	Cheval Blanc Finance SAS	Director
International	Compagnie Nationale à Portefeuille SA (Belgium)	Director
	Esso SDC (Belgium)	Managing Director

Positions and offices that have ended since January 1, 2012

None.

(a) Listed company.

Mr. Christian de LABRIFFE

Date of birth: March 13, 1947. French.
Business address: Tikehau/Salvepar – 32, rue de Monceau – 75008 Paris (France).
Date of first appointment: May 14, 1986.
End of term: Annual Shareholders' Meeting convened in 2019.
Number of Christian Dior shares held in a personal capacity: 204 shares.

Christian de Labriffe began his career with Lazard Frères & Cie, where he was Managing Partner from 1987 to 1994. He then served as Managing Partner of Rothschild & Cie Banque until September 2013. He has been Chairman and Chief Executive Officer of Salvepar since September 15, 2013.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Director, Chairman of the Performance Audit Committee and Member of the Nominations and Compensation Committee
	Christian Dior Couture SA	Director

Other

France	Bénéteau SA [(a)]	Member of the Supervisory Board
	DRT SA	Permanent Representative of Salvepar SA, Director
	HDL Développement SAS	Permanent Representative of Salvepar SA, Director
	Parc Monceau SARL	Managing Director
	Salvepar SA [(a)]	Chairman and Chief Executive Officer
	TCA Partnership SAS	Chairman
	Fondation Nationale des Arts Graphiques et Plastiques	Director

Positions and offices that have ended since January 1, 2012

France	Delahaye Passion SC	Managing Director
	Financière Rabelais SAS	Chairman
	Montaigne Rabelais SAS	Permanent Representative of Rothschild & Compagnie Banque SCS, Chairman
	Paris Orléans SA	Member of the Supervisory Board
	RCB Partenaires SNC	Managing Partner
	Rothschild & Cie Banque SCS	Non-Partner Managing Director
	Rothschild & Cie SCS	Managing Partner
	Transaction R SCS	Managing Partner

(a) Listed company.

1.3. ADVISORY BOARD MEMBERS

1.3.1. Appointment

Mr. Pierre GODÉ

Date of birth: December 4, 1944. French.
Business address: LVMH – 22, avenue Montaigne – 75008 Paris (France); LVMH Italia S.p.A. – Largo Augusto, 8 – 20141 Milan (Italy).
Date of first appointment on the Board of Directors: May 14, 2001.
Number of Christian Dior shares held in a personal capacity: 40,500 shares.

Pierre Godé began his career as a lawyer admitted to the Lille bar and has taught at the Lille and Nice university law faculties.

He has served as Advisor to the Chairman of LVMH and Chief Executive Officer of Groupe Arnault. Currently, he is Vice-Chairman of LVMH's Board of Directors and Vice-Chairman of LVMH Italia.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Director
	LVMH Moët Hennessy - Louis Vuitton SE [(a)]	Vice-Chairman and Director
International	Fendi Adele Srl (Italy)	Director
	LVMH Italia S.p.A. (Italy)	Vice-Chairman
	Vicuna Holding S.p.A. (Italy)	Chairman of the Board of Directors

Other

France	Redeg SARL	Managing Director

1.3.2. Current term

Mr. Jaime de MARICHALAR y SÁENZ de TEJADA

Date of birth: April 7, 1963. Spanish.
Business address: SGIE – CC Plaza Norte 2, Plaza del Commercio – 28703 San Sebastián de los Reyes – Madrid (Spain).
Date of first appointment on the Board of Directors: May 11, 2006.
End of term: Annual Shareholders' Meeting convened in 2018.

Number of Christian Dior shares held in a personal capacity: 150 shares.

Jaime de Marichalar y Sáenz de Tejada began his career in 1986 in Paris where he worked for Banque Indosuez on the MATIF Futures Market. He then joined Credit Suisse and worked for the Investment Bank and in Private Banking. In January 1998, he was appointed Chief Executive Officer of Credit Suisse in Madrid.

Current positions and offices

Christian Dior group/Groupe Arnault group

France	Christian Dior SE [(a)]	Advisory Board member
International	LVMH group	Advisor to the Chairman for Spain
	Loewe SA (Spain)	Director

Other

International	Art+Auction Editorial (United States and United Kingdom)	Member of the Supervisory Board
	La Sociedad General Inmobiliaria de Canarias 2000 SA (Spain)	Director
	Sociedad General Immobiliaria de España SA (Spain)	Director

(a) Listed company.

2. Statutory Auditors

2.1. PRINCIPAL STATUTORY AUDITORS

	Start date of first term	Current term: Date of appointment/ renewal	Current term: End of term
ERNST & YOUNG et Autres 1-2, place des Saisons, 92400 Courbevoie – Paris la Défense 1 (France) represented by Benoit Schumacher	May 14, 2009	December 19, 2013	Annual Shareholders' Meeting called to approve the financial statements for fiscal year 2018
MAZARS Tour Exaltis 61, rue Henri Regnault – 92400 Courbevoie (France) represented by Simon Beillevaire	May 15, 2003	December 19, 2013	Annual Shareholders' Meeting called to approve the financial statements for fiscal year 2018

2.2. ALTERNATE STATUTORY AUDITORS

AUDITEX 1-2, place des Saisons, 92400 Courbevoie – Paris la Défense 1 (France)	May 14, 2009	December 19, 2013	Annual Shareholders' Meeting called to approve the financial statements for fiscal year 2018
Gilles Rainaut Tour Exaltis 61, rue Henri Regnault – 92400 Courbevoie (France)	December 19, 2013	December 19, 2013	Annual Shareholders' Meeting called to approve the financial statements for fiscal year 2018

3. Charter of the Board of Directors

The Board of Directors is the strategic body of Christian Dior. The competence, integrity and responsibility of its members, clear and fair decisions reached collectively, and effective and secure controls are the ethical principles that govern the Board.

The key priorities pursued by Christian Dior's Board of Directors are enterprise value creation and the defense of the Company's interests.

Christian Dior's Board of Directors acts as guarantor of the rights of each of its shareholders and ensures that shareholders fulfill all of their duties.

The Company adheres to the Code of Corporate Governance for Listed Companies published by AFEP and MEDEF.

Each of these elements contributes to preserving the level of enterprise performance and transparency required to retain the confidence of shareholders and partners in the Group.

3.1. STRUCTURE OF THE BOARD OF DIRECTORS

The Board of Directors shall have a maximum of 12 members, a third of whom at least are appointed from among prominent independent persons with no interests in the Company.

In determining whether a Director may be considered as independent, the Board of Directors refers among others to the criteria set forth in the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

The number of Directors or permanent representatives of legal entities from outside listed companies, in which the Chairman of the Board of Directors or any Director serving as Chief Executive Officer or Group Managing Director holds an office, shall be limited to two. The Chairman of the Board of Directors or a Director performing the duties of Chief Executive Officer or Group Managing Director must seek the opinion of the Board of Directors before accepting a new appointment at a listed company.

3.2. DUTIES OF THE BOARD OF DIRECTORS

Apart from the selection of the Company's management structure and the appointment of the Chairman of the Board of Directors, Chief Executive Officer and Group Managing Director(s), the principal missions of the Board of Directors are to:

- ensure that the Company's interests and assets are protected;
- define the Company's and the Group's broad strategic direction and ensure that it is put into practice;
- approve any significant transactions that fall outside the scope of the strategic direction defined by the Board of Directors;
- keep abreast of the Company's financial position, cash position and commitments;
- approve the Company's annual and interim financial statements;
- review the essential characteristics of the internal control and risk management systems adopted and implemented by the Group;
- ensure that the key risks to which the Company is exposed are in keeping with its strategies and objectives, and are taken into account in the management of the Company;
- verify the quality, reliability and fairness of information provided to shareholders concerning the Company and the Group and, in particular, ensure that the management structure and internal control and risk management systems in place are adequate to guarantee the quality and reliability of financial information published by the Company and to provide a true and fair view of the performance and financial position of the Company and the Group;
- set out the organizational principles and procedures of the Performance Audit Committee;
- disseminate the shared values that guide the Company and its employees and govern relationships with consumers as well as with partners and suppliers of the Company and the Group;
- promote a policy of economic development consistent with a social and citizenship policy based, in particular, on respect for human beings and protection of the environment in which the Group operates.

3.3. OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors shall hold at least four meetings a year.

Any individual who accepts the position of Director or permanent representative of a legal entity appointed as Director of the Company shall agree to attend Board of Directors' and Shareholders' Meetings regularly.

The Board may use videoconferencing or other means of telecommunication to organize meetings with Directors participating remotely. No such means shall be used, however, when the Board is meeting to draft and approve the parent company financial statements and Management Report, or when it is meeting to draft the consolidated financial statements and the report on Group management.

In order to ensure the identification and effective participation of the Directors concerned in a Board meeting, these means of telecommunication shall, at a minimum, transmit participants' voices as well as satisfy technical criteria for a continuous, real-time connection with the meeting. All remote participants in the meeting shall provide their identity. The attendance of any non-Board members shall be reported to, and subject to approval by, all Directors participating in the meeting.

Directors participating remotely by videoconferencing or conference call shall be deemed present for the purposes of calculating the quorum and majority.

The minutes of the meeting shall include the identities of the Directors who participated in the meeting remotely, the means of communication used and any connection problems that may occur during the meeting or disrupt it.

On the recommendation of the Board's Nominations and Compensation Committee, repeated unjustified absences by a Director may lead the Board of Directors to reconsider his/her appointment.

So that members of the Board of Directors can fully serve the function entrusted to them, the Chief Executive Officer provides members with any and all information necessary for the performance of their duties.

Decisions by the Board of Directors shall be made by simple majority vote and are adopted as a board.

If they deem appropriate, Independent Directors may meet without requiring the presence of the other members of the Board of Directors.

For special or important issues, the Board of Directors may establish one or more ad hoc committees.

Each member of the Board of Directors shall act in the interests and on behalf of all shareholders.

Once each year, the Board of Directors evaluates its procedures and informs shareholders as to its conclusions in a report presented to the Shareholders' Meeting. In addition, at least once every three years, a fully documented review of the work of the Board, its organization and its procedures is conducted.

3.4. RESPONSIBILITIES

The members of the Board of Directors shall be required to familiarize themselves with the general and specific obligations of their office, and with all applicable laws and regulations.

The members of the Board of Directors shall be required to respect the confidentiality of any information of which they may become aware in the course of their duties concerning the Company or the Group, until such information is made public by the Company.

The members of the Board of Directors agree not to trade in the Company's shares, either directly or indirectly, for their own account or on behalf of any third parties, based on privileged information disclosed to them in the course of their duties that is not known to the public.

Moreover, members of the Board of Directors shall refrain from engaging in any transactions involving the Company's shares or related financial instruments, and from any exercise of options for the duration of periods:

- beginning, as the case may be, on the 30th calendar day preceding the date of publication of the Company's annual or interim consolidated financial statements or the 15th calendar day preceding the date of publication of the Company's quarterly consolidated revenue release; and
- ending (i) the day after the aforementioned publication at 2:00 p.m., if the publication in question occurs in the afternoon, or (ii) the day after the aforementioned publication at 9:00 a.m., if it occurs in the morning.

However, this restriction does not apply to the exercise of share purchase or share subscription options, provided that no shares are resold before the end of the blackout period in question.

Senior executive officers shall refrain from engaging in any hedging transactions, either on their share subscription or purchase options, or on their shares acquired from the exercise of options, or their performance shares; this restriction shall apply until the end of their respective holding periods as established by the Board of Directors.

The Directors agree to:

- notify the Chairman of the Board of Directors of any actual or potential conflict of interest between their duties and responsibilities to the Company and their personal interests and/or other duties;
- abstain from voting on any matter that directly or indirectly pertains to them;
- inform the Chairman of the Board of Directors of any operation or agreement entered into with any Christian Dior group company to which they are a party;

- notify the Chairman of the Board of Directors of any formal investigation, conviction for fraud, official public indictment and/or sanction, or court-ordered disqualification from serving as a member of an administrative, management or supervisory body, as well as of any bankruptcy, receivership or liquidation proceedings in which they have been involved.

The Chairman of the Board of Directors shall submit any information of this type to the Performance Audit Committee.

3.5. COMPENSATION

The shareholders vote at a Shareholders' Meeting to set the total amount of directors' fees allocated to the members of the Board of Directors.

This amount shall be distributed among all members of the Board of Directors and Advisory Board members, if any, on the recommendation of the members of the Directors' Nominations and Compensation Committee, taking into account their specific responsibilities on the Board (Chairman, participation on committees created within the Board).

The settlement of a portion of these fees shall be contingent upon attendance by Directors at the meetings of the Board of Directors and, where applicable, the Committee(s) of which they are members, calculated according to a formula to be determined by the Board of Directors, acting upon a proposal submitted by the Nominations and Compensation Committee.

Exceptional compensation may be paid to certain Directors for any special assignments they take on. The amount shall be determined by the Board of Directors and reported to the Company's Statutory Auditors.

3.6. SCOPE OF APPLICATION

This Charter shall apply to all members of the Board of Directors and all Advisory Board members. It must be given to each candidate for the position of Director, and to each permanent representative of a legal entity prior to the start of his or her term of office.

4. Internal rules of the Performance Audit Committee

A specialized Committee responsible for auditing performance operates within the Board of Directors, acting under the responsibility of the Board of Directors.

4.1. STRUCTURE OF THE COMMITTEE

The Performance Audit Committee shall be made up of at least three Directors appointed by the Board of Directors. At least two-thirds of the members shall be Independent Directors. The majority of the Committee's members must have served as Managing Directors or equivalent or have specific expertise in finance, accounting or statutory audit.

At the proposal of the Nominations and Compensation Committee, the Board of Directors shall appoint a Chairman of the Committee from among its members. The maximum term served by the Chairman of the Committee shall be three years, renewable for the same period.

Neither the Chairman of the Board of Directors nor any Director performing the duties of Chief Executive Officer or Group Managing Director of Christian Dior may be a member of the Committee.

A Director may not be appointed as a member of the Committee if he/she comes from a company for which a Christian Dior Director serves as a member of a committee comparable in function.

4.2. ROLE OF THE COMMITTEE

The principal missions of the Committee are to:

- monitor the process of preparing financial information, and in particular the individual and consolidated financial statements and, where applicable, make recommendations to ensure their integrity;
- monitor the work of the Statutory Auditors, taking into account, where applicable, the observations and findings of the Haut Conseil du commissariat aux comptes (the supervisory body for the French audit industry) on checks carried out by it pursuant to Articles L. 821-9 et seq. of the French Commercial Code;
- ensure the existence, pertinence, application and effectiveness of internal control, risk management and internal audit procedures, monitor the ongoing effectiveness of those procedures, and make recommendations to senior management on the priorities and general direction of the work of the Internal Audit function;
- examine risks to the Statutory Auditors' independence and, where applicable, safeguards put in place to minimize the potential of risks to compromise their independence, issue an opinion on fees paid to the Statutory Auditors, as well as those paid to the network to which they belong, by the Company and companies it controls or by which it is controlled, in relation to either their statutory audit duties or ancillary services, oversee the procedure for selecting the Company's Statutory Auditors, and make recommendations on appointments to be proposed at Shareholders' Meetings pursuant to the outcome of such consultation;
- analyze the Company's and the Group's exposure to risks, and in particular to those risks identified by internal control and risk management systems, as well as material off balance sheet commitments of the Company and the Group;
- approve services, other than certifying the financial statements, provided by the Statutory Auditors or members of the network to which they belong to the Company, or to persons or entities that control or are controlled by the Company within the meaning of the first and second paragraphs of Article L. 233-3 of the French Commercial Code, after analyzing risks to the Statutory Auditors' independence and safeguarding measures adopted by them;
- review major agreements entered into by Group companies and agreements entered into by any Group company with a third-party company in which a Director of the Christian Dior parent company is also a senior executive or principal shareholder. Significant operations within the scope of the provisions of Article L. 225-38 of the French Commercial Code require an opinion issued by an independent expert appointed upon the proposal of the Performance Audit Committee;
- assess any conflicts of interest that may affect a Director and recommend appropriate measures to prevent or correct them.

4.3. OPERATING PROCEDURES OF THE COMMITTEE

A Director's agreement to serve on the Committee implies that he/she will devote the necessary time and energy to his/her duties on the Committee.

The Committee shall meet at least twice a year, without the Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director(s), before the Board of Directors' meetings in which the agenda includes a review of the annual or half-yearly parent company and consolidated financial statements.

If necessary, the Committee may be required to hold special meetings, when an event occurs that may have a significant effect on the parent company or consolidated financial statements.

Before each meeting, all pertinent documents and analyses relating to the different items on the agenda for the meeting are sent to each member of the Committee.

Any document submitted to the Committee in connection with its responsibilities shall be considered confidential as long as it has not been made public by the Company.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions of the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

A summary report shall be drawn up after each Committee meeting.

4.4. PREROGATIVES OF THE COMMITTEE

The Committee shall report on its work to the Board of Directors. It shall also report on the outcome of the process of certifying the financial statements, how that process contributed to the integrity of financial information, and the role the Committee played in the process. It shall submit to the Board its findings, recommendations and suggestions.

The Committee may request any and all accounting, legal or financial documents it deems necessary to carry out its responsibilities.

The Committee may call upon the Company's staff members responsible for preparing the financial statements, carrying out internal control procedures, conducting internal audits, applying risk management or cash management procedures, investigating tax or legal matters, as well as the Statutory Auditors, to appear before it on any number of occasions to address issues in detail, without requiring the presence of the Chairman of the Board, the Chief Executive Officer, or Group Managing Director(s) of Christian Dior. These meetings may also take place in the absence of those responsible for the accounting and financial functions.

After having duly notified the Chairman of the Board of Directors, the Committee may seek assistance from external experts if circumstances require.

4.5. COMPENSATION OF COMMITTEE MEMBERS

The members and Chairman of the Committee may receive a special director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

5. Internal rules of the Nominations and Compensation Committee

A specialized committee responsible for the nomination of Directors and compensation operates within the Board of Directors, acting under the authority of the Board of Directors.

5.1. STRUCTURE OF THE COMMITTEE

The Board's Nominations and Compensation Committee shall be made up of at least three Directors and/or Advisory Board members. The majority of its members shall be independent. Its members shall be appointed by the Board of Directors.

The Board of Directors shall appoint a Chairman of the Committee from among its members.

Neither the Chairman of the Board of Directors, nor any Director serving as Chief Executive Officer or Group Managing Director of Christian Dior, or who are compensated by any Christian Dior subsidiary, may be a member of the Committee.

A Director may not be appointed as a member of the Committee if he/she comes from a company for which a Christian Dior Director serves as a member of a committee comparable in function.

5.2. ROLE OF THE COMMITTEE

After undertaking its own review, the Committee is responsible for issuing opinions on applications and renewals for the positions of Director and Advisory Board member, making certain that the Company's Board of Directors includes prominent independent persons outside the Company. In particular, it discusses the independence of Board members with respect to applicable criteria. In addition, it shall make proposals on the appointment or reappointment of the Chairman of the Performance Audit Committee.

The Committee's opinion may also be sought by the Chairman of the Board of Directors or by any Directors serving as Chief Executive Officer or Group Managing Director, on candidates for senior management positions at the Company or Christian Dior Couture. It is the consultative body responsible for defining the measures to be taken in the event that such an office falls prematurely vacant.

After review, the Committee shall make recommendations on the distribution of directors' fees paid by the Company and prepare a summary table of directors' fees effectively paid to each Director.

It makes proposals to the Board on the fixed and variable portions of compensation and the benefits in kind to be received by (i) the Chairman of the Company's Board of Directors, its Chief Executive Officer and its Group Managing Director(s) and (ii) Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract; it also issues an opinion on any consultancy agreements entered into, either directly or indirectly, with these same individuals. The Committee issues recommendations regarding the qualitative and quantitative criteria on the basis of which the variable portion of compensation for senior executive officers is to be determined as well as the performance conditions applicable to the exercise of options and the vesting of bonus shares.

The Committee expresses its opinion on the general policy for the allocation of options and bonus shares at the Company, also making proposals on the granting of options and bonus shares to senior executive officers and to Directors and Advisory Board members who are employees of the Company or any of its subsidiaries by virtue of an employment contract.

It adopts positions on any supplemental pension plans established in favor of senior executive officers of the Company and those of Christian Dior Couture, and issues recommendations on any retirement benefits that might be paid to them upon leaving the Company.

The Committee issues an opinion on the fixed and variable portions of compensation, whether immediate or deferred, and benefits in kind, in addition to options and bonus shares to be granted by the Company or Christian Dior Couture to their Directors and senior executive officers. To this end, the Committee may request copies of any agreements entered into with these individuals and any accounting information relating to payments made.

The Committee is also entitled to receive information on procedures relating to the payment of external contractors' fees and the reimbursement of their expenses, issuing any recommendations deemed necessary on this subject.

The Committee shall prepare a draft report every year for the Shareholders' Meeting, which it shall submit to the Board of Directors, on the compensation of company officers, any bonus shares granted to them during the year and any stock options granted to or exercised by said officers in the same period. The report shall also list the ten employees of the Company that received and exercised the most options.

5.3. OPERATING PROCEDURES OF THE COMMITTEE

A Director's agreement to serve on the Committee implies that he/she will devote the necessary time and energy to his/her duties on the Committee.

The Committee shall meet whenever necessary, at the initiative of either its Chairman, the Chairman of the Board of Directors, the Director serving as Chief Executive Officer, or two Committee members.

The Chairman of the Board of Directors, the Chief Executive Officer and the Group Managing Director shall not participate in the Committee's work relating to their compensation.

The proceedings of the Committee are confidential and shall not be discussed outside the Board of Directors.

Decisions of the Committee shall be made by simple majority vote and shall be deemed to have been reached as a board.

5.4. PREROGATIVES OF THE COMMITTEE

The Committee shall report on its work to the Board of Directors. It shall submit to the Board its findings, recommendations and suggestions.

Members of the Committee may request any and all available information that they deem necessary for the purposes of carrying out their responsibilities.

Any unfavorable opinion issued by the Committee on any proposal must be substantiated.

5.5. COMPENSATION OF COMMITTEE MEMBERS

The members and Chairman of the Committee may receive a special director's fee, the amount of which shall be determined by the Board of Directors and charged to the total financial package allocated by the Shareholders' Meeting.

6. Bylaws

The Bylaws take into account the amendments proposed at the Shareholders' Meeting of April 13, 2017.

Part I

Legal form – Corporate name – Corporate purpose – Registered office – Term

Article 1 – Legal form

Christian Dior, first established in the form of a limited liability partnership under the terms of a private agreement entered into on October 8, 1946 in Paris, filed on October 18, 1946 with the clerk of the Paris commercial court and published in the Journal Special des Sociétés Françaises par Actions of October 18, 1946, was transformed into a joint-stock corporation (Société Anonyme) without creating a new legal entity, following a decision of the Extraordinary Meeting of Partners held on December 21, 1979.

The Company was then transformed into a European Company (Societas Europaea or "SE") by decision of the Combined Shareholders' Meeting of December 9, 2014. It is governed by European Community and national provisions in effect, and by these Bylaws.

Article 2 – Corporate purpose

The Company's purpose, in France and in any other country, is the taking and management of interests in any company or entity, whether commercial, industrial, or financial, whose direct or indirect activity involves the manufacture and/or dissemination of prestige products, through the acquisition, in any form whatsoever, of shares, corporate interests, bonds, or other securities or investment rights.

It may also pursue direct or indirect equity investment in any industrial or commercial operations by creating new companies, contributions, subscriptions, or purchases of shares or corporate interests, merger, takeover, joint venture, or other method.

More generally, it may also engage in any commercial, financial, and industrial activities and those involving real and moveable assets, in such a way as to facilitate, favor, or develop the Company's activity.

Article 3 – Corporate name

The name of the Company is: **Christian Dior**.

In all legal instruments or documents issued by the Company and addressed to third parties, this name must always be immediately preceded or followed by the words "société européenne" or the initials "SE", which should appear legibly, and by the disclosure of the amount of the share capital.

Article 4 – Registered office

The address of the Company's registered office is 30, avenue Montaigne, 75008 Paris, France.

It may be transferred to any other place in France by decision of the Board of Directors subject to such decision being ratified at the next Ordinary Shareholders' Meeting, and to any other place pursuant to a resolution passed at an Extraordinary Shareholders' Meeting.

Agencies, branch offices, warehouses and retail outlets may be established in any place and in any country, by simple resolution of the Board of Directors, which may later relocate or close these entities at its discretion.

Article 5 – Term

The term of the Company is ninety-nine years, starting from its date of incorporation, on the eighth day of October, in the year one thousand nine hundred and forty-six.

Part II

Share capital – Shares

Article 6 – Share capital

The share capital of the Company is 361,015,032 euros, consisting of 180,507,516 fully paid-up shares with a par value of 2 euros each, all of which belong to the same class.

The Company issued 4,351,808 shares further to the contribution by the various shareholders of Djedi Holding SA of 5,159,349 shares held in absolute ownership and 206,374 shares held in bare ownership in the said company, valued at 1,958,313,600 French francs.

Article 7 – Changes in the share capital

The share capital may be increased or decreased by a resolution of the Extraordinary Shareholders' Meeting, as provided by law.

The Shareholders' Meeting may delegate the authority or powers necessary to effect such a change to the Board of Directors.

Article 8 – Shares

PAYMENT

Shares subscribed in cash must be paid up, upon subscription, in an amount equivalent to at least one-quarter of their par value, plus, where applicable, the entirety of the issue premium. The remainder shall be called by the Board of Directors within a maximum period of five years.

Payment for shares may be made by offsetting against liquid and demandable receivables due from the Company.

Shareholders shall be informed of calls for funds at least fifteen days in advance, either by a notice inserted in a legal gazette published where the registered office is located or by registered letter with acknowledgment of receipt sent to each shareholder.

Shares allocated in the form of a contribution in kind or by way of the capitalization of unappropriated retained earnings, reserves or issue premiums as well as shares the amount of which results, in part, from a capitalization of reserves, unappropriated retained earnings or issue premiums and in part, from a cash payment, must be fully paid up upon issue.

Any late payment for shares incurs, automatically and without prior formal notice, an interest charge due to the Company, calculated at the legal rate in commercial matters as of the payment date, plus three percentage points.

FORM

Fully paid-up shares may be in registered or bearer form, at the discretion of the shareholder.

When the owner of the shares is not a French resident within the meaning of Article 102 of the French Civil Code, any intermediary may be registered on behalf of such owner. Such registration may be made in the form of a joint account or several individual accounts, each corresponding to one owner.

At the time such an account is opened through either the issuing company or the financial intermediary authorized as account holder, the registered intermediary shall be required to declare, under the terms and conditions laid down by decree, its capacity as intermediary holding shares on behalf of another party.

TRANSFER OF SHARES

Shares are freely negotiable, unless prohibited by applicable laws or regulations, in particular as regards shares with payments in arrears and contributing shares.

Registered shares are transferred via inter-account transfer based on the instructions of the account holder or his or her legal representative.

INDIVISIBILITY

Shares are indivisible as far as the Company is concerned. Joint holders of shares shall be required to be represented vis-à-vis the Company by only one of the joint holders or by a mutually agreed permanent representative.

RIGHTS ATTACHED TO THE SHARES

Ownership of a share automatically implies acceptance of these Bylaws and of resolutions passed by Shareholders' Meetings.

Each share entails the right to take part, as provided by law and these Bylaws, in Shareholders' Meetings and in votes on resolutions.

Each share entitles the holder to a share of corporate profits and assets proportional to the number of outstanding shares, in consideration of the par value of the shares.

All shares currently comprising, or that shall comprise in future, the Company's share capital are equivalent for tax purposes. Accordingly, each share shall entitle the holder, as much during the active existence of the Company as in the event of liquidation, to the payment of the same net amount at the time of any distribution or redemption, such that all taxes or tax exemptions relating to said distribution or redemption shall be consolidated, without distinction between the shares.

The liability of shareholders is limited to the amount of their contribution to the Company's share capital.

Under no circumstances may a shareholder's heirs, representatives or creditors apply for seals to be placed on or initiate proceedings against the Company's property and assets, request the division or public sale by auction of the same, nor interfere in any way with the actions of the Company's management. These individuals must refer to the Company's schedules of assets and liabilities and must respect the decisions of Shareholders' Meetings.

CROSSING OF SHAREHOLDER THRESHOLD

Any legal entity or natural person who comes to possess a number of shares representing more than 1% of the Company's share capital shall notify the Company no later than eight days after the crossing of this threshold and each time that a further threshold of 1% is crossed. However, this obligation shall cease to be applicable when the portion of capital held is equal to or greater than 60% of the Company's share capital.

In the event of a failure to comply with this disclosure obligation, the shares in excess of the percentage that should have been declared shall be deprived of their voting rights at any Shareholders' Meeting to be held within a period of three months following the date on which proper notification is made, provided that a request to this effect has been recorded in the minutes of the Shareholders' Meeting by one or more shareholders holding at least 5% of the Company's share capital.

IDENTIFIABLE BEARER SHARES

In order to identify the holders of securities, the Company is entitled to request, at any time, at its own expense, that the central custodian of financial instruments provide the name, or in the case of a legal entity, the Company name, the nationality, the year of birth or incorporation, and the address of the holders of shares conferring the right to vote, immediately or at some point in the future, at its own Shareholders' Meetings, as well as the number of shares held by such natural persons or legal entities and the restrictions, if any, which may exist upon the shares.

In light of the list sent by the aforementioned body, the Company shall be entitled to request information concerning the owners of the shares listed above, either through the intervention of that body, or directly, under the same terms and conditions and subject to the penalties stipulated in Article L. 228-3-2 of the French Commercial Code, of the persons appearing on that list and who might be, in the Company's opinion, registered on behalf of third parties.

When they act as intermediaries, such persons shall be required to disclose the identity of the owners of such shares. The information shall be provided directly to the authorized financial intermediary holding the account, who shall in turn be responsible for communicating it to the issuing company or the aforementioned body, as applicable.

Part III

Chapter I: Corporate governance

Article 9 – Membership of the Board of Directors

Subject to the exceptions provided by law, the Company is administered by a Board of Directors composed of at least three and no more than eighteen members, appointed by the Shareholders' Meeting for a term of office lasting three years.

A legal entity may be appointed as a Director but is required, at the time of its appointment, to designate an individual who shall serve as its permanent representative on the Board of Directors. The term of office of a permanent representative is the same as that of the legal entity Director he or she represents and must be reconfirmed at each renewal of the latter's term of office.

When the legal entity dismisses its permanent representative, it must at the same time provide for its replacement, and must send notification to the Company, by registered letter, of this dismissal as well as the identity of the new permanent representative. The same provision applies in case of death or resignation of the permanent representative.

A Director's appointment shall terminate at the close of the Ordinary Shareholders' Meeting convened to approve the accounts of the preceding fiscal year and held in the year during which the term of office of said Director comes to an end.

However, in order to allow a renewal of the terms which is as egalitarian as possible and in any case complete for each three-year period, the Board of Directors will have the option of determining the order in which Directors' appointments expire by the impartial selection at a Board meeting of one-third of the Directors each year. Once the rotation has been established, renewals will take place according to seniority.

No one over the age of eighty-five years shall be appointed Director if, as a result of his or her appointment, the number of Directors who are more than eighty-five years old would exceed one-third of the members of the Board. The number of members of the Board of Directors who are more than eighty-five years old may not exceed one-third (rounded to the next higher number if this total is not a whole number) of the Directors in office. Whenever this limit is exceeded, the term in office of the oldest appointed member shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was exceeded.

Directors may be re-elected indefinitely. They may be revoked at any time by decision of the Ordinary Shareholders' Meeting.

In the event of the death or resignation of one or more Directors, the Board of Directors may make provisional appointments between two Shareholders' Meetings, subject to their ratification by the next Ordinary Shareholders' Meeting.

When the number of members of the Board of Directors falls below the statutory minimum, the remaining Directors must immediately convene an Ordinary Shareholders' Meeting in order to supplement the membership of the Board of Directors.

A Director appointed to replace another Director shall serve as Director only for the remainder of his, her or its predecessor's term of office.

Article 10 – Shares held by Directors

Each Director must own at least two hundred shares of the Company for the entire duration of his, her or its term of office.

If, when appointed, a member of the Board of Directors does not own the required number of shares, or if the member ceases to own this required number at any point in his, her or its term of office, the member shall be allowed a period of six months to purchase a sufficient number of shares, failing which he, she or it shall be automatically considered to have resigned.

Article 11 – Organization of the Board of Directors

The Board of Directors shall elect a Chairman, who must be an individual, from among its members. It shall determine his or her term of office, which cannot exceed that of his or her office as Director.

The Chairman of the Board of Directors cannot be more than seventy-five years old. Should the Chairman reach this age limit during his or her term of office, his or her appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached. Subject to this provision, the Chairman of the Board may always be re-elected.

In case of temporary disability or death of the Chairman, the Board may temporarily delegate a Director to perform the duties of the Chairman. In case of temporary disability, this delegation is granted for a limited duration and is renewable. In case of death, it is granted until the election of the new Chairman.

The Board of Directors may also appoint a Secretary, who may or may not be chosen from among the members of the Board.

Article 12 – Operating procedures of the Board of Directors

1. The Board meets as often as required by the interests of the Company and at least every three months, and is convened by its Chairman on his or her own initiative, or if he or she is not also the Chief Executive Officer, at the request of the Chief Executive Officer or the Director temporarily delegated to perform the duties of Chairman.

   If the Board of Directors has not met for more than two months, a meeting may also be convened by any group of Directors, representing at least one-third of the members of the Board, who shall indicate the agenda of the meeting.

   Meetings are held at the registered office or at any other location specified in the convening notice. Board meetings are chaired by the Chairman of the Board of Directors, or by the Director temporarily designated to perform the duties of Chairman or, if unavailable, by another Director selected by the Board of Directors.

   Notice is served in the form of a letter sent to each Director, at least eight days prior to the meeting; it shall mention the agenda of the meeting as set by the person convening the meeting. However, the Board may meet without notice upon verbal notice and the agenda may be set at the opening of the meeting if all Directors in office are present or represented or when it is convened by the Chairman during a Shareholders' Meeting.

   Any Director may give a proxy to another Director, even by letter or cable, to represent him or her and vote on his or her behalf on resolutions of the Board of Directors, for a specific meeting. However, each Director may only dispose of one proxy during the meeting.

   An attendance register shall be kept and signed by all the Directors attending each meeting.

2. A meeting of the Board of Directors shall be valid if at least half of its members are present or represented.

   Directors who participate in Board meetings by means of videoconferencing or other telecommunication methods under the conditions defined by the internal rules of the Board of Directors shall be deemed to be present for the purposes of calculating the quorum and majority. However, actual presence or representation shall be necessary for any Board resolutions relating to the preparation of the parent company financial statements and consolidated financial statements, and to the drafting of the Management Report and the report on the Group's Management.

   Decisions are made by a majority of the votes of members present or represented. In the event of a tie vote, the Chairman's vote is the deciding vote.

3. Proceedings of the Board of Directors shall be officially recorded in the form of minutes in a special numbered and initialed minute book kept at the registered office, or on separate sheets, consecutively numbered and initialed.

   These minutes shall be signed by the Chairman of the meeting and by a Director. If the Chairman of the meeting is unavailable, they may be signed by two Directors.

   The production of abstracts or copies of the minutes to a meeting shall serve as sufficient justification of the number of Directors in office and their presence or representation by proxy at the meeting.

   To be valid, copies or abstracts of the minutes of the meeting shall be certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Secretary, the Director temporarily delegated to perform the duties of Chairman, or by a representative duly authorized to that effect.

   In the event of the liquidation of the Company, these copies or abstracts shall be validly certified by a single liquidator.

Article 13 – Powers of the Board of Directors

The Board of Directors sets guidelines for the Company's activities and shall ensure their implementation. Subject to the powers expressly granted to the Shareholders' Meetings and within the limits of the corporate purpose, it addresses any issue relating to the Company's proper operation and settles the affairs concerning it through its resolutions.

In its relations with third parties, the Company is bound even by acts of the Board of Directors falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such a purpose or that it could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient proof thereof.

The Board of Directors performs such monitoring and verifications as it deems appropriate. Each Director receives all necessary information for completing his or her assignment and may request any documents he or she deems useful.

The Board of Directors shall exercise the powers defined by the law and regulations applicable in France, or delegated or authorized by a Shareholders' Meeting pursuant to said laws and regulations; these powers shall include inter alia:

- setting, annually, either an overall limit within which the Chief Executive Officer may undertake commitments on behalf of the Company in the form of sureties, endorsements, guarantees or letters of intent involving an obligation of means; or a maximum amount for each of the above commitments. The decision to exceed the overall limit or the maximum amount set for a commitment may be made only by the Board of Directors. The Chief Executive Officer may delegate all or part of the powers granted to him in accordance with law and regulations;
- the ability to set an annual limit on issues of bonds that may or may not entitle the holder to other bonds or existing equity securities, and to delegate to one or more of its members, the Chief Executive Officer or, with the latter's consent, one or more Group Managing Directors, the necessary powers to carry out and define the terms of bond issues within that limit. The Board of Directors must be notified of any use of such delegation of powers at its next meeting after a bond issue is launched.

Members of the Board of Directors shall be forbidden from divulging any information about the Company, even after their terms of office have ceased, where such disclosure may be prejudicial to the Company's interests, except where such disclosure is permitted by current law and regulations or for the public benefit.

The Board of Directors may adopt internal rules establishing, inter alia, its membership, duties and operating procedures and the responsibilities of its members.

The Board of Directors may also create special-purpose committees of Directors, which may be permanent or temporary. Such committees may include but are not limited to: a special-purpose Committee to monitor the preparation and auditing of accounting and financial information, a Committee that oversees compensation and a Committee that oversees appointments; a single Committee may oversee both compensation and appointments. Committee composition and responsibilities shall be set forth in internal regulations adopted by the Board of Directors.

The decisions of the Board of Directors shall be carried out either by the Chief Executive Officer or by any person specifically appointed by the Board for that purpose.

Furthermore, the Board may grant one of its members or any third parties, whether shareholders or not, any special offices for one or more specific purposes, with or without the option, for the persons so appointed, to themselves delegate, whether in full or in part, the performance of these duties.

Article 14 – Compensation of the Directors

The Shareholders' Meeting may allocate to the Directors in compensation for their services a fixed sum as attendance fees, the amount of which is to be included in the overhead expenses of the Company.

The Board shall divide the amount of these attendance fees among its members as it deems fit. In particular, it may decide to allow Directors who serve on committees a greater portion of these fees.

It may also allow exceptional compensation for specific duties or offices assigned to Directors.

These payments shall be subject to the legal provisions applicable to agreements requiring the prior authorization of the Board of Directors.

Article 14a – Advisory Board members

Between one and three Advisory Board members may be appointed. They may each be appointed for a term of no longer than three years. They may be re-elected. Their appointment or dismissal is subject to the same rules as those applying to Directors. However, Advisory Board members need not be shareholders and as such are not subject to rules relating to the holding of multiple appointments as Directors or to similar positions.

Advisory Board members are convened to the meetings of the Board of Directors, in which they have a consultative vote.

The compensation paid to Advisory Board members is determined each year by the Board of Directors and is set off from the total attendance fees allocated by the Shareholders' Meeting to the members of the Board of Directors.

Chapter II: Management of the Company

Article 15 – Chairman – General Management

I - CHAIRMAN OF THE BOARD OF DIRECTORS

The Chairman of the Board of Directors chairs the meetings of the Board, and organizes and directs its work, for which he or she reports to the Shareholders' Meeting. He/she shall ensure the proper operation of corporate bodies and, in particular, shall verify that the Directors are able to perform their duties.

The Board shall determine the compensation to be paid to the Chairman.

II - GENERAL MANAGEMENT

1. Choice between the two methods of General Management

The Company's General Management is performed, under his responsibility, either by the Chairman of the Board of Directors, or by another individual appointed by the Board of Directors and bearing the title of Chief Executive Officer, depending upon the decision of the Board of Directors choosing between the two methods of exercising the General Management function. It shall inform the shareholders thereof in accordance with the regulatory conditions.

When the Company's General Management is assumed by the Chairman of the Board of Directors, the following provisions relating to the Chief Executive Officer shall apply to him or her.

2. Chief Executive Officer

The Chief Executive Officer may or may not be chosen from among the Directors. The Board sets his or her term of office as well as his or her compensation. The age limit for serving as Chief Executive Officer is seventy years. Should the Chief Executive Officer reach this age limit, his or her term of office shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

The Chief Executive Officer may be dismissed at any time by the Board of Directors. If the dismissal is decided without just cause, it may give rise to damages, unless the Chief Executive Officer assumes the duties of Chairman of the Board of Directors.

The Chief Executive Officer is vested with the most extensive powers to act under any circumstances on behalf of the Company. He/she exercises such powers within the limits of the corporate purpose, and subject to the powers expressly granted by law to the Shareholders' Meeting and to the Board of Directors.

He or she shall represent the Company in its relations with third parties. The Company is bound even by acts of the Chief Executive Officer falling outside the scope of the corporate purpose, unless it demonstrates that the third party knew that the act exceeded such purpose or could not have ignored it given the circumstances, it being specified that mere publication of the Bylaws is not sufficient to establish such proof.

The provisions of the Bylaws or decisions of the Board of Directors limiting the powers of the Chief Executive Officer are not binding on third parties.

3. Group Managing Directors

Upon the proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer, with the title of Group Managing Director, for whom it shall set the compensation.

There may not be more than five Group Managing Directors serving in this capacity at the same time.

Group Managing Directors may be dismissed at any time by the Board of Directors, upon the proposal of the Chief Executive Officer. If the dismissal is decided without just cause, it may give rise to damages.

When the Chief Executive Officer ceases to exercise his/her duties or is prevented from doing so, the Group Managing Directors remain in office with the same powers until the appointment of the new Chief Executive Officer, unless resolved otherwise by the Board.

In agreement with the Chief Executive Officer, the Board of Directors sets the scope and duration of the powers granted to Group Managing Directors. With regard to third parties, they shall have the same powers as the Chief Executive Officer.

The age limit for eligibility to perform the duties of Group Managing Director is seventy years. Should a Group Managing Director reach this age limit during his or her term of office, his or her appointment shall be deemed to have expired at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the fiscal year during which the limit was reached.

Chapter III: Company audit

Article 16 – Statutory Auditors

The Company shall be audited by one or more Statutory Auditors appointed by the Ordinary Shareholders' Meeting.

One or more alternate Statutory Auditors shall also be appointed.

The term of office for a Statutory Auditor is six fiscal years, expiring following the Ordinary Shareholders' Meeting convened to approve the financial statements for the sixth fiscal year.

Statutory Auditors may be removed from office by the Shareholders' Meeting in the event of negligence or inability.

They are required to attend meetings of the Board of Directors convened to approve the annual or half-yearly financial statements of the preceding fiscal year as well as all Shareholders' Meetings.

The compensation paid to Statutory Auditors is determined in accordance with applicable regulatory procedures.

A Statutory Auditor appointed to replace another shall remain in office only until the expiration of the term of office of his or her predecessor.

Part IV

Shareholders' Meetings

Chapter I: General provisions

Article 17

IMPACT OF DECISIONS

Shareholders' Meetings deemed to be duly convened and held represent all shareholders. Decisions taken during Shareholders' Meetings, in accordance with the law and the provisions of these Bylaws, shall be binding for all shareholders, even those who are absent, indisposed or dissenting.

CONVENING NOTICES

Shareholders meet every year, within six months of the end of each fiscal year, at an Ordinary Shareholders' Meeting.

Additional Shareholders' Meetings may be convened at any time during the year, whether as Ordinary Shareholders' Meetings held on an extraordinary basis or as Extraordinary Shareholders' Meetings.

Shareholders' Meetings shall be convened and held as provided by law.

One or more shareholders who together hold at least 10% of the company's subscribed share capital may also request that the Board of Directors convene a Shareholders' Meeting, and draw up its agenda.

Convening notices are sent to shareholders at least fifteen days prior to the planned date of the Shareholders' Meeting. This period is reduced to ten days for reconvened Shareholders' Meetings and for postponed meetings.

ATTENDANCE

The Shareholders' Meeting comprises all shareholders, irrespective of the number of shares they own.

The right to attend and vote at Shareholders' Meetings is subject to the registration of the shareholder in the Company's share register.

A shareholder is entitled to attend and vote at any meeting provided that the shares held are registered in the accounts in the name of the shareholder or intermediary authorized to act on his or her behalf as of 00:00 (midnight), Paris time, two business days prior to the meeting, either in the accounts of registered shares maintained by the Company or in the accounts of bearer shares maintained by the officially authorized financial intermediary. The registration of bearer shares in the accounts is certified by a statement delivered by the financial intermediary authorized as account holder.

Holders of shares not paid up within a period of thirty calendar days from the notice issued by the Company shall not be admitted to Shareholders' Meetings. These shares shall be subtracted when calculating the quorum.

A shareholder can always be represented in a valid manner at a Shareholders' Meeting by another shareholder, his or her spouse, the partner with whom he or she has entered into a "Pacte civil de solidarité" (PACS, the French civil union contract), or any other private individual or legal entity of his or her choice. Written notice must be sent to the Company of the appointment of any proxy, and where applicable the rescindment of this appointment.

Shareholders may address their proxy form and/or their voting form for any meeting, in accordance with applicable laws and regulations, either by mail or, if decided by the Board of Directors, by electronic transmission.

Pursuant to the provisions of Article 1316-4, paragraph 2 of the French Civil Code, in the event of the use of an electronically submitted form, the shareholder's signature shall make use of a reliable identification process that ensures the link with the document to which it is attached.

A shareholder who has voted by mail or by electronic transmission, sent a proxy or requested an admittance card or certificate stating the ownership of shares may not select another means of taking part in the meeting.

Any shareholder not deprived of voting rights may be appointed as a proxy by another shareholder in order to be represented at a meeting.

Any intermediary who meets the requirements set forth in paragraphs 7 and 8 of Article L. 228-1 of the French Commercial Code may, pursuant to a general securities management agreement, transmit to a Shareholders' Meeting the vote or proxy of a shareholder, as defined in paragraph 7 of that same article.

Before transmitting any proxies or votes to a Shareholders' Meeting, the intermediary registered pursuant to Article L. 228-1 of the French Commercial Code shall be required, at the request of the issuing company or its agent, to provide a list of the non-resident owners of the shares to which such voting rights are attached. Such a list shall be supplied as provided by either Article L. 228-2 or Article L. 228-3 of the French Commercial Code, whichever is appropriate.

A vote or proxy issued by an intermediary who either is not declared as such, or does not disclose the identity of the shareholders, may not be counted.

Legal representatives of legally incapacitated shareholders, and natural persons representing shareholders that are legal entities, shall take part in meetings regardless of whether or not they personally are shareholders.

Shareholders have as many votes as they hold shares. However, a voting right equal to twice the voting right attached to other shares, with respect to the portion of the share capital that they represent, is granted:

- to all fully paid-up registered shares which can be shown to have been registered to the same shareholder for at least three years;
- to registered shares allocated to a shareholder, in the event of an increase in the share capital by way of capitalization of reserves, earnings or additional paid-in capital, on the basis of shares already held that bear such entitlement.

This double voting right shall automatically lapse in the case of registered shares being converted into bearer shares or conveyed in property. However, any transfer by right of inheritance, by way of liquidation of community property between spouses or deed of gift inter vivos to the benefit of a spouse or an heir shall neither cause the acquired right to be lost nor interrupt the abovementioned three-year qualifying period. The same shall also apply to any transfer, following the merger or spin-off of a shareholding company, to the absorbing company or the company benefiting from the spin-off, or, as the case may be, to the new company created as a result of the merger or spin-off.

When a Works Council exists within the Company, two of its members, appointed by the Council, may attend Shareholders' Meetings. At their request, their opinions must be heard on the occasion of any vote requiring the unanimous approval of shareholders.

Article 18 – Convening and conduct of Shareholders' Meetings

Shareholders' Meetings shall be convened as provided by law.

Meetings are held at the registered office or at any other place mentioned in the convening notice.

In accordance with the conditions set by applicable legal and regulatory provisions, and pursuant to a decision of the Board of Directors, Shareholders' Meetings may also be held by means of videoconference or through the use of any telecommunications media allowing the identification of shareholders.

A Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman of the Board of Directors or, in the absence of both of these individuals, by a member of the Board of Directors appointed by the Board for that purpose. If no Chairman has been appointed, the shareholders at the meeting elect the Chairman.

The agenda of the meeting shall be set, in the usual course of events, by the person(s) convening the meeting.

The two members of the meeting present, having the greatest number of votes, and accepting that role, are appointed as scrutineers.

The officers of the meeting appoint a secretary, who may but need not be a shareholder.

An attendance sheet is drawn up and initialed by the shareholders present, and certified as accurate by the officers of the meeting.

Proceedings of the Shareholders' Meeting shall be officially recorded in the form of minutes in a special numbered and initialed minute book kept at the registered office, or on separate sheets, consecutively numbered and initialed.

These minutes shall be signed by the officers of the meeting. Copies or abstracts of the minutes shall be validly certified by the Chairman of the Board of Directors, by a Director temporarily delegated to perform the duties of the Chief Executive Officer, or by the secretary of the meeting.

Chapter II: Ordinary Shareholders' Meetings

Article 19 – Powers

The shareholders at the Ordinary Shareholders' Meeting shall hear the reports prepared by the Board of Directors, its Chairman, and the Statutory Auditors. They also review the financial statements prepared by the Company.

The shareholders at the meeting discuss, approve, amend or reject the financial statements submitted. They decide upon the distribution and appropriation of profits.

They decide upon any amounts to be allocated to reserve funds. They also determine the amounts to be withdrawn from reserves and decide upon their distribution.

They determine the total amount of attendance fees to be allocated to the members of the Board of Directors.

They appoint, replace, re-elect or dismiss Directors.

They ratify any appointments of Directors made on a provisional basis by the Board of Directors.

They appoint the Statutory Auditors and examine their special report.

They hear all proposals that do not fall within the exclusive remit of the Extraordinary Shareholders' Meeting.

Article 20 – Quorum and majority

In order to pass valid resolutions, the Ordinary Shareholders' Meeting, convened upon first notice, must consist of shareholders, present or represented, holding at least one-fifth of total voting shares.

When convened upon second notice, the deliberations of an Ordinary Shareholders' Meeting shall be valid regardless of the number of shares represented.

The resolutions are approved by a majority of validly cast votes. Votes cast do not include votes attaching to shares in respect of which the shareholder has not taken part in the vote, has abstained, or has returned an uncompleted or invalid voting paper.

Chapter III: Extraordinary Shareholders' Meetings

Article 21 – Powers

The shareholders at the Extraordinary Shareholders' Meeting may amend the Bylaws in any of its provisions and may also decide upon the transformation of the Company into a company having any other legal form.

The shareholders may vote at an Extraordinary Shareholders' Meeting to delegate to the Board of Directors the power to make necessary amendments to the Bylaws to harmonize them with legal and regulatory requirements, subject to any such amendments being ratified at the next Extraordinary Shareholders' Meeting.

However, in no event, unless by unanimous decision of the shareholders, may it increase the duties of the latter, nor may it violate the principle of equal treatment of all shareholders, except in the case of transactions resulting from a duly completed regrouping of shares.

Article 22 – Quorum and majority

1. In order to pass valid resolutions, the Extraordinary Shareholders' Meeting, convened upon first notice, must consist of shareholders, present or represented, holding at least one-fourth of total voting shares. The deliberations of an Extraordinary Shareholders' Meeting convened upon second notice or held as a result of the postponement of the meeting convened upon second notice shall be valid provided it consists of shareholders holding at least one-fifth of total voting shares.

   The resolutions are approved by a two-thirds majority of validly cast votes. Votes cast do not include votes attaching to shares in respect of which the shareholder has not taken part in the vote, has abstained, or has returned an uncompleted or invalid voting paper.

2. When deciding upon or authorizing the Board of Directors to effect a capital increase through the capitalization of reserves, unappropriated retained earnings, or issue premiums, resolutions are passed subject to the quorum and majority conditions of Ordinary Shareholders' Meetings.

3. A capital increase effected by way of an increase in the par value of shares to be paid up in cash, or through the offsetting of receivables, requires the unanimous approval of shareholders, representing the entirety of shares making up the share capital.

Chapter IV: Constitutive Shareholders' Meetings

Article 23 – Quorum and majority

The shareholders at Constitutive Shareholders' Meetings, which are those convened to approve contributions in kind or benefits in kind, shall pass valid resolutions subject to the quorum and majority conditions of Extraordinary Shareholders' Meetings specified in the previous article.

At these meetings, neither the contributor nor the recipient may vote, on his or her own behalf or as a proxy. His or her shares shall not be taken into account when calculating the quorum and majority.

Part V

Parent company financial statements

Article 24 – Fiscal year

Each fiscal year lasts twelve months, commencing on the first day of January and ending on the thirty-first day of December of each year.

Article 25 – Company accounts

Regular accounts shall be kept of the Company's operations in conformity with the law and normal commercial practice.

At the end of each fiscal year, the Board of Directors shall draw up the schedule of the assets and liabilities existing as of the fiscal year-end as well as the annual accounts. The amount of commitments in the form of sureties, guarantees or collateral shall be mentioned in the balance sheet.

The Board of Directors shall also draw up a Management Report.

All of these documents shall be made available to the Statutory Auditors in accordance with applicable laws and regulations.

Article 26 – Distributable earnings

1. The net proceeds of each fiscal year, minus general expenses and other expenses incurred by the Company, including all amortization, depreciation and provisions, represents the net profit or loss of the fiscal year.

2. From the net profit for each fiscal year, minus prior losses, if any, an amount equal to at least one-twentieth must be deducted and allocated to the formation of a "legal reserve" fund. This deduction is no longer required when the amount of the legal reserve has reached one-tenth of the share capital. It is resumed when, for whatever reason, the legal reserve falls below this fraction.

3. Distributable earnings consist of the remaining balance, plus any profits carried forward.

   From these distributable earnings:

   The Shareholders' Meeting may deduct the necessary amounts for allocation to the special reserve for long-term capital gains, as provided for by current tax provisions, if other legal or optional reserves do not allow such a contribution at the time the allocation is taxable in order to defer payment at the full corporate income tax rate applicable to long-term capital gains realized during the fiscal year.

   The Shareholders' Meeting may then deduct from the balance such sums as it deems appropriate, either to be carried forward to the following fiscal year, or to be applied to one or more general or special reserve funds, whose allocation or use it shall freely determine.

   Any remaining balance is to be distributed among all shareholders in the form of a dividend, prorated in accordance with the share capital represented by each share.

   The Shareholders' Meeting convened to approve the fiscal year's financial statements may grant each shareholder, upon the proposal of the Board of Directors, in relation to all or part of the dividend distributed, a choice between payment of the dividend in cash or in shares. The Board of Directors has the same authority for the distribution of interim dividends.

   In addition, the Shareholders' Meeting may decide to distribute assets recorded in the balance sheet of the Company and, in particular, securities by taking sums from the profits, retained earnings, reserves or premiums. The Shareholders' Meeting may decide that rights forming fractional shares shall neither be tradable nor assignable. The Shareholders' Meeting may notably decide that, when the portion of the distribution to which the shareholder is entitled does not correspond to a whole number in the unit of measure used for the distribution, the shareholder shall receive the whole number, in the unit of measure, immediately below that amount, together with an equalization payment in cash.

4. Except in the case of a capital reduction, no distribution may be made to shareholders when equity is or would subsequently become less than the total share capital.
5. When a balance sheet, drawn up during or at the end of the fiscal year and certified by a Statutory Auditor, shows that the Company, since the close of the preceding fiscal year, after having made the necessary charges to depreciation, amortization and provisions, and after deduction of prior losses, if any, as well as of the amounts which are to be allocated to the reserves provided by law or by these Bylaws, and taking into account profits carried forward, if any, has available earnings, the Board of Directors may resolve to distribute interim dividends prior to the approval of the financial statements of the fiscal year, and may determine the terms thereof notably with regard to the amount and date. These interim dividends may be distributed in cash or in kind, notably in the form of assets from the Company's balance sheet (which may include securities). In the event of an interim distribution in kind, the Board of Directors may decide that fractional rights will be neither negotiable nor transferable. The Board of Directors may notably decide that, when the portion of the distribution to which the shareholder is entitled does not correspond to a whole number in the unit of measure used for the distribution, the shareholder shall receive the whole number, in the unit of measure, immediately below that amount, together with an equalization payment in cash. The amount of such interim dividends cannot exceed the amount of the profits as defined in this paragraph.

Part VI

Transformation – Dissolution – Extension – Liquidation – Litigation

Article 27 – Transformation

The Company may be transformed into a company having a different legal form provided that, at the time of the transformation, it has been in existence for at least two years and the balance sheets of its first two years of existence have been approved by the shareholders.

Any transformation of the Company must be decided upon and published as provided by law.

Article 28 – Net assets amounting to less than one-half of the share capital

If, as a consequence of losses showed by the Company's accounts, the equity of the Company is reduced to below one-half of the share capital of the Company, the Board of Directors shall, within four months of the approval of the accounts showing such a loss, convene an Extraordinary Shareholders' Meeting in order to decide whether the Company ought to be dissolved before its statutory term.

If the dissolution is not resolved, the Company must, no later than the end of the second fiscal year following the fiscal year during which the losses were established, reduce its share capital by an amount at least equal to the losses which could not be charged to reserves if, by the conclusion of the aforementioned period, the net assets have not been replenished to an amount at least equal to one-half of the share capital.

In either case, the resolution adopted by the Shareholders' Meeting shall be published, in accordance with the law.

Article 29 – Premature dissolution – Extension

An Extraordinary Shareholders' Meeting may at any time declare the premature dissolution of the Company or, at the expiration of the Company's term of existence, its extension.

At least one year prior to the expiration of the Company's term of existence, the Board of Directors shall convene an Extraordinary Shareholders' Meeting, in order to decide whether the Company's term ought to be extended.

Article 30 – Liquidation

Upon the expiration of the Company's term of existence or in the event of its premature dissolution, the Shareholders' Meeting shall decide the methods of liquidation and appoint one or several liquidators whose powers it shall determine.

The appointment of the liquidator(s) terminates the office of the Directors and that of the Statutory Auditors.

During the period of the liquidation, the Shareholders' Meeting shall retain the same powers as those it exercised during the existence of the Company.

The net proceeds of the liquidation, after payment of liabilities, shall be used first for the repayment of the amount paid up on shares that has not already been repaid to shareholders by the Company, with the balance divided among all the shares.

The shareholders are convened at the end of the liquidation in order to decide on the final accounts, to discharge the liquidators from liability for their acts of management and the performance of their office, and to formally acknowledge the termination of the liquidation process. The conclusion of the liquidation shall be published as provided by law.

Article 31 – Litigation – Election of domicile

Any litigation that may arise, during the term of existence of the Company or its liquidation, either between the shareholders and the Company, or among the shareholders themselves, with respect to Company activities, shall be heard by the competent courts with jurisdiction over the location of the Company's registered office.

To this end, all shareholders must elect domicile within the same area of jurisdiction as the registered office and all summons or notices shall be validly served at this domicile.

Where no such domicile is elected, summons and notices shall be validly served before the Procureur de la République (French public prosecutor) at the Tribunal de Grande Instance (French civil court) that has jurisdiction over the location of the registered office.

Other information

GENERAL INFORMATION REGARDING THE PARENT COMPANY; STOCK MARKET INFORMATION

1. History

1905	Birth of Christian Dior in Granville (Normandy, France), on January 21.
1946	Backed by Marcel Boussac, Christian Dior founds his own couture house, in a private house at 30, avenue Montaigne in Paris.
1947	On February 12, Christian Dior presents the 90 designs in his first collection on six models. The *Corolle* and *Huit* lines are very quickly rechristened *New Look*. Parfums Christian Dior is founded, headed by Serge Heftler Louiche. Dior names the first *Miss Dior* fragrance in honor of his sister Catherine. Pierre Cardin begins at Christian Dior, as the "leading man" in the workshop. He remains there until 1950.
1948	In November, a luxury ready-to-wear house is established in New York at the corner of 5th Avenue and 57th Street, the first of its kind. Creation of Christian Dior Parfums New York.
1949	Launch of the perfume *Diorama*. By marketing Dior stockings in the United States, the brand creates the licensing system.
1950	License for neckties. All accessories follow. Within three years, this system will be copied by all the couture houses.
1952	The Christian Dior brand consolidates its presence in Europe by creating Christian Dior Models Limited in London. Agreement with the House of Youth in Sydney for exclusive Christian Dior New York models. Exclusive agreement with Los Gobelinos of Santiago, Chile for the Christian Dior Paris Haute Couture collections.
1955	At age 19, Yves Saint Laurent becomes Christian Dior's first and only assistant. Opening of the Grande Boutique at the corner of avenue Montaigne and rue Francois 1er. Launch of Dior lipstick. A line of beauty products will follow.
1957	Christian Dior succumbs to a heart attack at the Montecatini spa on October 24. Yves Saint Laurent is named to provide artistic direction for the brand.
1960	Called up for National Service, Yves Saint Laurent leaves Dior after completing six collections. Marc Bohan succeeds him. He is 34 years old.
1961	Marc Bohan presents his first collection, *Slim Look* under the Dior label.
1962	Yves Saint Laurent opens his own couture house.
1963	Launch of the perfume *Diorling*.
1966	Launch of the men's fragrance *Eau Sauvage*.
1967	Philippe Guibourgé, assistant to Marc Bohan, creates the *Miss Dior* line, the first Dior women's ready-to-wear line in France. Opening of the *Baby Dior* boutique.
1968	Launch of the *Christian Dior Coordinated Knits* line. The Dior perfume company is sold to Moët Hennessy. Frédéric Castet assumes management of the Fashion Furs Department – Christian Dior Paris.
1970	Creation of the *Christian Dior Monsieur* line. At Parly II, a new Christian Dior boutique is decorated by Gae Aulenti.
1972	Launch of the perfume *Diorella*.
1973	Creation in France of the ready-to-wear fur collection, which will then be manufactured under license in the United States, Canada, and Japan.
1978	Bankruptcy of the Marcel Boussac group, whose assets, under the authorization of the Paris Commercial Court, are purchased by the Willot group.
1979	Launch of the perfume *Dioressence*.
1980	Launch of the men's fragrance *Jules*.
1981	The Willot group declares bankruptcy.
1984	A group of investors, led by Bernard Arnault, takes control of the former Willot group.
1985	Bernard Arnault becomes Chairman and Chief Executive Officer of Christian Dior. Launch of the perfume *Poison*.

1988	Through its subsidiary Jacques Rober, held jointly with the Guinness group, Christian Dior takes a 32% equity stake in the share capital of LVMH. The share capital of Christian Dior is offered to French and foreign institutional investors who subscribe to a capital increase of 3.3 billion francs in a private placement.
1989	Gianfranco Ferré joins Christian Dior as creator of the Haute Couture, Fashion Furs, and Women's Ready-to-Wear collections. His first Haute Couture collection is awarded the Dé d'Or. Opening of a boutique in Hawaii. Jacques Rober's stake in LVMH is increased to 44%.
1990	Opening of boutiques in Los Angeles and New York. LVMH stake is increased to 46%.
1991	Listing of Christian Dior on the spot market, and then the monthly settlement market of the Paris stock exchange. Launch of the perfume *Dune*.
1992	Patrick Lavoix is named artistic Director of *Christian Dior Monsieur*. Relaunch of *Miss Dior*.
1994	A revision of agreements with Guinness has the effect of increasing Christian Dior's consolidated stake in LVMH from 24.5% to 41.6%.
1995	The Couture line is transferred to a wholly owned subsidiary that takes the corporate name "Christian Dior Couture".
1996	John Galliano is named Creative Director of Christian Dior Couture.
1997	Christian Dior Couture takes over the network of 13 boutiques operated under franchise by its Japanese licensee, Kanebo.
1998	Christian Dior Couture takes over the direct marketing of ready-to-wear and women's accessories in Japan after terminating its licensing agreement with Kanebo.
1999	Launch of the perfume *J'adore*. Creation of a new business group, Fine Jewelry, whose collections are created by Victoire de Castellane.
2001	In January 2001, Hedi Slimane, new creator of the *Homme* menswear line, presents his first collection based on a new contemporary masculine concept. Launch of the men's fragrance *Higher*. Opening of the Fine Jewelry boutique at Place Vendôme, created under the supervision of Victoire de Castellane.
2002	Launch of the perfume *Addict*.
2003	Opening of a flagship boutique in the Omotesando district (Tokyo).
2004	Opening of a flagship boutique in the Ginza district (Tokyo).
2005	Celebration of the centennial of Christian Dior's birth. Launch of the perfumes *Miss Dior Chérie* and *Dior Homme*.
2006	Christian Dior Couture directly takes over the activity of its Moscow agent and opens a boutique in the GUM department store.
2007	Celebration of the 60th anniversary of the creation of Maison Dior (1947). Kris Van Assche, the new creator of the Homme menswear line, presents his first collections.
2008	Major exhibition organized in Beijing, in association with Chinese artists, to celebrate the brand's entrance into the Chinese marketplace.
2009	New online advertising campaign for *Lady Dior* handbags featuring Marion Cotillard.
2010	Organization of an event in Shanghai to celebrate the expansion and reopening of the boutique in the Plaza 66 shopping mall.
2011	Organization of the Inspiration Dior exhibition at the Pushkin Museum in Moscow.
2012	Raf Simons is named Creative Director of the Haute Couture, Women's Ready-to-Wear and Women's Accessories collections.
2013	Unveiling of Raf Simons' first collection and boutique openings in Vietnam.
2014	Haute Couture collection show in Hong Kong and presentation of the *Cruise* collection in New York.
2015	Opening of the Maison Dior in Seoul. Rihanna takes part in the *Secret Garden* campaign as brand ambassador for the *Diorama* handbag. *Cruise* collection show in Cannes.
2016	Maria Grazia Chiuri is appointed Creative Director of the Haute Couture, Women's Ready-to-Wear and Women's Accessories collections and becomes the first woman in the history of Dior to head the design of its womenswear collections.

2. Information regarding the parent company

2.1. ROLE OF THE PARENT COMPANY WITHIN THE GROUP

Christian Dior is a holding company that controls 100% of Christian Dior Couture and 40.98% of LVMH.

2.2. GENERAL INFORMATION

The complete text of the Bylaws is presented in the Other information – Governance section of the Annual Report.

Company name (Article 3 of the Bylaws): Christian Dior.

Registered office (Article 4 of the Bylaws): 30, avenue Montaigne – 75008 Paris, France. Telephone: +33 (0)1 44 13 22 22.

Legal form (Article 1 of the Bylaws): Société Européenne (Societas Europaea). The Company was converted from a Société Anonyme (SA) to a Société Européenne (SE) on December 9, 2014.

Jurisdiction (Article 1 of the Bylaws): Company governed by European Community and national provisions in effect, and by the Bylaws.

Register of Commerce and Companies: the Company is registered in the Paris Register of Commerce and Companies under number 582 110 987. APE code (company activity code): 6420Z.

Date of incorporation – Term (Article 5 of the Bylaws): Christian Dior was incorporated on October 8, 1946 for a term of 99 years, which expires on October 7, 2045, unless the Company is dissolved early or extended by a resolution of the Extraordinary Shareholders' Meeting.

Location where documents concerning the Company may be consulted: the Bylaws, financial statements and reports, and the minutes of Shareholders' Meetings may be consulted at the registered office at the address indicated above.

2.3. ADDITIONAL INFORMATION

The complete text of the Bylaws is presented in the Other information – Governance section of the Annual Report.

Corporate purpose (Article 2 of the Bylaws): the taking and management of interests in any company or entity, whether commercial, industrial, or financial, whose direct or indirect activity involves the manufacture and/or dissemination of prestige products, through the acquisition, in any form whatsoever, of shares, corporate interests, bonds, or other securities or investment rights.

Fiscal year (Article 24 of the Bylaws): The Shareholders' Meeting of December 1, 2015 modified the dates on which the fiscal year begins and ends to January 1 and December 31 of each year. Since this modification takes effect from the fiscal year beginning January 1, 2017, the preceding fiscal year lasted six months, from July 1, 2016 to December 31, 2016.

Distribution of profits under the Bylaws (Article 26 of the Bylaws): The Shareholders' Meeting may deduct from the profit for the fiscal year such sums as it deems appropriate, either to be carried forward to the following fiscal year, or to be applied to one or more general or special reserve funds, whose allocation or use it shall freely determine. Any remaining balance is to be distributed among all shareholders in the form of a dividend, prorated in accordance with the share capital represented by each share.

Shareholders' Meetings (Articles 17 to 23 of the Bylaws): Shareholders' Meetings are convened and held under the conditions provided by the laws and decrees in effect.

Rights, preferences and restrictions attached to shares (Articles 6, 8, 17 and 30 of the Bylaws): all shares belong to the same class, whether issued in registered or bearer form.

Each share gives the right to a proportional stake in the ownership of the Company's assets, as well as in the sharing of profits and of any liquidation surplus.

A voting right equal to twice the voting right attached to other shares is granted to all fully paid-up registered shares for which evidence of registration under the name of the same shareholder during at least three years will be brought, as well as to registered shares allocated to a shareholder, in case of increase of the capital by capitalization of reserves, or of profits carried forward or of issue premiums due to existing shares which entitle the shareholder to this right. This right was granted by the Extraordinary Shareholders' Meeting of June 14, 1991 and may be removed by a decision of the Shareholders' Meeting, after ratification by a Special Meeting of the holders of this right.

Declaration of thresholds (Article 8 of the Bylaws): independently of legal obligations, the Bylaws stipulate that any individual or legal entity that becomes the owner of a fraction of capital greater than or equal to 1% shall notify the total number of shares held to the Company. This obligation applies each time the portion of capital owned increases by at least 1%. It ceases to apply when the shareholder in question reaches the threshold of 60% of the share capital.

Necessary action to modify the rights of shareholders: the Bylaws do not contain any stricter provision governing the modification of shareholders' rights than those required by the law.

Provisions governing changes in the share capital: the Bylaws do not contain any stricter provision governing changes in the share capital than those required by the law.

3. Information regarding the capital

3.1. SHARE CAPITAL

As of December 31, 2016 and February 9, 2017, the Company's share capital was 361,015,032 euros, consisting of 180,507,516 fully paid-up shares with a par value of 2 euros each. The shares issued by the Company are all of the same class. Of these 180,507,516 shares, 126,618,532 shares conferred double voting rights as of December 31, 2016.

3.2. AUTHORIZED SHARE CAPITAL

As of December 31, 2016, the Company's authorized share capital was 441,015,032 euros, consisting of 220,507,516 fully paid-up shares with a par value of 2 euros each.

The authorized share capital represents the maximum amount that the share capital could reach should the Board of Directors make use of all of the authorizations and delegations of authority granted by the Shareholders' Meeting that permit the Company to increase its amount.

3.3. STATUS OF DELEGATIONS AND AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS

This statement is included under §4.1 Status of current delegations and authorizations in the Management report of the Board of Directors – Christian Dior parent company.

3.4. SHAREHOLDERS' IDENTIFICATION

Article 8 of the Bylaws authorizes the Company to set up a shareholder identification procedure.

3.5. NON-CAPITAL SHARES

The Company has not issued any non-capital shares.

3.6. SECURITIES GIVING ACCESS TO THE COMPANY'S CAPITAL

No securities giving access to the Company's capital were outstanding as of December 31, 2016.

3.7. THREE-YEAR SUMMARY OF CHANGES IN THE COMPANY'S SHARE CAPITAL

			Change in capital		Capital after transaction	
(EUR)	Type of transaction	Number of shares	Par value	Issue premium	Amount	Cumulative number of Company shares
As of June 30, 2014	None	-	-	-	363,454,096	181,727,048
As of February 12, 2015	Retirement of shares	1,219,532	(2,439,064)	(162,815,715)	361,015,032	180,507,516
As of June 30, 2015	None	-	-	-	361,015,032	180,507,516
As of June 30, 2016	None	-	-	-	361,015,032	180,507,516
As of December 31, 2016	**None**	**-**	**-**	**-**	**361,015,032**	**180,507,516**

4. Analysis of share capital and voting rights

4.1. SHARE OWNERSHIP OF THE COMPANY

As of December 31, 2016, the Company's share capital comprised 180,507,516 shares:

- 127,746,048 pure registered shares;
- 6,006,220 administered registered shares;
- 46,755,248 bearer shares.

Taking into account treasury shares, 179,415,898 shares carried voting rights, including 126,618,532 shares with double voting rights.

As of December 31, 2016, a total of 332 registered shareholders held at least 100 shares.

Shareholders	Number of shares	Number of voting rights [(a)]	% of share capital	% of voting rights
Arnault Family Group [(b)]	133,497,358	259,817,495	73.96	84.90
- of which Semyrhamis	*112,599,333*	*221,060,777*	*62.38*	*72.23*
- of which the Arnault family and other companies in the Arnault Family Group	*20,898,025*	*38,756,718*	*11.58*	*12.67*
Other shareholders	47,010,158	46,216,935	26.04	15.10
TOTAL AS OF DECEMBER 31, 2016	**180,507,516**	**306,034,430**	**100.00**	**100.00**

(a) Voting rights exercisable at Shareholders' Meetings.
(b) The Arnault Family Group is made up of the Arnault family and companies it controls, notably including Semyrhamis.

Subject to the provisions of §4.4 below, to the Company's knowledge:

- no shareholder held at least 5% of the Company's share capital and voting rights as of December 31, 2016;
- no shareholder held 5% or more of the Company's share capital or voting rights, either directly, indirectly, or acting in concert;
- no shareholders' agreement or any other agreement constituting an action in concert existed involving at least 0.5% of the Company's share capital or voting rights.

As of December 31, 2016, senior executives of the Company and members of the Board of Directors directly and personally held in registered form less than 0.32% of the Company's share capital and voting rights.

As of December 31, 2016, the Company held 1,091,618 shares as treasury shares recognized under short-term investments, mainly to cover share purchase options and bonus share allocation plans. In accordance with legal requirements, these shares are stripped of their voting rights.

As of December 31, 2016, the employees of the Company and of affiliated companies, as defined under Article L. 225-180 of the French Commercial Code, held shares in employee savings plans equivalent to less than 0.04% of the share capital.

During the six-month fiscal year ended December 31, 2016 and as of February 9, 2017, no public tender or exchange offer nor price guarantee was made by a third party involving the Company's shares.

The Company's main shareholders have voting rights identical to those of other shareholders.

In order to protect the rights of each and every shareholder, the Charter of the Board of Directors requires that at least one-third of its appointed members be Independent Directors. In addition, (i) at least two-thirds of the members of the Performance Audit Committee must be Independent Directors and (ii) a majority of the members of the Nominations and Compensation Committee must also be Independent Directors.

4.2. CHANGES IN SHARE OWNERSHIP DURING THE LAST THREE FISCAL YEARS

As of December 31, 2016

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM [b]	% of voting rights exercisable at SM [b]
Arnault Family Group [a]	133,497,358	73.96	259,817,495	84.90	259,817,495	84.90
- of which Semyrhamis	*112,599,333*	*62.38*	*221,060,777*	*71.98*	*221,060,777*	*72.23*
- of which the Arnault family and other companies in the Arnault Family Group	*20,898,025*	*11.58*	*38,756,718*	*12.62*	*38,756,718*	*12.67*
Treasury shares	1,091,618	0.60	1,091,618	0.36	-	-
Free-float registered	574,243	0.32	872,638	0.28	872,638	0.28
Free-float bearer	45,344,297	25.12	45,344,297	14.76	45,344,297	14.82
TOTAL	**180,507,516**	**100.00**	**307,126,048**	**100.00**	**306,034,430**	**100.00**

(a) The Arnault Family Group is made up of the Arnault family and companies it controls, notably including Semyrhamis.
(b) SM: Shareholders' Meeting.

As of June 30, 2016

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM [b]	% of voting rights exercisable at SM [b]
Arnault Family Group [a]	131,819,932	73.03	257,808,750	84.03	257,808,750	84.36
- of which Semyrhamis	*111,099,333*	*61.55*	*219,229,458*	*71.45*	*219,229,458*	*71.73*
- of which the Arnault family and other companies in the Arnault Family Group	*20,720,599*	*11.48*	*38,579,292*	*12.58*	*38,579,292*	*12.63*
Treasury shares	1,188,053	0.66	1,188,053	0.39	-	-
Free-float registered	567,464	0.31	881,510	0.29	881,510	0.29
Free-float bearer	46,932,067	26.00	46,932,067	15.30	46,932,067	15.35
TOTAL	**180,507,516**	**100.00**	**306,810,380**	**100.00**	**305,622,327**	**100.00**

(a) The Arnault Family Group is made up of the Arnault family and companies it controls, notably including Semyrhamis.
(b) SM: Shareholders' Meeting.

As of June 30, 2015

Shareholders	Number of shares	% of share capital	Theoretical voting rights	% of theoretical voting rights	Voting rights exercisable at SM [b]	% of voting rights exercisable at SM [b]
Arnault Family Group [a]	131,515,710	72.86	257,332,528	83.93	257,332,528	84.32
- of which Semyrhamis	*111,099,333*	*61.55*	*219,084,458*	*71.46*	*219,084,458*	*71.78*
- of which the Arnault family and other companies in the Arnault Family Group	*20,416,377*	*11.31*	*38,248,070*	*12.47*	*38,248,070*	*12.53*
Treasury shares	1,399,764	0.78	1,399,764	0.46	-	-
Free-float registered	541,742	0.30	815,655	0.27	815,655	0.27
Free-float bearer	47,050,300	26.06	47,050,300	15.34	47,050,300	15.41
TOTAL	**180,507,516**	**100.00**	**306,598,247**	**100.00**	**305,198,483**	**100.00**

(a) The Arnault Family Group is made up of the Arnault family and companies it controls, notably including Semyrhamis.
(b) SM: Shareholders' Meeting.

4.3. PLEDGE OF PURE REGISTERED SHARES BY MAIN SHAREHOLDERS

The Company is not aware of any pledge of pure registered shares by the main shareholders.

4.4. NATURAL PERSONS OR LEGAL ENTITIES THAT MAY EXERCISE CONTROL OVER THE COMPANY

As of December 31, 2016, the Arnault Family Group directly or indirectly held 73.96% of the Company's share capital and 84.90% of the voting rights exercisable in Shareholders' Meetings.

The Arnault Family Group is composed of the Arnault family and companies it controls, notably (i) Groupe Arnault SEDCS and (ii) Semyrhamis SA, 100% of whose share capital is indirectly controlled by the Arnault Family Group.

As of December 31, 2016, Semyrhamis SA held 112,599,333 shares in the Company representing 62.38% of the share capital and 72.23% of the voting rights exercisable in Shareholders' Meetings. The main purpose of Semyrhamis SA is to hold Christian Dior SE shares.

Christian Dior SE, a company listed on Euronext Paris, controls 100% of Christian Dior Couture SA.

5. Market for financial instruments issued by Christian Dior

5.1. MARKET FOR CHRISTIAN DIOR SHARES

During the fiscal year from July 1 to December 31, 2016, stock markets as a whole posted significant gains and ended the year close to their annual highs, buoyed by positive macroeconomic indicators and new prospects of growth in the United States.

The European Central Bank maintained its accommodative monetary policy, announcing towards the end of the year that it would be renewing its asset purchase program from April to December 2017, with the amount scaled back from 80 billion to 60 billion euros a month, but with more relaxed eligibility criteria. Sovereign debt yields rose in the final quarter of the year as the perceived risk of higher inflation and oil prices rose, with German ten-year yields tightening by more than 0.30%. The euro exchange rate against the US dollar resumed its path towards parity, ending the year at 1.05 dollars.

In the United States, Donald Trump's November 8 presidential election win triggered a sharp rally in the US dollar, fueled by hopes of measures favorable to US companies and fiscal stimulus and accompanied by a rise in inflation expectations. In December, the Federal Reserve proceeded with its second 0.25% interest rate hike. Yields on ten-year US Treasuries tightened 0.75% in the second half of the year to 2.5%.

Japanese growth stabilized in 2016, and the country should benefit from its currency's depreciation against the US dollar in the final quarter of 2016.

China continued its efforts to rebalance its economy towards domestic demand while maintaining a growth rate of almost 6.5% and dealing with further capital outflows.

Emerging and commodity-exporting economies benefited from the upturn in oil prices in spite of the slowdown in global trade. The agreement between oil-producing countries in Vienna on November 30, 2016 enabled oil to end the year above 50 dollars a barrel.

After rallying sharply in the first half of the year, gold was adversely affected by the prospect of further rate hikes in the United States resulting from a new economic policy considered inflationary. Gold ended the year at 1,150 dollars an ounce.

In this environment, the Christian Dior share rose 37.6% between July 1 and December 31, 2016, compared to increases of 14.9% and 10.3% for the DJ Euro Stoxx 50 and Euronext 100 indices, respectively. Over the same period, the S&P 500 rose 6.7%, the Japan's Topix 21.9%, and the Shanghai SE 180 7.3%.

Christian Dior's closing share price on December 31, 2016 was 199.25 euros. As of the same date, Christian Dior's market capitalization was 36.0 billion euros.

Market for issuer's shares

Christian Dior's shares are listed on Compartment A of Euronext Paris (Reuters: DIOR.PA, Bloomberg: CDI FP, ISIN: FR0000130403).

In addition, Christian Dior share-based tradable options may be exchanged on MONEP.

Trading volumes and amounts on Euronext Paris and price trend over the last twelve months

	Opening price first day *(EUR)*	**Closing price last day** *(EUR)*	**Highest share price [a]** *(EUR)*	**Lowest share price [a]** *(EUR)*	**Number of shares traded**	**Value of shares traded** *(EUR millions)*
January 2016	154.60	155.80	155.80	140.80	2,000,649	296
February 2016	156.30	162.35	168.15	150.20	2,093,164	335
March 2016	162.40	159.40	172.05	153.60	1,449,393	235
April 2016	157.60	153.35	162.00	150.05	1,560,807	244
May 2016	154.30	146.55	156.55	144.00	1,655,886	247
June 2016	146.25	144.80	151.55	133.75	2,098,850	304
July 2016	145.75	161.75	162.90	141.30	1,589,051	239
August 2016	161.80	155.00	165.85	155.00	1,223,133	197
September 2016	155.20	159.55	162.15	151.05	1,280,199	201
October 2016	159.50	175.75	178.30	158.25	1,689,203	287
November 2016	176.90	183.50	184.75	168.20	1,781,239	316
December 2016	183.45	199.25	201.20	182.70	1,835,244	357

Source: Euronext.
(a) Intra-day share price.

Christian Dior share price over time and volume of shares traded in Paris

Stock market capitalization

(EUR millions)	
As of June 30, 2014	26,405
As of June 30, 2015	31,607
As of June 30, 2016	26,137
As of December 31, 2016	35,966

5.2. SHARE REPURCHASE PROGRAM

Christian Dior has put in place a share repurchase program that allows it to buy back up to 10% of its share capital; this program was approved at the Combined Shareholders' Meetings of December 1, 2015 and December 6, 2016. Under this program, between July 1, 2016 and December 31, 2016, Christian Dior SE bought back 51,591 of its own shares, equating to 0.03% of its share capital. A total of 41,684 Christian Dior shares were awarded as bonus shares.

5.3. BONDS ISSUED BY CHRISTIAN DIOR

Bonds issued by Christian Dior that were outstanding on December 31, 2016 are listed for trading as shown below:

Bonds listed in Luxembourg

Currency	Amount outstanding *(in currency)*	Year of issue	Year of maturity	Coupon *(as %)*
EUR	500,000,000	2014	2019	1.375
EUR	350,000,000	2016	2021	0.750

5.4. DIVIDEND

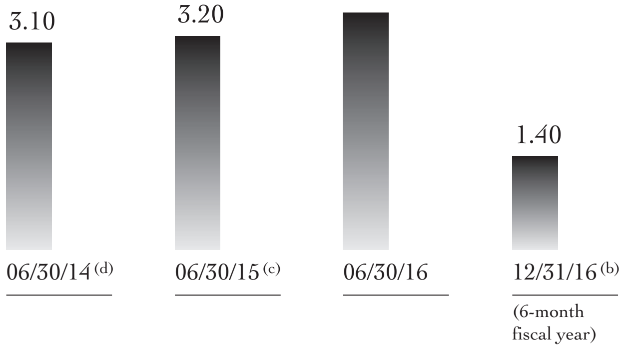
A gross cash dividend of 1.40 euros per share is being proposed for the six-month fiscal year ended December 31, 2016. Based on the number of shares of 180,507,516 making up the share capital as of December 31, 2016, Christian Dior's gross cash dividend will amount to 253 million euros for the fiscal year ended December 31, 2016, before the effect of treasury shares.

Dividend distribution in respect of fiscal years 2014 to 2016

Fiscal year	Gross cash dividend [(a)] per share *(EUR)*	Gross cash dividend distribution *(EUR millions)*
December 31, 2016 [(b)]	1.40	253
June 30, 2016	3.55	641
June 30, 2015 [(c)]	3.20	578
June 30, 2014	3.10 [(d)]	563 [(d)]

(a) Excludes the impact of tax regulations applicable to recipients.
(b) Proposed to the Shareholders' Meeting of April 13, 2017.
(c) In addition to the dividend of 3.20 euros, an exceptional interim distribution in kind was made in the form of Hermès International shares.
(d) Excluding exceptional distribution in kind in the form of Hermès International shares for 11.67083 euros per share.

Gross cash dividend per share
(EUR)



The Company has a steady dividend distribution policy, designed to ensure a stable return to shareholders, while making them partners in the growth of the Group.

Pursuant to current laws in France, dividends and interim dividends uncollected within five years become void and are paid to the French state.

5.5. CHANGE IN SHARE CAPITAL

As of December 31, 2016, Christian Dior's share capital was 361,015,032 euros, consisting of 180,507,516 fully paid-up shares with a par value of 2 euros each.

The number of shares remained unchanged during the period from July 1 to December 31, 2016.

5.6. PERFORMANCE PER SHARE

(EUR)	**Dec. 31, 2016** (6 months)	**June 30, 2016** (12 months)
Diluted Group share of earnings per share	5.86	8.69
Dividend	1.40	3.55
Change compared to previous fiscal year	*n.a.*	*+11%*
Highest share price (intra-day)	201.20	195.35
Lowest share price (intra-day)	141.30	133.75
Share price as of the fiscal year-end date (closing share price)	199.25	144.80
Change compared to previous fiscal year	*+37.6%*	*-17.3%*

n.a.: not applicable.

6. Main locations and properties

6.1. PRODUCTION

6.1.1. Wines and Spirits

The vineyards owned by the Group in France and internationally are as follows:

(in hectares)	December 31, 2016 Total	December 31, 2016 Of which under production	June 30, 2016 Total	June 30, 2016 Of which under production
France				
Champagne appellation	1,837	1,695	1,836	1,641
Cognac appellation	187	159	187	163
Vineyards in Bordeaux	193	152	194	149
Vineyards in Burgundy	11	11	11	11
International				
California (United States)	433	316	440	261
Argentina	1,683	988	1,683	1,018
Australia, New Zealand	690	609	659	578
Brazil	232	82	232	78
Spain	112	80	112	83
China	68	48	68	40
India	4	-	4	-

In the table above, the total number of hectares owned presented is determined exclusive of surfaces not usable for viticulture. The difference between the total number of hectares owned and the number of hectares under production represents areas that are planted, but not yet productive, and areas left fallow.

The Group also owns industrial and office buildings, wineries, cellars, warehouses, and visitor and customer centers for each of its main Champagne brands or production operations in France, California, Argentina, Australia, Spain, Brazil and New Zealand, as well as distilleries and warehouses in Cognac, the United Kingdom and Poland. The total surface area of the buildings is approximately 850,000 square meters in France and 300,000 square meters abroad.

6.1.2. Fashion and Leather Goods

Louis Vuitton owns eighteen leather goods and shoe production facilities, in addition to its perfume manufacturing facility, which are located primarily in France; some significant workshops are also located near Barcelona in Spain, in Fiesso, Italy and in San Dimas, California. Overall, production facilities and warehouses owned by Louis Vuitton represent approximately 193,000 square meters.

Fendi owns its manufacturing facility near Florence, Italy, as well as the Palazzo Fendi building in Rome, which houses its historic boutique and a hotel.

Céline also owns manufacturing and logistics facilities near Florence in Italy.

Berluti's shoe production factory in Ferrara (Italy) is owned by the Group.

Rossimoda owns its office premises and its production facility in Vigonza in Italy.

Loro Piana has several manufacturing workshops in Italy as well as a site in Ulaanbaatar in Mongolia.

The other facilities utilized by this business group are leased.

6.1.3. Perfumes and Cosmetics

Buildings located near Orleans in France housing the Group's research and development operations of Perfumes and Cosmetics as well as the manufacturing and distribution of Parfums Christian Dior are owned by Parfums Christian Dior and occupy a surface area of 140,000 square meters.

Guerlain has a 20,000 square meter production site in Chartres. The brand also owns another production site in Orphin, France, measuring 10,500 square meters.

Parfums Givenchy owns two plants in France, one in Beauvais and the other in Vervins, which handles the production of both Givenchy and Kenzo product lines, corresponding to a total surface area of 19,000 square meters. The company also owns distribution facilities in Hersham, United Kingdom.

Make Up For Ever owns a 2,300 square meter warehouse in Gennevilliers, France.

6.1.4. Watches and Jewelry

TAG Heuer has two workshops in Switzerland, one in Cornol and the other in Chevenez, together totaling about 4,700 square meters.

Zenith owns the manufacture which houses its movement and watch manufacturing facilities in Le Locle, Switzerland. All of its European warehouses are leased.

Hublot owns its production facilities and its office premises.

Bvlgari owns its production facilities in Italy and Switzerland.

The facilities operated by this business group's other brands, Chaumet, Fred, De Beers and Montres Dior, are leased.

6.1.5. Christian Dior Couture

Christian Dior Couture operates six production units, in its own stores or in association with its Italian partners, in Florence, Piacenza, Naples, Milan and Padua. These units mainly produce leather goods and footwear. Christian Dior Couture also operates a leather goods production unit in Limoges, France with a French partner.

For costume jewelry, Christian Dior Couture has a state-of-the art production workshop at Pforzheim, Germany.

Baby Dior has a production facility in Redon, France.

6.2. DISTRIBUTION

Retail distribution of the Group's products is most often carried out through exclusive stores. Most of the stores in the Group's retail network are leased and only in exceptional cases does the Group own the buildings that house its stores.

Louis Vuitton owns certain buildings that house its stores in Tokyo, Guam, Hawaii, Seoul, Cannes, Saint-Tropez and Genoa, for a total surface area of approximately 8,000 square meters.

Céline, Fendi and Berluti also own some of their stores in Paris and Italy.

Christian Dior Couture owns certain buildings that house its stores in Paris, London, Madrid, Seoul, Sydney and Tokyo.

In Selective Retailing:

- Le Bon Marché group owns some of its stores, which represents a total area of approximately 80,000 square meters;
- DFS owns its stores in Guam, Saipan and Hawaii.

As of December 31, 2016, the Group's store network breaks down as follows:

(number of stores)	Dec. 31, 2016	June 30, 2016
France	507	497
Europe (excluding France)	1,106	1,071
United States	730	762
Japan	403	405
Asia (excluding Japan)	1,055	1,022
Other	347	320
TOTAL	**4,148**	**4,077**

(number of stores)		Dec. 31, 2016	June 30, 2016
Christian Dior Couture		200	197
Fashion and Leather Goods		1,508	1,536
Perfumes and Cosmetics		248	224
Watches and Jewelry		397	390
Selective Retailing:	*- Sephora*	*1,726*	*1,661*
	- Other, including DFS	*52*	*52*
	Subtotal: Selective Retailing	1,778	1,713
Other		17	17
TOTAL		**4,148**	**4,077**

6.3. ADMINISTRATIVE SITES AND INVESTMENT PROPERTY

The Group owns buildings located at 11-17 rue Francois 1er and 28-30 avenue Montaigne in Paris.

The headquarters of the main Christian Dior Couture subsidiaries outside France are leased.

Most of the Group's administrative buildings are leased, with the exception of the headquarters of certain brands, particularly those of Louis Vuitton, Parfums Christian Dior and Zenith.

The Group holds a 40% stake in the company owning the building housing the headquarters of LVMH on Avenue Montaigne in Paris. In addition, it owns three buildings in New York with an area of about 15,000 square meters of office space and two buildings in London with an area of about 2,000 square meters of office space. These buildings are occupied by Group entities.

The Group also owns investment properties with office space in Paris, New York, Osaka and London, which total 22,000, 6,000, 3,000 and 2,000 square meters, respectively. These buildings are leased to third parties.

The group of properties previously used for the business operations of La Samaritaine's department store in Paris are the focus of a redevelopment project, which will transform it into a complex comprising mainly offices, shops and a luxury hotel.

Statement of the company officer responsible for the Annual Report

We declare that, to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and of all consolidated companies, and that the Management Report presented on page *7* gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, March 22, 2017

Under delegation from the Chief Executive Officer

Florian OLLIVIER

Chief Financial Officer

Design and production: Agence Marc Praquin

Christian Dior

30, avenue Montaigne – Paris 8^e