# Christian Dior

TRANSLATION OF THE FRENCH "RAPPORT ANNUEL"
AS OF JUNE 30, 2013

# Ordinary Shareholders' Meeting December 19, 2013

*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.*


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# Christian Dior

Annual Report as of June 30, 2013
(two-month fiscal year)

# Executive and Supervisory Bodies Statutory Auditors as of June 30, 2013

## BOARD OF DIRECTORS

Bernard ARNAULT
*Chairman and Chief Executive Officer*

Eric GUERLAIN [a]
*Vice-Chairman*

Sidney TOLEDANO
*Group Managing Director*

Delphine ARNAULT

Denis DALIBOT

Hélène DESMARAIS [a]

Renaud DONNEDIEU de VABRES [a]

Ségolène GALLIENNE [a]

Pierre GODÉ

Christian de LABRIFFE [a]

Jaime de MARICHALAR y SÁENZ de TEJADA [a]

## PERFORMANCE AUDIT COMMITTEE

Eric GUERLAIN [a]
*Chairman*

Renaud DONNEDIEU de VABRES [a]

Christian de LABRIFFE [a]

## NOMINATIONS AND COMPENSATION COMMITTEE

Eric GUERLAIN [a]
*Chairman*

Hélène DESMARAIS [a]

Christian de LABRIFFE [a]

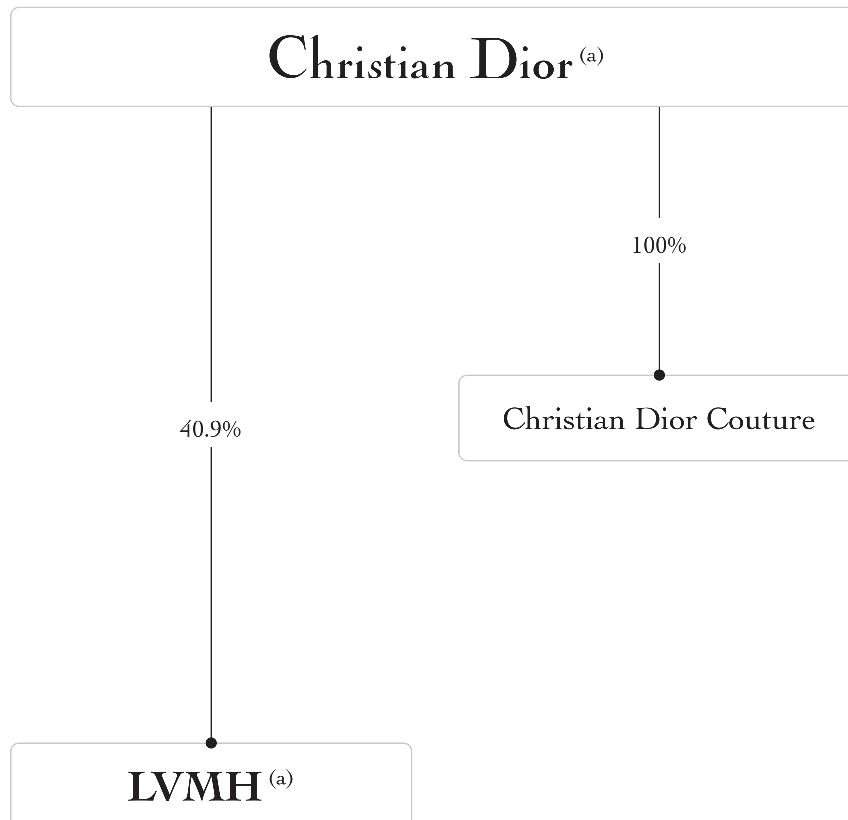
## STATUTORY AUDITORS

ERNST & YOUNG et Autres
*represented by Jeanne Boillet and Benoit Schumacher*

MAZARS
*represented by Simon Beillevaire*

(a) Independent Director.

# Simplified organizational chart of the Group as of June 30, 2013




(a) Listed company.

# Financial highlights

## Key consolidated data

| *(EUR millions and as %)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Revenue | 4,768 | 29,881 | 8,993 |
| Profit from recurring operations | 881 | 6,090 | 1,809 |
| Net profit | 566 | 3,931 | 1,190 |
| Net profit, Group share | 216 | 1,431 | 394 |
| Cash from operations before changes in working capital [a] | 1,092 | 7,464 | 2,114 |
| Operating investments arising from change in net cash position | 333 | 1,937 | 478 |
| Net cash from operating activities and operating investments (free cash flow) | 40 | 2,473 | 294 |
| Total equity [b] [c] | 28,106 | 27,867 | 25,904 |
| Net financial debt [d] | 6,277 | 6,237 | 6,895 |
| Net financial debt/Total equity ratio | 22% | 22% | 27% |

## Data per share

| *(EUR)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| **Earnings per share** | | | |
| Basic Group share of net profit per share | 1.21 | 8.00 | 2.20 |
| Diluted Group share of net profit per share | 1.20 | 7.90 | 2.16 |
| **Dividend per share** | | | |
| Interim | - | 1.10 | - |
| Final | - | 1.80 | 1.10 |
| **Gross amount paid for fiscal year [e]** | **-** | **2.90** | **1.10** |

## Information by business group

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| **Revenue by business group** | | | |
| Christian Dior Couture | 237 | 1,289 | 371 |
| Wine and Spirits | 541 | 4,208 | 1,196 |
| Fashion and Leather Goods | 1,600 | 9,936 | 3,101 |
| Perfumes and Cosmetics | 551 | 3,678 | 1,188 |
| Watches and Jewelry | 467 | 2,826 | 853 |
| Selective Retailing | 1,406 | 8,303 | 2,385 |
| Other activities and eliminations | (34) | (359) | (101) |
| **TOTAL** | **4,768** | **29,881** | **8,993** |
| **Profit from recurring operations by business group** | | | |
| Christian Dior Couture | 35 | 131 | 22 |
| Wine and Spirits | 134 | 1,330 | 338 |
| Fashion and Leather Goods | 517 | 3,220 | 1,023 |
| Perfumes and Cosmetics | 34 | 414 | 159 |
| Watches and Jewelry | 71 | 335 | 85 |
| Selective Retailing | 121 | 877 | 263 |
| Other activities and eliminations | (31) | (217) | (81) |
| **TOTAL** | **881** | **6,090** | **1,809** |

(a) Before tax and interest paid.
(b) Including minority interests.
(c) Total equity as of April 30, 2013 and April 30, 2012 has been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2 to the consolidated financial statements.
(d) Excluding purchase commitments for minority interests, included in Other non-current liabilities. See Note 19.1 to the consolidated financial statements.
(e) Excludes the impact of tax regulations applicable to the beneficiaries.

# Management report of the Board of Directors

## CHRISTIAN DIOR GROUP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# 1. Consolidated results

The Combined Shareholders' Meeting of October 26, 2012 adopted a resolution to change the opening and closing dates of the fiscal year to July 1 and June 30 of the following civil year, respectively (Article 24 of the Bylaws), with the understanding that, on an exceptional basis, the fiscal year commencing on May 1, 2013 would end on June 30, 2013.

This modification of the Company's fiscal year dates is designed to facilitate financial communication as well as the monitoring of business activity and results for the Christian Dior group, while preserving the optimization of dividend flows.

This Annual Report thus reviews the 2 month fiscal year commencing on May 1, 2013 and ended on June 30, 2013.

Consolidated revenue for the Christian Dior group for this fiscal year ended June 30, 2013 was 4,768 million euros.

The following changes have been made in the Group's scope of consolidation since May 1, 2012: in the Christian Dior Couture business group, consolidation of Vermont embroidery workshops as of June 30, 2012; in the Fashion and Leather Goods business group, consolidation of Tanneries Roux in May 2012 and Arnys in June 2012. Moreover, in the Perfumes and Cosmetics business group, as of October 2012 the Group acquired 20% of Benefit's share capital that it did not already own. In the Wines and Spirits business group, the Group acquired an additional stake of 30% in Château d'Yquem at the start of 2013.

The Group's profit from recurring operations was 881 million euros. The current operating margin as a percentage of revenue was 18%.

Operating profit, after other operating income and expenses (a net expense of 21 million euros as of June 30, 2013), amounted to 860 million euros.

The net financial expense for the fiscal year was 31 million euros. This item comprises the aggregate cost of net financial debt, which amounted to 34 million euros, together with other financial income and expenses, which amounted to a net income of 3 million euros.

The Group's effective tax rate was 31.9%, compared to 32.8% as of April 30, 2013.

As of June 30, 2013, income from investments in associates totaled 1 million euros.

Consolidated net profit amounted to 566 million euros. The Group share of consolidated net profit was 216 million euros.

The main financial items were as follows:

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Revenue | 4,768 | 29,881 | 8,993 |
| Profit from recurring operations | 881 | 6,090 | 1,809 |
| Operating profit | 860 | 5,971 | 1,729 |
| Net profit | 566 | 3,931 | 1,190 |
| Of which: Group share | 216 | 1,431 | 394 |

Compared to the 2 month period ended June 30, 2012 [(a)], revenue growth by business group was as follows:

- Revenue from Christian Dior Couture increased by 17% at actual exchange rates and by 21% at constant exchange rates. Revenue from retail and other activities increased 21% at actual exchange rates and 25% at constant exchange rates. This momentum was consistent across all geographic regions and was buoyed by the success of the brand's latest Ready-to-Wear and Leather Goods collections.
- Wines and Spirits saw a decrease in revenue of 4% at actual exchange rates. Revenue for this business group increased by 1% on a constant consolidation scope and currency basis, with a negative 5 point impact from exchange rate fluctuations. This performance was made possible by a sustained policy of price increases in line with the ongoing value creation strategy. Demand remained very robust in Asia. China is still the second largest market for the Wines and Spirits business group.
- Fashion and Leather Goods posted organic revenue growth of 8%, and 3% based on published figures. This business group's performance benefited from that of Louis Vuitton. Céline, Givenchy, Berluti, Kenzo, Fendi and Donna Karan confirmed their potential, delivering double-digit revenue growth over the period.
- Revenue for Perfumes and Cosmetics increased by 6% on a constant consolidation scope and currency basis, and by 2% based on published figures. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the economic crisis.
- Revenue for Watches and Jewelry increased by 1% on a constant consolidation scope and currency basis, and fell 5% based on published figures. The uncertain economic environment and highly competitive market have led to slower purchases from multi-brand watch retailers. For all brands, Japan was the most dynamic region.
- Revenue for Selective Retailing increased by 17% based on published figures, and by 20% on a constant consolidation scope and currency basis. Performance was driven both by Sephora which saw growth in revenue across all world regions, and

(a) Non-audited figures.

DFS which made excellent progress, thanks to the integration since the end of 2012 of three major Hong Kong airport concessions and to the continuing development of Chinese tourism boosting business at its stores in Hong Kong and Macao.

## Revenue by invoicing currency

| *(as %)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Euro | 25 | 24 | 23 |
| US dollar | 27 | 27 | 28 |
| Japanese yen | 7 | 8 | 8 |
| Hong Kong dollar | 8 | 7 | 6 |
| Other currencies | 33 | 34 | 35 |
| **TOTAL** | **100** | **100** | **100** |

The breakdown of revenue by invoicing currency changed as follows compared to April 30, 2013: the contribution of the euro and that of the Hong Kong dollar rose by 1 point to 25% and 8%, respectively; the contribution of the US dollar head steady at 27%; the contribution of the Japanese yen and that of other currencies fell 1 point to 7% and 33%, respectively.

## Revenue by geographic region of delivery

| *(as %)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| France | 12 | 11 | 11 |
| Europe (excluding France) | 19 | 19 | 19 |
| United States | 23 | 22 | 22 |
| Japan | 7 | 8 | 8 |
| Asia (excluding Japan) | 29 | 29 | 30 |
| Other markets | 10 | 11 | 10 |
| **TOTAL** | **100** | **100** | **100** |

By geographic region of delivery and compared to April 30, 2013, the relative contribution of Europe (excluding France) to Group revenue remained stable, at 19%, as did that of Asia (excluding Japan), at 29%. Contributions from Japan and other markets declined 1 point, to 7% and 10%, respectively. Contributions from France and the United States rose 1 point, to 12% and 23%, respectively.

**Comments on the impact of exchange rate fluctuations and of 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 the period's acquisitions, revenue generated during the period by the acquired entities, as of their initial consolidation;
- for the prior period's acquisitions, current period revenue generated over the months of the prior period during which the acquired entities were not yet consolidated,

and by adding:

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

## Revenue and profit from recurring operations by business group

| **Revenue** *(EUR millions)* | **June 30, 2013** (2 months) | % | **April 30, 2013** (12 months) | % | **April 30, 2012** (4 months) | % |
|---|---|---|---|---|---|---|
| Christian Dior Couture | 237 | 5 | 1,289 | 4 | 371 | 4 |
| Wines and Spirits | 541 | 11 | 4,208 | 14 | 1,196 | 13 |
| Fashion and Leather Goods | 1,600 | 33 | 9,936 | 33 | 3,101 | 34 |
| Perfumes and Cosmetics | 551 | 12 | 3,678 | 12 | 1,188 | 13 |
| Watches and Jewelry | 467 | 10 | 2,826 | 9 | 853 | 9 |
| Selective Retailing | 1,406 | 29 | 8,303 | 28 | 2,385 | 27 |
| Other activities and eliminations | (34) | - | (359) | - | (101) | - |
| **TOTAL** | **4,768** | **100** | **29,881** | **100** | **8,993** | **100** |

| **Profit from recurring operations** *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Christian Dior Couture | 35 | 131 | 22 |
| Wines and Spirits | 134 | 1,330 | 338 |
| Fashion and Leather Goods | 517 | 3,220 | 1,023 |
| Perfumes and Cosmetics | 34 | 414 | 159 |
| Watches and Jewelry | 71 | 335 | 85 |
| Selective Retailing | 121 | 877 | 263 |
| Other activities and eliminations | (31) | (217) | (81) |
| **TOTAL** | **881** | **6,090** | **1,809** |

Compared to April 30, 2013, the breakdown of revenue by business group varied appreciably:

- the contribution of Wines and Spirits to total Group revenue fell by 3 points, to 11%;
- Christian Dior Couture as well as Watches and Jewelry, and Selective Retailing, saw their contributions grow by 1 point, to 5%, 10% and 29% respectively;
- the contribution of Fashion and Leather Goods, and that of Perfumes and Cosmetics, remained stable at 33% and 12%, respectively.

At the initial consolidation of LVMH in 1988, all brands then owned by LVMH were revalued in the accounts 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 to the consolidated financial statements.

### Investments

The net balance from investing activities (purchases and sales) was a disbursement of 357 million euros. This includes, on the one hand, net operating investments totaling 333 million euros, and on the other hand, net financial investments totaling 24 million euros.

### Research and development

Research and development expenses posted during the fiscal year totaled 13 million euros as of June 30, 2013 (compared to 70 million as of April 30, 2013 and 22 million as of April 30, 2012). Most of these amounts cover scientific research and development costs for skincare and make-up products of the Perfumes and Cosmetics business group.

# 2. Results by business group

The business activity as well as the results by business group for the 2 month period ended June 30, 2013 have been compared to those for the period from May 1 to June 30, 2012, which were not subject to an audit.

Due to the short duration of the fiscal year under review as well as the reference period, these comparisons are not necessarily representative of changes over a longer period.

## 2.1. CHRISTIAN DIOR COUTURE

### 2.1.1. Highlights

The key highlights of the two-month fiscal year ended June 30, 2013 were as follows:

***Powerful appeal of products***

Dior's strategy emphasizing excellence resulted in strong demand for the Leather Goods and Ready-to-Wear collections as well as the success of the Timepieces and Jewelry creations. Lastly, Haute Couture turned in excellent performance.

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

Revenue generated by Dior's retail and other activities improved by 25% at constant exchange rates and by 21% at actual exchange rates compared to the period from May 1 to June 30, 2012. This remarkable growth, delivered in an uncertain economic environment, was driven by substantial gains across all geographic areas.

***Significant growth in profit from recurring operations***

Profit from recurring operations for the two-month fiscal year amounted to 35 million euros. This represents growth of 32% compared to the period from May 1 to June 30, 2012, thanks to a significant increase in sales.

***Sustained and selective investments***

Christian Dior Couture continued the targeted expansion of its retail network. Accordingly, major renovations took place in Italy and the United Kingdom. The network gained new boutiques in Italy, Kuwait, Kazakhstan and Thailand.

***Media campaigns dedicated to the brand and its savoir-faire***

Raf Simons' Croisière 2014 collection was unveiled in Monaco, a new chapter in the House of Dior's history there.

The "Secret Garden" communication campaign entered its second phase, showcasing the Autumn 2014 collection in the gardens of Versailles.

### 2.1.2. Consolidated results of Christian Dior Couture

**Consolidated revenue** amounted to 237 million euros, up 21% at constant exchange rates and 17% at actual exchange rates, compared to the period from May 1 to June 30, 2012.

**Profit from recurring operations** was 35 million euros, representing an increase of 32% compared to the period from May 1 to June 30, 2012.

**Operating profit** amounted to 35 million euros, representing growth of 31%.

**Net financial income/(expense)** was a net expense of 3 million euros.

**The tax expense** totaled 9 million euros.

**The Group share of net profit** was 21 million euros, with the amount attributable to minority interests totaling 2 million euros.

## 2.1.3. Analysis of revenue by business activity

Revenue for the 2 month fiscal year ended June 30, 2013 is compared with that of the period from May 1 to June 30, 2012.

| | | | | Change 06/30/13 vs 06/30/12 | |
|---|---|---|---|---|---|
| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **June 30, 2012** (2 months) | **At actual rates** | **At constant rates** |
| License royalties | 5 | 28 | 5 | -11% | -10% |
| Wholesale activities | 19 | 106 | 21 | -4% | -4% |
| Retail and other activities | 213 | 1,155 | 176 | +21% | +25% |
| **TOTAL** | **237** | **1,289** | **202** | **+17%** | **+21%** |

### *License royalties*

The proportion of revenue from license royalties decreased. License royalties represented only 2% of revenue, in line with our strategy of increased selectivity.

### *Wholesale activities*

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

### *Retail and other activities*

| | | | | Change 06/30/13 vs 06/30/12 | |
|---|---|---|---|---|---|
| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **June 30, 2012** (2 months) | **At actual rates** | **At constant rates** |
| Europe and the Middle East | 98 | 517 | 81 | +22% | +25% |
| Americas | 23 | 109 | 16 | +38% | +43% |
| Asia-Pacific | 92 | 529 | 79 | +16% | +22% |
| **TOTAL** | **213** | **1,155** | **176** | **+21%** | **+25%** |

- Revenue from retail and other activities turned in a strong performance once again, recording annual growth of 25% at constant exchange rates and 21% at actual exchange rates.
- All regions saw double-digit growth at both actual exchange rates and constant exchange rates. At constant exchange rates, the Americas recorded remarkable growth of 43%. Growth soared in Europe and the Middle East, as well as the Asia-Pacific region, by 25% and 22% respectively at constant exchange rates.
- Raf Simons' first collections were extremely well received.
- Men's and Women's Ready-to-Wear recorded a very strong rise in their sales.
- Christian Dior Couture consolidated its position in luxury timepieces, while continuing to expand the range of Fine Jewelry offerings.

## 2.1.4. Outlook

Over the coming fiscal year, Christian Dior Couture will continue to emphasize excellence by drawing on its exceptional savoir-faire and capacity for innovation.

Many events are planned, all dedicated to serving growth objectives in the Group's strategic markets and the development of new high-potential segments.

## 2.2. WINES AND SPIRITS

### 2.2.1. Highlights

During the period from May 1 to June 30, 2013, revenue for the Wines and Spirits business group amounted to 541 million euros, representing a decrease of 4% at actual exchange rates and an increase of 1% at constant structure and exchange rates, compared to the period from May 1 to June 30, 2012. This performance was made possible by a sustained policy of price increases in line with the ongoing value creation strategy. Demand remained very robust in Asia. China is still the second largest market for the Wines and Spirits business group.

Profit from recurring operations amounted to 134 million euros. Operating margin as a percentage of revenue for this business group was 25%.

### 2.2.2. Main developments

In an environment characterized by strong momentum in Asia but with a mixed market in Europe, the Wines and Spirits business group turned in a strong set of performances and continues to illustrate the priorities of its value-enhancing strategy: firm prices and moving the product mix upscale. The brands' momentum has been boosted by Moët Hennessy's retail network, which is both powerful and responsive, and by sustained investments in communication.

*Champagnes and Wines*

Revenue from champagne and wines amounted to 260 million euros, generating a profit from recurring operations of 62 million euros. The champagne business has shown its resilience against a tough economic environment in Europe. The robust demand enjoyed by the Group's brands in Asian markets and the United States meant that volumes could be maintained at a level comparable to that seen in the period from May to June 2012.

**Moët & Chandon** consolidated its global leadership position, maintaining its value strategy in its historic markets and continuing its penetration into emerging countries. **Dom Pérignon**, whose Rosé 2002 was launched in January and is achieving excellent sales results, unveiled its 2004 vintage in May at an exceptional event in Hautvillers. **Veuve Clicquot** accelerated its development in Asia and continued to combine innovation with prestigious partnerships, notably with Joël Robuchon, all of whose restaurants throughout the world will give the brand pride of place. **Ruinart** continued to expand internationally and bolstered its image through events underscoring its involvement in the world of contemporary art. **Krug** showed good momentum in Japan and the Asia-Pacific region.

The premium sparkling and still wines that together make up **Estates & Wines** turned in a solid set of performances. Winegrowing projects in China and India are making good progress.

*Cognac and Spirits*

Cognac and Spirits revenue amounted to 281 million euros, generating profit from recurring operations of 73 million euros. Cognac volumes were on par with 2012 for the period.

Under current economic conditions, the power of the **Hennessy** brand is a key advantage for the Maison, as is the geographic mix of its sales which means that its volumes can be efficiently targeted to the most dynamic regions. The brand continued to make solid headway in the United States in volume and value terms. In China, Hennessy offset the impact of government measures, thanks to its strong sales momentum in the nightlife and restaurant segments.

**Glenmorangie** and **Ardbeg** whiskies, **Belvedere** vodka and the Chinese spirits maker **Wenjun** boosted their notoriety and enjoyed robust growth in their respective markets.

### 2.2.3. Outlook

Wines and Spirits Maisons will maintain their value-creation strategy and their policy of innovation, while also continuing to build up their global reach. With the ambition of consolidating their positions in their traditional markets and stepping up their penetration into emerging markets, their investments will target the regions and segments that offer the best growth opportunities.

## 2.3. FASHION AND LEATHER GOODS

### 2.3.1. Highlights

Fashion and Leather Goods posted revenue of 1,600 million euros over the period from May 1 to June 30, 2013, representing organic growth of 8%, and 3% at actual exchange rates, compared with the period from May 1 to June 30, 2012. This business group's performance benefited from that of Louis Vuitton. Céline, Givenchy, Berluti, Kenzo, Fendi and Donna Karan confirmed their potential, delivering double-digit organic revenue growth over the period.

Profit from recurring operations amounted to 517 million euros. The business group's operating margin as a percentage of revenue came to 32%.

### 2.3.2. Main developments

*Louis Vuitton*

**Louis Vuitton** continued to make strides and implement its strategy based on ceaselessly renewed creativity, the perennial

pursuit of perfection in its assorted business lines, and excellence throughout its retail network. With economic uncertainty entrenched in Europe, Louis Vuitton's longstanding and emerging market customers proved their attachment to the brand and its values.

Leather products, whose development remains a strategic priority, surged ahead with the *Epi* and *Monogram Empreinte* lines especially. The *Neverfull Epi* leather bag came out this period. Ready to wear and footwear continued to grow. As an illustration of Louis Vuitton's communication strategy, the iconic *Alma* design starred in the "Chic on the bridge" campaign launched worldwide in May.

In a constant effort to make each of its stores the place for customers to have an exceptional and unique experience, Louis Vuitton continued the quality focused development of its global network.

#### *Other brands*

**Fendi** continued to focus on the twin pillars of its product offering, furs and leather goods, both of which are experiencing strong sales growth, as well as on its store expansion program. The Rome-based brand opened a store in Sao Paulo, Brazil, its first in South America.

**Céline** once again posted sustained growth, driven by its leather goods and shoe lines. The new *Edge* handbag is very popular and the *Luggage* and *Trapèze* lines have achieved record sales. Boutiques are being opened and renovated at an accelerating pace.

**Donna Karan** continued to expand distribution selectively. The New York brand enjoyed a boost from the successful relaunch of its *DKNY Jeans* line and the rise of its accessories collections.

**Marc Jacobs** continued to grow, with its *Classic Q* line of bags turning in another excellent performance.

**Loewe** continued the deployment of Peter Marino's new store concept. **Kenzo** built on the success of its new creative positioning, **Givenchy** performed well in exclusive brand boutiques and **Pucci** selectively expanded its global presence. **Thomas Pink** saw sustained growth in its online sales. **Berluti** has expanded its creative domain dedicated to men's elegance, with the inauguration in London of a new Maison encompassing the entire Berluti universe.

### 2.3.3. Outlook

**Louis Vuitton** will maintain its main strategic priorities. The House will continue to illustrate its enormous capacity for innovation with strong initiatives, especially in leather goods. New communication campaigns will come with these initiatives.

The business group's other brands will continue consolidating their positions so as to successfully tackle the next phases of their development. Creative collections and excellence in retail will remain their core objectives.

The LVMH group's acquisition of 80% of the family-owned Loro Piana label marked the beginning of the first half of the 2013-2014 fiscal year. This transaction is subject to approval by competition authorities. With over six generations of experience, Loro Piana is a leading producer and retailer of high-end textile products.

## 2.4. PERFUMES AND COSMETICS

### 2.4.1. Highlights

Perfumes and Cosmetics recorded revenue of 551 million euros in the period from May 1 to June 30, 2013. Revenue increased by 6% at constant structure and exchange rates, and by 2% at actual exchange rates, compared with the period from May 1 to June 30, 2012. This growth confirmed the effectiveness of the value-enhancing strategy resolutely pursued by the Group's brands in the face of competitive pressures spawned by the economic crisis.

Profit from recurring operations amounted to 34 million euros. The business group's operating margin as a percentage of revenue came to 6%.

### 2.4.2. Main developments

In a highly competitive market, the Group's brands continued to make good headway, driven by a bold creative process coupled with strong communications and a constant quest for excellence, from product design to distribution. Innovation and market share gains were again the order of the day in the period from May to June 2013.

#### *Parfums Christian Dior*

Spurred on by the exceptional aura of its brand and the vitality of its flagship product lines, **Parfums Christian Dior** posted good performance. The iconic *J'adore* perfume, coming in its Voile de Parfum version, gained market share in all major countries, while *Miss Dior* consolidated its performance with support from new communication. Make-up collections, which express a special kinship with Couture, continued to thrive internationally, fueled by innovations such as *Diorskin Nude BB Crème*. *Prestige*, the premium product line that epitomizes Dior skincare, continued to grow robustly. The relaunch of *Capture Totale* was backed up by scientific innovation and a new communication campaign, enabling Dior skincare to strengthen its position globally.

#### *Guerlain*

**Guerlain** continued to prosper, buoyed by the remarkable success of *La Petite Robe Noire*, which generated excellent results both internationally and on the French market. The brand gained market share in most of its key countries, notably in Europe, thanks to *La Petite Robe Noire* and in Asia, where *Orchidée Impériale* skincare is enjoying strong growth. Guerlain unveiled

a boutique at the Cour des Senteurs, in the heart of Versailles, providing a prestigious new showcase for its creations.

*Other brands*

**Parfums Givenchy** pursued its development in a wide range of markets, mainly Russia, Asia and Latin America. The *Gentlemen Only* fragrance was launched worldwide and is doing very well. Make-up products forged ahead, building on the strong performance of the new *Le Rouge* lipstick. **Fendi Parfums** saw a spike in business prompted by recent product launches.

**Benefit** and **Make Up For Ever** kept up their strong growth and international development. Benefit carried on innovating in make-up with the launch of *Fake Up*, a moisturizing concealer. Make Up For Ever won yet more market share thanks to the strong performance of its *HD* and *Aqua* flagship lines. The brand is developing its cinema partnerships and has continued to deploy its network of boutiques. **Kenzo Parfums** received a boost from the success of its *Kenzo Amour I Love You* line. **Fresh** got off to an excellent start in Asia, where its authentic products and communication have been very well received.

### 2.4.3. Outlook

Over the first half of fiscal year 2013-2014, Perfume and Cosmetics brands will continue to push their flagship product lines and focus on a firm policy of innovation. These efforts will be matched by heavy media investments. Initiatives will include **Parfums Christian Dior** following up its June launch of *Eau Délice* in the *Dior Addict* line with the orchestrated revival of its iconic *Rouge Dior*, while also making a splash around its *Dior Homme* fragrances with a fresh communication campaign and a new male ambassador, Robert Pattinson. **Guerlain** will launch new communication for *Shalimar* and open the doors of its next store at 68 Champs-Élysées, the quintessence of its vision of glamour. **Benefit**, **Make Up For Ever** and **Fresh** will also be opening new boutiques as they expand worldwide.

## 2.5. WATCHES AND JEWELRY

### 2.5.1. Highlights

In the period from May 1 to June 30, 2013, Watches and Jewelry posted revenue of 467 million euros, representing a 1% increase at constant structure and exchange rates, and a 5% decrease at actual exchange rates, compared to the period from May 1 to June 30, 2012. The uncertain economic environment and highly competitive market have led to slower purchases from multi-brand watch retailers. For all brands Japan was the most dynamic region.

Profit from recurring operations for Watches and Jewelry was 71 million euros. The business group's operating margin came to 15%.

### 2.5.2. Main developments

In the period from May to June 2013, the Watches and Jewelry business group continued its upmarket strategy aimed at boosting the renown and image of its Maisons. The power of their iconic product lines, the quality and creativity of newly launched products, and the buoyancy of the high-end segment, particularly with respect to jewelry, all played a key part in the strong performance of exclusive brand boutiques. In an uncertain economic environment and a highly competitive market, the period under review was nonetheless marked by cautious purchasing on the part of multi-brand watch retailers. The business group continued to invest in bolstering distribution quality and consolidating its savoir-faire in fine timepieces and jewelry.

**Bulgari** kept momentum up with events celebrating the Maison's savoir-faire as embodied by the *Serpenti* line, one of its most powerful symbols. At Baselworld, Bulgari successfully presented its *Catene* watch for women and a reinterpretation of the emblematic *Bulgari Bulgari* men's watch.

In a blend of past and future, **TAG Heuer** celebrated the 50th anniversary of its legendary *Carrera* collection and, in Basel, launched its *MikropendulumS* chronograph, the first magnetic double tourbillon in the history of watchmaking. The brand has continued to demonstrate its pioneering spirit, becoming a founding member and official timekeeper of the upcoming Formula E championship designed for electrically-powered racing cars. The new TAG Heuer movement manufacturing facility, opened in June, will be fully operational by the end of the year.

**Hublot** boosted its upscale image with highlights such as designing the world's first brightly colored ceramic and introducing the *MP-05 LaFerrari* watch with a power reserve of 50 days, a record in watchmaking. The brand continues to strengthen its image and visibility while expanding its network of boutiques.

**Zenith** deployed all the new components of its brand image and continued developing its *Pilot* collection with new models for men and women.

The *Joséphine* tiara ring by **Chaumet** met with increasing success, and the Maison added new high-end jewelry watches to its *Attrape-moi si tu m'aimes* collection. **De Beers** consolidated its position as the jeweler of light, launching several new collections. **Fred** and **Montres Dior** continued to develop their emblematic product lines.

### 2.5.3. Outlook

In the first half of the 2013-2014 fiscal year, Watches and Jewelry business group brands will get a boost in growth from deliveries of the new products successfully presented at Baselworld. Against a still mixed economic backdrop, approaching each market attentively and allocating resources selectively will remain key. Investments in innovation and in the development of manufacturing capabilities will continue. Amongst other initiatives, **Bulgari** will build a new jewelry workshop in Italy, combining excellent craftsmanship and cutting-edge technology.

## 2.6. SELECTIVE RETAILING

### 2.6.1. Highlights

Selective Retailing posted revenue of 1,406 million euros in the period from May 1 to June 30, 2013, representing an increase of 17% and 20% on a constant consolidation scope and currency basis compared to the period from May 1 to June 30, 2012. Performance was driven both by Sephora which saw growth in revenue across all world regions, and DFS which made excellent progress, thanks to the integration since the end of 2012 of three major Hong Kong airport concessions and to the continuing development of Chinese tourism boosting business at its stores in Hong Kong and Macao.

Profit from recurring operations amounted to 121 million euros. Operating margin as a percentage of revenue for the Selective Retailing business group totaled 9%.

### 2.6.2. Main developments

Revenue at **DFS** rose sharply in comparison with the previous period. This increase included growth on a comparable store basis and the contribution from three large concessions won in late 2012 at the Hong Kong airport. These promising new locations, which have already made a substantial contribution to revenue growth, are now being invested in for extensive remodeling. On a comparable store basis, the main driver of revenue growth at DFS was its dynamic Asian clientele. Hong Kong and Macao did exceptionally well.

**Miami Cruiseline** performed well over the period, reflecting the growing success of cruise routes in the Mediterranean and Asia.

**Sephora** continued to achieve remarkable results fueled by sales growth at existing stores and the expansion of its global network. With an innovative product offering that is consistently at the forefront of new trends, highly committed staff and a totally customer-focused organization, Sephora has been able to gain market share in all countries. In Europe, sales grew with help from every region, particularly France, where Sephora has led the market for four straight years, as well as in Italy and Russia. Sales continued to climb substantially in North America, where Sephora has further consolidated its positions. It also accelerated its expansion in China and strengthened its presence in its new markets of Southeast Asia, Latin America and the Middle East. Online sales showed strong growth in all countries.

As part of the ongoing renovation of its retail spaces, **Le Bon Marché** began transforming its Accessories department. This department store on the left bank in Paris continues to cultivate its unique character in everything it does and has proven resilient against a weak economic backdrop. The successful Brazil exhibition and the opening of a new space dedicated to watchmaking were among the period's highlights.

### 2.6.3. Outlook

Over the next few months **DFS** will continue to develop its innovative marketing programs while also expanding and renovating its flagship stores. In particular, the expansion and renovation of retail outlets in Macao and North American airports, as well as the completed refurbishment of almost 8,000 sq.m of selling space in the Hong Kong airport, will bear fruit over the 2013-2014 fiscal year. With its plans for development, high-end product offering, and investments in *Gallerias* and strategic airport concessions, DFS is poised to take advantage of the tremendous growth opportunities available on the global retail travel market.

**Miami Cruiseline** will continue to prioritize moving its boutiques upmarket and tailoring its offerings to its various clienteles.

**Sephora** will forge ahead with the expansion and renovation of its network, always seeking to provide its customers the world over with the ultimate shopping experience in beauty products. Innovation remains the watchword, both in stores and in the online and mobile marketplace. The launch of Marc Jacobs cosmetics will expand Sephora's offering of exclusive brands. A new service developed in the United States will be introduced in Europe to help every customer choose the color that is best adapted to their skin complexion as their foundation.

**Le Bon Marché** will unveil its new Accessories department, which includes several distinctly themed, theatricalized spaces as well as a unique and selective product offering in line with the store's raison d'être. The new Grande Épicerie de Paris fine food store will open toward the end of 2013.

# 3. Business risk factors and insurance policy

## 3.1. STRATEGIC AND OPERATIONAL RISKS

### 3.1.1. Group's image and reputation

Around the world, the Group is known for its brands, unrivaled expertise and production methods unique to its products. The reputation of the Group's brands rests on the quality and exclusiveness of its products, their distribution networks, as well as the promotional and marketing strategies applied. Products or marketing strategies not in line with brand image objectives, inappropriate behavior by our brand ambassadors, the Group's employees, distributors or suppliers, as well as detrimental information circulating in the media might endanger the reputation of the Group's brands and adversely impact sales. The net value of brands, trade names and goodwill recorded in the Group's balance sheet as of June 30, 2013 amounted to 22 billion euros.

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

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

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

### 3.1.2. Counterfeit and parallel retail networks

The Group's brands, expertise and production methods can be counterfeited or copied. Its products, in particular leather goods, perfumes and cosmetics, may be distributed in parallel retail networks, including Web-based sales networks, without the Group's consent.

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

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

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

From May 1, 2013 to June 30, 2013, anti-counterfeiting measures generated internal and external costs for the Group in the amount of approximately 6 million euros.

### 3.1.3. Contractual constraints

In the context of its business activities, the Group enters into multi-year agreements with its partners and some of its suppliers (especially lease, concession, distribution and procurement agreements). Should any of these agreements be terminated before its expiration date, compensation is usually provided for under the agreement in question, which would represent an expense without any immediate offsetting income item. As of June 30, 2013, the minimum total amount of commitments undertaken by the Group in respect of multi-year lease, concession, and procurement agreements amounted to 7.9 billion euros. Detailed descriptions of these commitments may be found in Notes 31.1 and 31.2 to the consolidated financial statements. However, no single agreement exists whose termination would be likely to result in significant costs at Group level.

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

In addition, the Group has entered into commitments to its partners in some of its business activities to acquire the stakes held by the latter in the activities in question should they express an interest in such a sale, according to a contractual pricing formula. As of June 30, 2013, this commitment is valued at 5.2 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 profit of these entities.

### 3.1.4. Anticipating changes in expectations of Group customers

Brands must identify new trends, changes in consumer behavior, and in consumers' tastes, in order to offer products and experiences that meet their expectations, failing which the continued success of their products would be threatened. By cultivating strong ties, continually replenishing their traditional sources of inspiration, ranging from art to sports, cinema and new technologies…, 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.

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 also 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, weakening of the economic environment, natural catastrophes, etc.) might have an adverse impact on Group sales.

Lastly, the Group is an active participant in current global discussions in support of a new generation of free-trade agreements between the European Union and non-EU countries, which involves not only access to external markets, but also the signing of agreements facilitating access by tourists from non-EU countries to the European Union.

### 3.1.6. Consumer safety

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

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

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

### 3.1.7. Seasonality

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

### 3.1.8. Supply sources and strategic competencies

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

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

For information on supply sources and subcontracting, please also refer to paragraph 1.8.2. "Supply sources and subcontracting by business group" under "Group reporting on employee related issues" in the Management report of the Board of Directors – Workforce, Environmental and Social report.

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

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

### 3.1.9. Information systems

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

This sensitive data includes personal information obtained from the Group's 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" chapter of the Workforce, Environmental and Social report within the Management report of the Board of Directors.

In Wines and Spirits, production activities depend upon 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 catastrophes.

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

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

This approach is combined with an industrial and environmental risk monitoring program. Over the course of 2012 at LVMH, engineering consultants devoted about a hundred audit days to the program.

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

## 3.2. INSURANCE POLICY

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

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

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

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

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

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

### 3.2.1. Property and business interruption insurance

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

Property damage insurance limits are in line with the values of assets insured. Business interruption insurance limits reflect gross margin exposures of the Group companies for a period of indemnity extending from 12 to 24 months based on actual risk exposures. For the LVMH group, the coverage limit of this program is 1.7 billion euros per claim, an amount determined following an updated analysis conducted in 2011 of the LVMH group's maximum possible losses. This limit amounts to 250 million euros per claim for Christian Dior Couture.

Coverage for "natural events" provided under the Group's international property insurance program has been increased since July 1, 2011 to 100 million euros per claim and 200 million euros per year for LVMH and 250 million euros per claim in France (15 million euros outside of France) for Christian Dior Couture. As a result of a Japanese earthquake risk modeling study performed in 2009, specific coverage in the amount of 150 million euros was taken out for this risk at the LVMH group. For Christian Dior Couture, specific coverage in the amount of 40 million euros was taken out in 2011. These limits are in line with the Group companies' risk exposures.

### 3.2.2. Transportation insurance

All Group operating entities are covered by an international cargo or goods transportation insurance contract. The coverage limit of this program (around 60 million euros for LVMH and 2 million euros for Christian Dior Couture) corresponds to the maximum possible single transport loss.

### 3.2.3. Third-party liability

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

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

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

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

### 3.2.4. Coverage for special risks

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

## 3.3. FINANCIAL RISKS

### 3.3.1. Credit risk

Because of the nature of its activities, a significant portion of the Group's sales are not exposed to customer credit risk; sales are made directly to customers by Christian Dior Couture, through the Selective Retailing network, the Fashion and Leather Goods stores and, to a lesser extent, the Watches and Jewelry stores. Together, these sales accounted for approximately 66% of total revenue during the fiscal year ended June 30, 2013.

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 a cover ratio of around 91% as of June 30, 2013.

### 3.3.2. Counterparty risk

The financial crisis over the last few years has had a considerable impact on the banking sector worldwide, necessitating heightened controls and a more dynamic approach to the management of counterparty risk to which the Group is exposed. Risk diversification is a key objective. Special attention is given to the exposure of our bank counterparties to financial and sovereign credit risks, in addition to their credit ratings, which must always be in the top category.

At the level of LVMH and Christian Dior, banking counterparty risk is monitored on a regular and comprehensive basis, a task facilitated by the centralization of market and liquidity risk management.

### 3.3.3. Foreign exchange risk

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

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

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

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 6.3 billion euros as of June 30, 2013. After hedging, 50% of gross financial debt was subject to a fixed rate of interest and 50% was subject to a floating rate. An analysis of borrowings by maturity and type of rate applicable as well as an analysis of the sensitivity of the cost of net financial debt to changes in interest rates are presented in Notes 19.4 and 19.6 to the consolidated financial statements.

Since the Group's debt is denominated in various different currencies, the Group's exposure to fluctuations in interest rates underlying the main currency-denominated borrowings (euro, Swiss franc, Japanese yen and US dollar) varies accordingly.

This risk is managed using interest rate swaps and by purchasing options (protections against an increase in interest rate) designed to limit the adverse impact of unfavorable interest rate fluctuations.

### 3.3.5. Equity market risk

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

The Group is a shareholder in Hermès International SCA, with a 23.1% stake as of June 30, 2013. Other quoted securities may be held by some of the funds in which the Group has invested, or directly within non-current or current available for sale financial assets.

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

### 3.3.6. Commodity market risk

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

### 3.3.7. Liquidity risk

The Group's local liquidity risks are generally not significant. Its overall exposure to liquidity risk can be assessed (a) with regard to outstanding amounts in respect of its commercial paper program, 1.5 billion euros, and (b) by comparing the amount of the short-term portion of its net financial debt before hedging (4.4 billion euros) to the amount of cash and cash equivalents (2.1 billion euros), amounting to 2.3 billion euros as of June 30, 2013. Should any of these borrowing facilities not be renewed, the Group has access to undrawn confirmed credit lines totaling 4.1 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.

In connection with certain long-term credit lines, the Group has undertaken to comply with certain financial covenants (mainly based on a ratio of financial debt to assets). The current level of these ratios ensures that the Group has substantial financial flexibility with regard to these commitments.

In addition, as is customary, the applicable margin on drawdowns of certain long-term credit lines depends on LVMH's rating by Standard & Poor's. As of June 30, 2013, no drawdown had been performed under these schemes. Furthermore, should these clauses be triggered, this would not have a significant impact on the Group's cash flow.

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

# 4. Financial policy

During the two-month fiscal year, the Group's financial policy was focused in the following areas:

- improving the Group's financial structure and its flexibility, as evidenced by the key indicators listed below:
  - growth in equity:
    equity before appropriation of profit rose 1% to 28.1 billion euros as of June 30, 2013, compared to 27.9 billion euros as of April 30, 2013. This improvement reflects the Group's strong results,
  - ensuring low growth in net debt:
    net debt came to 6.3 billion euros as of June 30, 2013, as against 6.2 billion euros as of April 30, 2013,
  - the Group's access to liquidity, in particular through its commercial paper programs, appreciated by investors,
  - maintaining a substantial level of cash and cash equivalents with a diversified range of top-tier banking counterparties: cash benefited from attractive yields offered by top-quality issuers, with a permanent focus on ensuring a proactive, dynamic approach to counterparty risk management,
  - the Group's financial flexibility, facilitated by a significant reserve of undrawn confirmed credit lines totaling 4.1 billion euros, including a 2 billion euro syndicated loan taken out by LVMH SA and a 635 million euro syndicated loan taken out by Christian Dior SA, both with a remaining term to maturity of five years,
  - stepping up the long term portion of Group financing. Thus, in May 2013, LVMH SA issued a 500 million euro bond under its EMTN program, redeemable on maturity at par value in November 2019;
- maintaining a prudent foreign exchange and interest rate risk management policy designed primarily to hedge the risks generated directly and indirectly by the Group's operations and by hedging its assets.

  The Group maintained its debt position at a level allowing it to benefit from the significant decline in interest rates. With regard to foreign exchange risks, the Group continued to hedge the risks of exporting companies using call options or collars to limit the negative impact of currency depreciation while retaining most of the gains in the event of currency appreciation. This strategy was successful in an extremely volatile period;
- greater concentration of Group liquidity owing to the ongoing roll-out of cash pooling practices worldwide, ensuring the fluidity of cash flows across the Group and optimal management of surplus cash. As a rule, the Group applies a diversified short and long-term investment policy;
- pursuing a dynamic policy of dividend payouts to shareholders.

## 4.1. COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement, presented in the consolidated financial statements, provides detail of the main financial flows in the fiscal year ended June 30, 2013.

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) |
|---|---|---|
| **Cash from operations before changes in working capital** | **1,092** | **7,464** |
| Cost of net financial debt: interest paid | (43) | (186) |
| Income taxes paid | (532) | (1,952) |
| **Net cash from operating activities before changes in working capital** | **517** | **5,326** |
| Total change in working capital | (144) | (916) |
| Operating investments | (333) | (1,937) |
| **Free cash flow** | **40** | **2,473** |
| Financial investments | (24) | (264) |
| Transactions related to equity | (130) | (1,708) |
| **Change in cash before financing activity** | **(114)** | **501** |

Cash from operations before changes in working capital totaled 1,092 million euros.

Interest paid came to 43 million euros.

Income taxes paid amounted to 532 million euros.

Net cash from operating activities before changes in working capital (i.e. after interest and income taxes paid) amounted to 517 million euros.

Working capital requirements increased by 144 million euros, primarily as a result of a rise in inventories, which generated a cash requirement of 108 million euros. This increase in inventories, driven by growth in volume of the Group's business activities and an increase in the number of stores, essentially involved the continuing replenishment of inventories by Louis Vuitton in Fashion and Leather Goods, the building of inventory for the new airport concessions won by DFS in Selective Retailing, and purchases of eaux-de-vie in Wines and Spirits. Other items of working capital amounted to a net decrease of 36 million euros.

Operating investments net of disposals resulted in a net cash outflow of 333 million euros. They consisted mainly of investments by Louis Vuitton, Sephora, DFS and Christian Dior Couture in their retail networks, investments by the Group's champagne brands in their production facilities, and investments by Parfums Christian Dior in new display counters, together with real estate investments for commercial or rental purposes.

Over the fiscal year, 25 million euros were used for net acquisitions of non-current available for sale financial assets, while sales of consolidated investments represented 1 million euros.

Transactions relating to equity generated an outflow of 130 million euros. This amount included 83 million euros in dividends paid over the course of the fiscal year to minority interests of consolidated subsidiaries. The main minority shareholder in question is Diageo, as a result of its 34% stake in Moët Hennessy.

Financing requirements after all operating, investment, and equity-related activities thus amounted to 114 million euros. Proceeds from borrowings totaled 855 million euros during the fiscal year under review. In the same period, repayments of borrowings amounted to 621 million euros. Net cash and cash equivalents increased by 139 million euros.

At the close of operations for the fiscal year ended June 30, 2013, net cash and cash equivalents totaled 1,665 million euros.

## 4.2. COMMENTS ON THE CONSOLIDATED BALANCE SHEET

| *(EUR billions)* | June 30, 2013 (2 months) | April 30, 2013 [a] (12 months) | Change |
|---|---|---|---|
| Tangible and intangible fixed assets | 32.1 | 32.5 | -0.4 |
| Other non-current assets | 8.3 | 8.5 | -0.2 |
| **Non-current assets** | **40.4** | **41.0** | **-0.6** |
| Inventories | 8.8 | 8.8 | - |
| Other current assets | 5.9 | 5.8 | +0.1 |
| **Current assets** | **14.7** | **14.6** | **+0.1** |
| **ASSETS** | **55.1** | **55.6** | **-0.5** |

| *(EUR billions)* | June 30, 2013 (2 months) | April 30, 2013 [a] (12 months) | Change |
|---|---|---|---|
| Equity | 28.1 | 27.9 | +0.2 |
| Non-current liabilities | 16.4 | 17.3 | -0.9 |
| **Equity and non-current liabilities** | **44.5** | **45.2** | **-0.7** |
| Short-term borrowings | 4.4 | 3.8 | +0.6 |
| Other current liabilities | 6.2 | 6.6 | -0.4 |
| **Current liabilities** | **10.6** | **10.4** | **+0.2** |
| **LIABILITIES AND EQUITY** | **55.1** | **55.6** | **-0.5** |

(a) The balance sheet as of April 30, 2013 has been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2 to the consolidated financial statements.

The consolidated balance sheet of the Christian Dior group totaled 55.1 billion euros as of June 30, 2013, representing a 1.0% decrease from April 30, 2013.

Non-current assets represented 73.3% of total assets, compared with 73.7% as of April 30, 2013. This slight drop of 0.6 billion euros was due mainly to the change in intangible assets (a 0.4 billion euro variation due to the decrease in purchase commitments for minority interests) as well as other non-current assets (a 0.2 billion euro variation from small decline in the market value of Hermès shares over the fiscal year under review). At the close of the fiscal year, the 23.1% stake in Hermès amounted to 6.0 billion euros, compared to 6.2 billion euros as of April 30, 2013.

Inventories totaled 8.8 billion euros, remaining stable compared to April 30, 2013.

Other current assets amounted to 5.9 billion euros, reflecting a slight increase of 0.1 billion euros.

Non-current liabilities shrank by 0.9 billion euros to 16.4 billion euros, from 17.3 billion euros as of April 30, 2013. This change was mainly the result of a 0.6 billion euro reduction in long term financial debt, as well as a 0.4 billion euro drop in purchase commitments for minority interests' shares.

Current liabilities rose by 0.2 billion euros from their level as of April 30, 2013.

| *(EUR billions)* | June 30, 2013 (2 months) | April 30, 2013 [(a)] (12 months) | Change |
|---|---|---|---|
| Long-term borrowings | 4.1 | 4.7 | -0.6 |
| Short-term borrowings and derivatives | 4.4 | 3.6 | +0.8 |
| **Gross borrowings after derivatives** | **8.5** | **8.3** | **+0.2** |
| Cash and cash equivalents, and current available for sale financial assets | 2.2 | 2.1 | +0.1 |
| **Net financial debt** | **6.3** | **6.2** | **+0.1** |
| **Equity** | **28.1** | **27.9** | **+0.2** |
| **Net financial debt/Total equity ratio** | **22.3%** | **22.4%** | **-0.1** |

(a) The balance sheet as of April 30, 2013 has been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2 to the consolidated financial statements.

The ratio of net financial debt to equity remained stable versus April 30, 2013 at 22.3%.

As of June 30, 2013, total equity represented 51.0% of the balance sheet total, a slight increase compared to 50.1% recorded as of April 30, 2013.

Gross borrowings after derivatives totaled 8.5 billion euros as of June 30, 2013, representing a 0.2 billion euro increase compared to April 30, 2013.

In May 2013, LVMH SA issued a six year bond with a nominal value of 500 million euros under its EMTN program, redeemable on maturity at par in November 2019. Conversely, a portion of LVMH SA's debt comprising foreign currency denominated private placements was reimbursed during the fiscal year, for an amount of 290 million euros, after taking into account the effect of derivatives.

Commercial paper outstanding decreased by 0.1 billion euros over the fiscal year.

Cash and cash equivalents and current available for sale financial assets totaled 2.2 billion euros at the end of the fiscal year.

As of the fiscal year-end, the Group's undrawn confirmed credit lines amounted to 4.1 billion euros, substantially exceeding the outstanding portion of its commercial paper programs, which came to 1.5 billion euros.

# 5. Stock option and bonus share plans

Detailed information on the stock option and bonus share plans is provided in Management report of the Board of Directors - Christian Dior parent company, page 30.

# 6. Exceptional events and litigation

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

Following the decision delivered in March 2006 by the Conseil de la concurrence (the French antitrust authority) regarding the luxury perfume sector in France, and the judgment rendered on June 26, 2007 by the Paris Court of Appeal, the Group companies concerned took their case to the Cour de cassation, the highest court in France. In July 2008, the Cour de cassation overturned the decision of the Paris Court of Appeal and referred the case to the same jurisdiction, formed differently. In November 2009, the Court of Appeal set aside the judgment of the Conseil de la concurrence due to the excessive length of the proceedings. In November 2010, the Cour de cassation overturned the decision of the Court of Appeal and referred the matter back to the same jurisdiction, formed differently. On January 26, 2012, the Paris Court of Appeal, while reaffirming the decision handed down in 2006 by the Conseil de la concurrence against France's leading manufacturers and distributors of luxury perfumes and cosmetics relating to events dating back to the period 1997-2000, reduced the total amount of fines imposed on the Group's companies active in this sector to 13 million euros. On June 11, 2013, the Cour de cassation confirmed the ruling delivered by the Paris Court of Appeal.

In 2006, Louis Vuitton Malletier, Christian Dior Couture and the French companies of the Perfumes and Cosmetics business group filed lawsuits against eBay in the Paris Commercial Court. Louis Vuitton Malletier and Christian Dior Couture demanded compensation for losses caused by eBay's participation in the commercialization of counterfeit products and its refusal to implement appropriate procedures to prevent the sale of such goods on its site. The Perfumes and Cosmetics brands sued eBay for undermining their selective retail networks. In a decision delivered on June 30, 2008, the Paris Commercial Court ruled in favor of the 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. and referred the case back for retrial by the Paris Court of Appeal.

Following the announcement by LVMH in October 2010 of its acquisition of a stake in the share capital of Hermès International, the Autorité des marchés financiers (the French financial markets regulation authority – AMF) decided to launch an investigation into the market and financial disclosures relating to Hermès and LVMH shares. On August 13, 2012, the AMF served LVMH with a statement of objections for alleged infringements of financial and public disclosure requirements, a copy of which has been forwarded to the AMF's Enforcement Committee. The Committee met on May 31, 2013 and on June 25, 2013 handed down its decision, holding that LVMH should have informed the public in June 2010 of the possibility that it had of deciding to acquire a stake in Hermès, despite the fact that the matter was not put before its Board of Directors until October 21, 2010. It therefore ordered LVMH to pay a fine of 8 million euros. LVMH has decided not to appeal this decision.

On June 18, 2013, Hermès International filed a suit with the Paris Commercial Court against LVMH and some of its subsidiaries on the grounds of requesting the cancelation of the equity swap contracts entered into by Group companies in 2008, along with subsequent transactions. The lawsuit refers to a criminal complaint filed in October 2012 for insider trading, share price manipulation and complicity. LVMH has filed a counter-complaint with the public prosecutor for false accusations.

In January 2011, the Paris Administrative Court canceled the order issued in 2007 that had granted Fondation Louis Vuitton a building permit for the construction of a modern and contemporary art museum in the Bois de Boulogne. The Fondation is financed by Group contributions as part of the Group's cultural sponsorship activities. The Fondation and the City of Paris have appealed the ruling of the Paris Administrative Court. In view of the nature of this project as beneficial to society and in keeping with the public interest, the French Parliament passed a resolution validating the canceled building permits on the grounds advanced by the Administrative Court. The building permit granted in 2007 was approved by the Paris Administrative Court of Appeal on June 18, 2012. On March 25, 2013, France's Council of State rejected the appeal filed against this decision.

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

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.

# 7. Subsequent events

In July 2013, LVMH signed a memorandum of understanding for the acquisition of an 80% stake in Italian company Loro Piana, which makes and sells luxury fabrics, clothing, and accessories. The acquisition should become final by the end of 2013, after approval by appropriate competition authorities particularly in Europe and the United States. The remaining 20% stake is covered by reciprocal undertakings to buy and sell, exercisable within three years of the date on which the aforementioned transaction is completed. Under the memorandum of understanding, the parties have agreed on an enterprise value for Loro Piana of 2.7 billion euros.

No significant subsequent events occurred between June 30, 2013 and October 3, 2013, the date on which the financial statements were approved for publication by the Board of Directors.

# 8. Recent developments and prospects

Despite an uncertain economic environment in Europe, the Christian Dior group is well-equipped to continue its growth momentum across all business groups. The Group will maintain a strategy focused on developing its brands by continuing to build up its savoir-faire, as well as through strong innovation and expansion in fast growing markets.

Driven by the agility of its organization, the balance of its different businesses and geographic diversity, the Christian Dior group is looking to the future with confidence and 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


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# 1. Results of Christian Dior

The results of Christian Dior consist primarily of dividend revenue related to its indirect investment in LVMH, less financial expenses corresponding to the financing of the Company.

Net financial income totaled 18.8 million euros. This consists principally of dividends received from subsidiaries totaling 25.1 million euros and, on the other hand, of net interest expense totaling 5.9 million euros.

The tax saving recognized under the tax consolidation agreement totaled 2.9 million euros as of June 30, 2013.

The net profit was 18.3 million euros.

It has been proposed that distributable income for the two-month fiscal year ended June 30, 2013 be credited in full to retained earnings:

| **Amount available for distribution** *(EUR)* | |
|---|---:|
| Net profit | 18,289,768.50 |
| Retained earnings [a][b] | 116,553,252.50 |
| **DISTRIBUTABLE EARNINGS** | **134,843,021.00** |
| **Proposed appropriation** | |
| Retained earnings | 134,843,021.00 |
| TOTAL | 134,843,021.00 |

(a) Based on the following appropriation of the Company's distributable earnings in respect of the fiscal year ended April 30, 2013 by the Shareholders' Meeting of October 18, 2013:
- Retained earnings before allocation of net profit: 136,105,933.39 euros;
- Net profit: 507,455,758.31 euros;
- Dividend distribution of 2.90 euros per share: 527,008,439.20 euros;
- Retained earnings after allocation of net profit: 116,553,252.50 euros.

(b) As of this dividend payment decided on October 18, 2013, should the Company hold any treasury shares under authorizations granted, the corresponding amount of unpaid dividends will be allocated to retained earnings.

## Distribution of dividends

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

| Fiscal year | Type | Payment date | Gross dividend [a] (EUR) | Tax deduction [b] (EUR) |
|---|---|---:|---:|---:|
| April 30, 2013 | Interim | April 25, 2013 | 1.10 | 0.440 |
| | Final [c] | December 3, 2013 | 1.80 | 0.720 |
| | **TOTAL** | | **2.90** | **1.16** |
| April 30, 2012 | Interim | - | - | - |
| | Final | December 4, 2012 | 1.10 | 0.440 |
| | **TOTAL** | | **1.10** | **0.440** |
| December 31, 2011 | Interim | December 2, 2011 | 0.98 | 0.392 |
| | Final | April 25, 2012 | 1.63 | 0.652 |
| | **TOTAL** | | **2.61** | **1.044** |

(a) Excludes the impact of tax regulations applicable to the beneficiaries.
(b) For individuals with tax residence in France.
(c) Based on the appropriation of distributable earnings by the Shareholders' Meeting of October 18, 2013.

### *Information relating to payment terms*

As of June 30, 2013, trade accounts payable amounted to 6,100 thousand euros (4,410 thousand euros as of April 30, 2013). They comprise accrued expenses in the amount of 5,984 thousand euros (4,387 thousand euros as of April 30, 2013) and outstanding invoices in the amount of 116 thousand euros (23 thousand euros as of April 30, 2013).

# 2. Share ownership of the Company

## 2.1. MAIN SHAREHOLDERS

As of June 30, 2013, the Arnault family group controlled 70.45% of the Company's capital, compared with 70.37% as of April 30, 2013 and held 83.12% of the voting rights exercisable in Shareholders' Meetings, compared with 82.98% as of April 30, 2013.

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

As of June 30, 2013, the members of the Board of Directors held directly, personally and in the form of registered shares, less than 0.5% of the share capital.

## 2.3. INFORMATION ON SHARE PURCHASES AND DISPOSALS

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 2,031,718 with a net value of 128,949,964.01 euros. They were purchased at an average price of 63.47 euros. Their par value was 2 euros. These shares represent 1.12% of the share capital;
- at fiscal year-end, the Company also held 19,532 treasury shares, with a carrying amount of 1,133,197.81 euros. These shares had been purchased with a view to stabilizing the share price at an average price of 58.02 euros. With a par value of 2 euros, they represent 0.01% of the share capital;
- information on purchases and sales of shares acquired during the fiscal year commencing May 1, 2013 and ended June 30, 2013 under the terms described in Article L. 225-209 of the French Commercial Code as part of share repurchase program authorized by the Combined Shareholders' Meeting of October 26, 2012 is given in §5 below.

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

## 2.4. 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 | Purchase of shares | 145,000 | 142.49 |
| Sidney Toledano | Purchase of shares [b] | 145,000 | 58.58 |
| | Disposal of shares | 95,000 | 142.40 |
| Person(s) related to Sidney Toledano | Disposal of shares | 50,000 | 142.65 |

(a) Related persons defined in Article R. 621-43-1 of the Code monétaire et financier.
(b) Exercise of share purchase options.

# 3. Stock option and bonus share plans

## 3.1. OPTIONS GRANTED BY THE PARENT COMPANY, CHRISTIAN DIOR

The beneficiaries of the option plans are selected in accordance with the following criteria: performance, development potential and contribution to a key position.

Seven share purchase option plans set up by Christian Dior were in force as of June 30, 2013. The exercise price of the options is calculated in accordance with legal provisions. Each plan has a term of ten years. Share purchase options may be exercised, depending on the plan, after the end of a period of three or 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 is 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 may only be exercised if, in three of the four fiscal years from 2009 to 2012, any of those three indicators shows a positive change compared to 2008. The performance condition was met in 2009, 2010, 2011 and 2012.

Options granted to other beneficiaries may only be exercised if, for fiscal years 2009 and 2010, any of these indicators shows a positive change compared to 2008. The performance condition was met in 2009 and 2010.

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

In relation to options granted under plans set up since 2007, if the Chairman and Chief Executive Officer and the Group Managing Director, previously the Chairman of the Board of Directors and Chief Executive Officer respectively, decides to exercise his options, he must retain possession, until the conclusion of his term of office, of a number of shares determined on the basis of the exercise date and with reference to a percentage of his total gross compensation.

### 3.1.1. Share purchase option plans

| Date of Shareholders' Meeting | 05/14/2001 | 05/14/2001 | 05/14/2001 | 05/11/2006 | 05/11/2006 | 05/11/2006 | 05/11/2006 | |
|---|---|---|---|---|---|---|---|---|
| **Date of Board of Directors' meeting** | **02/17/2004** | **05/12/2005** | **02/15/2006** | **09/06/2006** | **01/31/2007** | **05/15/2008** | **05/14/2009** | **Total** |
| **Total number of options granted** | **527,000** | **493,000** | **475,000** | **20,000** | **480,000** | **484,000** | **332,000** | **2,811,000** |
| o/w Company officers [(a)] | 355,000 | 315,000 | 305,000 | - | 285,000 | 320,000 | 150,000 | **1,730,000** |
| Bernard Arnault [(b)] | 220,000 | 220,000 | 220,000 | - | 200,000 | 200,000 | 100,000 | **1,160,000** |
| Delphine Arnault [(b)] | 15,000 | 20,000 | 25,000 | - | 25,000 | 25,000 | 25,000 | **135,000** |
| Denis Dalibot [(b)] | 25,000 | 25,000 | 35,000 | - | 35,000 | 70,000 | - | **190,000** |
| Pierre Godé [(b)] | 65,000 | 20,000 | - | - | - | - | - | **85,000** |
| Sidney Toledano [(b)] | 45,000 | 50,000 | 50,000 | - | 50,000 | 50,000 | 50,000 | **295,000** |
| o/w First ten employees [(a)] | 128,000 | 124,000 | 144,000 | 20,000 | 133,000 | 147,000 | 159,000 | **855,000** |
| Number of beneficiaries | 26 | 27 | 24 | 1 | 28 | 25 | 26 | |
| Earliest option exercise date | 02/17/2007 | 05/12/2008 | 02/15/2009 | 09/06/2009 | 01/31/2011 | 05/15/2012 | 05/14/2013 | |
| Expiry date | 02/16/2014 | 05/11/2015 | 02/14/2016 | 09/05/2016 | 01/30/2017 | 05/14/2018 | 05/13/2019 | |
| Purchase price *(EUR)* | 49.79 | 52.21 | 72.85 [(c)] | 74.93 | 85.00 | 73.24 [(c)] | 52.10 | |
| Number of options exercised between 05/01/2013 and 06/30/2013 | 45,000 | 50,000 | 58,600 | - | 5,000 | 5,000 | 40,150 | **203,750** |
| Number of options expired between 05/01/2013 and 06/30/2013 | - | - | - | - | - | - | - | **-** |
| Total number of options exercised as of 06/30/2013 | 239,000 | 195,000 | 177,600 | 5,706 | 83,000 | 46,000 | 40,150 | **786,456** |
| Total number of options expired as of 06/30/2013 | 56,000 | 33,000 | 30,000 | - | 57,000 | 27,000 | 27,000 | **230,000** |
| **OPTIONS OUTSTANDING AS OF 06/30/2013** | **232,000** | **265,000** | **267,400** | **14,294** | **340,000** | **411,000** | **264,850** | **1,794,544** |

(a) Options granted to active company officers/employees as of the plan's commencement date.
(b) Company officers active as of June 30, 2013.
(c) Exercise prices for options granted to Italian residents under the plans commencing on February 15, 2006 and May 15, 2008 are 77.16 euros and 73.47 euros, respectively.

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 THE GROUP'S SUBSIDIARY, LVMH

### 3.2.1. Share purchase option plans

As of June 30, 2013 there are no longer any purchase option plans in effect.

### 3.2.2. Share subscription option plans

| Date of Shareholders' Meeting | 05/15/2003 | 05/15/2003 | 05/11/2006 | 05/11/2006 | 05/11/2006 | 05/11/2006 | 05/14/2009 | |
|---|---|---|---|---|---|---|---|---|
| **Date of Board of Directors' meeting** | **01/21/2004** | **05/12/2005** | **05/11/2006** | **05/10/2007** | **05/15/2008** | **05/14/2009** | **07/29/2009** | **Total** |
| **Total number of options granted** | **2,747,475** | **1,924,400** | **1,789,359** | **1,679,988** | **1,698,320** | **1,301,770** | **2,500** | **11,143,812** |
| o/w Company officers [(a)] | 972,500 | 862,500 | 852,500 | 805,875 | 766,000 | 541,000 | - | **4,800,375** |
| o/w First ten employees [(a)] | 457,500 | 342,375 | 339,875 | 311,544 | 346,138 | 327,013 | 2,500 | **2,126,945** |
| Number of beneficiaries | 906 | 495 | 520 | 524 | 545 | 653 | 1 | |
| Earliest option exercise date | 01/21/2008 | 05/12/2009 | 05/11/2010 | 05/10/2011 | 05/15/2012 | 05/14/2013 | 07/29/2013 | |
| Expiry date | 01/20/2014 | 05/11/2015 | 05/10/2016 | 05/09/2017 | 05/14/2018 | 05/13/2019 | 07/28/2019 | |
| Subscription price *(EUR)* | 55.70 [(b)] | 52.82 [(b)] | 78.84 [(b)] | 86.12 | 72.50 [(b)] | 56.50 [(b)] | 57.10 | |
| Number of options exercised between 05/01/2013 and 06/30/2013 | 20,465 | 14,900 | 8,000 | 13,673 | 108,736 | 231,091 | - | **396,865** |
| Number of options expired between 05/01/2013 and 06/30/2013 | 9,600 | 3,000 | 2,625 | 3,025 | 3,438 | 4,801 | - | **26,489** |
| Total number of options exercised as of 06/30/2013 | 1,923,974 | 1,626,618 | 836,721 | 710,857 | 596,803 | 254,591 | - | **5,949,564** |
| Total number of options expired as of 06/30/2013 | 122,950 | 94,425 | 96,873 | 90,442 | 88,332 | 44,791 | - | **537,813** |
| **OPTIONS OUTSTANDING AS OF 06/30/2013** | **700,551** | **203,357** | **855,765** | **878,689** | **1,013,185** | **1,002,388** | **2,500** | **4,656,435** |

(a) Options granted to active company officers/employees as of the plan's commencement date.
(b) Exercise price in euros for Italian residents:

| Plans | Exercise price |
|---|---|
| 01/21/2004 | 58.90 |
| 05/12/2005 | 55.83 |
| 05/11/2006 | 82.41 |
| 05/15/2008 | 72.70 |
| 05/14/2009 | 56.52 |

The potential dilutive effect resulting from the allocation of these options represents 0.92% 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 BY COMPANY OFFICERS AND BY THE GROUP'S TOP TEN EMPLOYEE RECIPIENTS DURING THE FISCAL YEAR

### 3.3.1. Options granted

No option plans were created during the period from May 1, 2013 to June 30, 2013.

### 3.3.2. Options exercised by senior executive officers of the Company

| Beneficiary | Company granting the options | Date of the plan | Number of options | Exercise price *(EUR)* |
|---|---|---|---|---|
| Sidney Toledano | Christian Dior | 02/17/2004 | 45,000 | 49.79 |
| | " | 05/12/2005 | 50,000 | 52.21 |
| | " | 02/15/2006 | 50,000 | 72.85 |

### 3.3.3. Options exercised by other executive officers of the Company

No options were exercised during the period from May 1, 2013 to June 30, 2013.

### 3.3.4. Options exercised by the ten employees of the Group, other than company officers, having exercised the largest number of options

| Company granting the options | Date of the plan | Number of options | Exercise price *(EUR)* |
|---|---|---|---|
| Christian Dior | 02/15/2006 | 8,600 | 72.85 |
| " | 01/31/2007 | 5,000 | 85.00 |
| " | 05/15/2008 | 5,000 | 73.24 |
| " | 05/14/2009 | 40,150 | 52.10 |
| LVMH Moët Hennessy - Louis Vuitton | 01/21/2004 | 16,300 | 55.70 |
| " | 05/12/2005 | 1,750 | 52.82 |
| " | 05/11/2006 | 3,000 | 78.84 |
| " | 05/10/2007 | 9,750 | 86.12 |
| " | 05/15/2008 | 65,313 | 72.50 |
| " | 05/14/2009 | 109,000 | 56.50 |

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

Beneficiaries of bonus shares 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 French tax residents, the allocation of bonus shares to their beneficiaries is definitive after a two-year vesting period for the plan set up in 2010 and after a three-year vesting period for any plans set up since 2011. Bonus shares may be freely transferred after an additional two-year holding period, prior to any sale or transfer. The allocation of bonus shares to beneficiaries who are not French residents for tax purposes becomes definitive after a vesting period of four years and the shares may be freely transferred at that time.

Plans launched since April 15, 2010 combine the allocation of bonus shares and the allocation of performance shares in proportions determined in accordance with the beneficiary's level in the hierarchy and status.

Performance shares are definitively allocated only if Christian Dior's consolidated financial statements both for the fiscal year in which the plan is set up (fiscal year "Y") and for fiscal year Y+1 show a positive change compared to fiscal 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, current operating margin.

With respect to the plan set up on April 15, 2010, the performance condition was met in both 2010 and 2011 and the corresponding shares were allocated definitively as of April 15, 2012 to beneficiaries who were French residents for tax purposes as of that date. With respect to the plans set up in 2011, this performance condition was satisfied in 2011 and 2012. Beginning in 2012, Christian Dior's fiscal year no longer corresponds 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 plan set up on April 5, 2012, the performance condition was satisfied in 2012.

In the event of the vesting of their share allocations, the Chairman and Chief Executive Officer and the Group Managing Director, previously the Chairman of the Board of Directors and the Chief Executive Officer respectively, are henceforth and for all outstanding plans required to retain possession, in pure registered form and until the conclusion of their respective terms in office, of a number of shares representing one half of the notional capital gain, net of tax and social charges, calculated using the shares' opening price at that date.

| Date of Shareholders' Meeting | 05/15/2008 | | 05/15/2008 | | 03/31/2011 | | 03/31/2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Date of Board of Directors' meeting** | **04/15/2010** | | **03/31/2011** | | **07/26/2011** | | **04/05/2012** | | |
| | **Bonus shares** | **Performance shares** | **Bonus shares** | **Performance shares** | **Bonus shares** | **Performance shares** | **Bonus shares** | **Performance shares** | **Total** |
| **Number of shares provisionally allocated** | **22,761** | **67,419** | **25,394** | **64,621** | **1,000** | **1,000** | **6,000** | **87,288** | **275,483** |
| o/w Company officers [(a)] | - | 40,500 | - | 38,175 | - | - | - | 40,568 | **119,243** |
| Bernard Arnault [(b)] | - | 27,000 | - | 25,450 | - | - | - | 22,982 | **75,432** |
| Delphine Arnault [(b)] | 2,362 | 4,388 | 2,362 | 4,388 | - | - | - | 6,095 | **19,595** |
| Sidney Toledano [(b)] | - | 13,500 | - | 12,725 | - | - | - | 11,491 | **37,716** |
| o/w First ten employees [(a)] | 14,322 | 21,048 | 15,200 | 24,220 | 1,000 | 1,000 | 6,000 | 26,441 | **109,231** |
| Number of beneficiaries | 26 | 28 | 32 | 34 | 1 | 1 | 1 | 39 | |
| Vesting date | 04/15/2012 [(c)] | 04/15/2012 [(c)] | 03/31/2014 [(c)] | 03/31/2014 [(c)] | 07/26/2014 | 07/26/2014 | 04/05/2015 [(c)] | 04/05/2015 [(c)] | |
| Date as of which the shares may be sold | 04/15/2014 | 04/15/2014 | 03/31/2016 [(c)] | 03/31/2016 [(c)] | 07/26/2016 | 07/26/2016 | 04/05/2017 [(c)] | 04/05/2017 [(c)] | |
| Number of options exercised between 05/01/2013 and 06/30/2013 | - | - | - | - | - | - | - | - | **-** |
| Number of options expired between 05/01/2013 and 06/30/2013 | - | - | - | - | - | - | - | - | **-** |
| Total number of share allocations vested as of 06/30/2013 | 19,454 | 62,896 | - | - | - | - | - | - | **82,350** |
| Total number of options expired as of 06/30/2013 | 1,417 | 2,633 | - | - | - | - | - | - | **4,050** |
| **REMAINING SHARE ALLOCATIONS AS OF 06/30/2013** | **1,890** | **1,890** | **25,394** | **64,621** | **1,000** | **1,000** | **6,000** | **87,288** | **189,083** |

(a) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(b) Company officers active as of June 30, 2013.
(c) Vesting and availability date of shares for beneficiaries who are not French residents for tax purposes:

| Plans | Vesting and availability date of shares |
|---|---|
| 04/15/2010 | 04/15/2014 |
| 03/31/2011 | 03/31/2015 |
| 04/05/2012 | 04/05/2016 |

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

## 3.5. ALLOCATION OF BONUS SHARES AND PERFORMANCE SHARES BY THE GROUP'S SUBSIDIARY, LVMH

| Date of Shareholders' Meeting | 05/15/2008 | 05/15/2008 | 05/15/2008 | | 05/15/2008 | | 03/31/2011 | 03/31/2011 | |
|---|---|---|---|---|---|---|---|---|---|
| **Date of Board of Directors' meeting** | **05/14/2009** | **07/29/2009** | **04/15/2010** | | **03/31/2011** | | **10/20/2011** | **10/20/2011** | |
| | **Bonus shares** | **Bonus shares** | **Bonus shares** | **Performance shares** | **Bonus shares** | **Performance shares** | **Bonus shares** | **Bonus shares** | **Subtotal 1** |
| **Number of shares provisionally allocated** | **311,209** | **833** | **195,069** | **274,367** | **184,328** | **257,724** | **95,000** | **20,000** | **1,338,530** |
| o/w Company officers [(a)] | - | - | - | 108,837 | - | 100,071 | - | - | **208,908** |
| o/w First ten employees [(a)] | 48,165 | 833 | 27,372 | 67,350 | 23,387 | 64,611 | 95,000 | 20,000 | **346,718** |
| Number of beneficiaries | 642 | 1 | 627 | 639 | 698 | 712 | 1 | 1 | |
| Vesting date | 05/14/2011 [(b)] | 07/29/2013 | 04/15/2012 [(b)] | 04/15/2012 [(b)] | 03/31/2014 [(b)] | 03/31/2014 [(b)] | 10/20/2013 [(c)] | 10/20/2013 | |
| Date as of which the shares may be sold | 05/14/2013 | 07/29/2013 | 04/15/2014 | 04/15/2014 | 03/31/2016 [(b)] | 03/31/2016 [(b)] | 10/20/2015 [(d)] | 10/20/2015 | |
| Number of options exercised between 05/01/2013 and 06/30/2013 | 122,421 | - | - | - | - | - | - | - | **122,421** |
| Number of options expired between 05/01/2013 and 06/30/2013 | 3,751 | - | 1,415 | 385 | 2,066 | 688 | - | - | **8,305** |
| Total number of share allocations vested as of 06/30/2013 | 275,931 | - | 98,554 | 209,941 | 323 | 108 | - | - | **584,857** |
| Total number of options expired as of 06/30/2013 | 35,278 | - | 14,059 | 5,827 | 12,285 | 4,805 | - | - | **72,254** |
| **REMAINING SHARE ALLOCATIONS AS OF 06/30/2013** | **-** | **833** | **82,456** | **58,599** | **171,720** | **252,811** | **95,000** | **20,000** | **681,419** |

(a) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(b) Vesting and availability date of shares for beneficiaries who are not French residents for tax purposes:

| Plans | Vesting and availability date of shares |
|---|---|
| 05/14/2009 | 05/14/2013 |
| 04/15/2010 | 04/15/2014 |
| 03/31/2011 | 03/31/2015 |

(c) Definitive allocation in two tranches of 47,500 shares, with the second tranche of shares to be definitively allocated on October 20, 2014.
(d) Shares in the first tranche will become transferable on October 20, 2015 and those in the second tranche will become transferable on October 20, 2016.

| Date of Shareholders' Meeting | 03/31/2011 | 03/31/2011 | 03/31/2011 | 03/31/2011 | | |
|---|---|---|---|---|---|---|
| **Date of Board of Directors' meeting** | **04/05/2012** | **07/26/2012** | **07/26/2012** | **01/31/2013** | | |
| | **Performance shares** | **Bonus shares** | **Performance shares** | **Bonus shares** | **Subtotal 2** | **Total 1+2** |
| **Number of shares provisionally allocated** | **416,609** | **45,000** | **830** | **32,800** | **495,239** | **1,833,769** |
| o/w Company officers [(a)] | 85,913 | 45,000 | - | - | **130,913** | **339,821** |
| o/w First ten employees [(a)] | 90,078 | - | 830 | 32,800 | **123,708** | **470,426** |
| Number of beneficiaries | 747 | 1 | 1 | 1 | | |
| Vesting date | 04/05/2015 [(b)] | 07/26/2015 [(b)] | 07/26/2015 [(b)] | 01/31/2015 [(b)] | | |
| Date as of which the shares may be sold | 04/05/2017 [(b)] | 07/26/2017 [(b)] | 07/26/2017 [(b)] | 01/31/2017 [(b)] | | |
| Number of options exercised between 05/01/2013 and 06/30/2013 | - | - | - | - | **-** | **122,421** |
| Number of options expired between 05/01/2013 and 06/30/2013 | 1,793 | - | - | - | **1,793** | **10,098** |
| Total number of share allocations vested as of 06/30/2013 | 203 | - | - | - | **203** | **585,060** |
| Total number of options expired as of 06/30/2013 | 5,556 | - | - | - | **5,556** | **77,810** |
| **REMAINING SHARE ALLOCATIONS AS OF 06/30/2013** | **410,850** | **45,000** | **830** | **32,800** | **489,480** | **1,170,899** |

(a) Bonus shares allocated to company officers/employees active as of the provisional allocation date.
(b) Vesting and availability date of shares for beneficiaries who are not French residents for tax purposes:

| Plans | Vesting and availability date of shares |
|---|---|
| 04/05/2012 | 04/05/2016 |
| 07/26/2012 | 07/26/2016 |
| 01/31/2013 | 01/31/2017 |

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

## 3.6. SHARE ALLOCATIONS TO COMPANY OFFICERS AND TO THE GROUP'S TOP TEN EMPLOYEE BENEFICIARIES DURING THE FISCAL YEAR

### 3.6.1. Performance shares allocated on a provisional basis to senior executive officers

No shares were provisionally allocated to senior executive officers.

### 3.6.2. Bonus and performance shares allocated on a provisional basis to other company officers

No shares were provisionally allocated to other company officers.

### 3.6.3. Performance shares vested to senior executive officers

No shares were vested to senior executive officers.

### 3.6.4. Bonus and performance shares vested to other company officers

No shares were vested to other company officers.

### 3.6.5. Shares vested to the Group's ten employees [(a)], other than company officers, having received the largest number of shares

| Company granting the shares | Date of the plan | Number of bonus shares | Number of performance shares |
|---|---|---|---|
| LVMH Moët Hennessy - Louis Vuitton | 05/14/2009 | 18,500 | - |

(a) Active employees as of the vesting date.

# 4. Financial authorizations

## 4.1. STATUS OF CURRENT DELEGATIONS AND AUTHORIZATIONS

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

| Type | Authorization date | Expiry/ Duration | Amount authorized | Use as of June 30, 2013 |
|---|---|---|---|---|
| Share repurchase program<br>Maximum purchase price: 200 euros | October 26, 2012<br>(5th resolution) | April 25, 2014<br>(18 months) [(a)] | 10% of the share capital<br>18,172,704 shares | Movements during the fiscal year [(b)]<br>Purchases: 550,000<br>Disposals: - |
| Share capital reduction through retirement of shares under the share repurchase program | October 26, 2012<br>(7th resolution) | April 25, 2014<br>(18 months) [(a)] | 10% of the share capital per 24 month period<br>18,172,704 shares | None |

(a) These authorizations were renewed by the Combined Shareholders' Meeting of October 18, 2013 for a period of 18 months expiring on April 17, 2015. The maximum purchase price is now 250 euros per share.
(b) Movements occurring between May 1, 2013 and June 30, 2013 are addressed in Note 5 below on the share repurchase program approved by the Combined Shareholders' Meeting of October 26, 2012. For purchases, including calls exercised, see also §5.1 below.

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

| Type | Authorization date | Expiry/ Duration | Amount authorized | Issue price determination method | Use as of June 30, 2013 |
|---|---|---|---|---|---|
| Through incorporation of reserves (L. 225-130) | October 26, 2012<br>(6th resolution) | December 25, 2014<br>(26 months) | 80 million euros [(a)]<br>40,000,000 shares | Not applicable | None |
| With preferential subscription rights: ordinary shares and investment securities giving access to the share capital | October 26, 2012<br>(8th resolution) | December 25, 2014<br>(26 months) | 80 million euros [(a)] [(b)]<br>40,000,000 shares | Free | None |
| Without preferential subscription rights: ordinary shares and investment securities giving access to the share capital | | | | | |
| • by means of public offer (L. 225-135 et seq.) | October 26, 2012<br>(9th resolution) | December 25, 2014<br>(26 months) | 80 million euros [(a)] [(b)]<br>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.) | October 26, 2012<br>(10th resolution) | December 25, 2014<br>(26 months) | 80 million euros [(a)] [(b)]<br>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) | October 26, 2012<br>(13th resolution) | December 25, 2014<br>(26 months) | 80 million euros [(a)] [(b)]<br>40,000,000 shares | Free | None |
| In connection with in-kind contributions (L. 225-147) | October 26, 2012<br>(14th resolution) | December 25, 2014<br>(26 months) | 10% of the share capital [(a)]<br>18,172,704 shares | Free | None |

(a) Maximum nominal amount. The nominal amount of any capital increase decided in application of other delegations of authority would be offset against this amount.
(b) Provided the overall maximum ceiling of 80 million euros referred to in (a) is not exceeded, this amount may be increased subject to the limit of 15% of the initial issue in the event that the issue is oversubscribed (Shareholders' Meeting of October 26, 2012, 12th resolution) (Article 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 at least equal to 90% of the weighted average of the share price over the three trading days preceding its determination (Shareholders' Meeting of October 26, 2012, 11th resolution).

### 4.1.3. Employee share ownership

| Type | Authorization date | Expiry/ Duration | Amount authorized | Issue price determination method | Use as of June 30, 2013 |
|---|---|---|---|---|---|
| Capital increase reserved for employees who are members of a company savings plan (L. 225-129-6) | October 26, 2012 (15th resolution) | December 25, 2014 (26 months) | 1% of the share capital [(a)] 1,817,270 shares | Average share price over the 20 trading days preceding the grant date subject to a maximum discount of 20% | None |
| Bonus share allocation (L. 225-197-1 et seq.) | October 26, 2012 (17th resolution) | December 25, 2014 (26 months) | 1% of the share capital [(a)] 1,817,270 shares | Not applicable | None |
| Share subscription or purchase option allocation (L. 225-177 et seq.) | April 5, 2012 (11th resolution) | June 4, 2015 (38 months) | 1% of the share capital [(a)] 1,817,270 shares | Average share price over the 20 trading days preceding the grant date [(b)] with no discount | None |

(a) Subject to not exceeding a total ceiling of 80 million euros set forth above, against which this amount would be offset.
(b) Since these relate to purchase options, the price may not be lower than the average purchase price of the shares.

## 4.2. AUTHORIZATIONS PROPOSED TO THE SHAREHOLDERS' MEETING

No authorizations are proposed to the Shareholders' Meeting.

# 5. Share repurchase program

## 5.1. INFORMATION ON SHARE REPURCHASE PROGRAMS

The purpose of this section is to inform the Shareholders' Meeting of the purchase transactions in treasury shares that were carried out by the Company between May 1, 2013 and June 30, 2013 as part of the share repurchase program authorized by the Combined Shareholders' Meeting held on October 26, 2012.

The Company acquired 550,000 Christian Dior shares at the average price per share of 137.71 euros. No shares were sold.

These transactions did not generate any expenses.

The table on the following page groups by purpose the transactions carried out at value date during the period from May 1, 2013 to June 30, 2013:

| *(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 April 30, 2013** | **-** | **-** | **-** | **-** | **350,000** | **350,000** |
| Purchases | - | - | - | - | 550,000 | 550,000 |
| Average price *(EUR)* | - | - | - | - | 137.71 | - |
| Sales | - | - | - | - | - | - |
| Average price *(EUR)* | - | - | - | - | - | - |
| Share purchase options exercised | - | - | - | - | - | - |
| Average price *(EUR)* | - | - | - | - | - | - |
| Calls exercised | - | - | - | - | - | - |
| Average price *(EUR)* | - | - | - | - | - | - |
| Allocations of bonus shares | - | - | - | - | - | - |
| Reallocations for other purposes | - | - | - | - | - | - |
| Shares retired | - | - | - | - | - | - |
| **Balance as of June 30, 2013** | **-** | **-** | **-** | **-** | **900,000** | **900,000** |

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 §2.3 of the report on the Christian Dior parent company within the Management report of the Board of Directors.

## 5.2. SUMMARY TABLE DISCLOSING THE TRANSACTIONS PERFORMED BY THE ISSUER INVOLVING ITS OWN SHARES FROM MAY 1, 2013 TO JUNE 30, 2013

The table below, prepared in accordance with the provisions of AMF Instruction No. 2005-06 of February 22, 2005 in application of Article 241-2 of the AMF's General Regulations, provides a summary overview of the transactions performed by the Company involving its own shares from May 1, 2013 to June 30, 2013:

**As of June 30, 2013**

| | |
|---|---|
| Percentage of own share capital held directly or indirectly | 0.50% [(a)] |
| Number of shares retired in the last 24 months | - |
| Number of shares held in the portfolio | 900,000 [(a)] |
| Book value of the portfolio *(EUR)* | 121,764,251 |
| Market value of the portfolio *(EUR)* | 111,600,000 |

(a) Not taking into consideration shares acquired before the share purchase programs were set up (§2.3).

| | **Cumulative gross transactions** | | **Open positions as of June 30, 2013** | | | |
|---|---|---|---|---|---|---|
| | | | **Open purchase positions** | | **Open sale positions** | |
| | **Purchases** | **Sales/ Transfers** | **Purchased call options** | **Forward purchases** | **Sold call options** | **Forward sales** |
| Number of shares | 550,000 | - | - | - | - | - |
| Of which: | | | | | | |
| - liquidity contract | - | - | - | - | - | - |
| - purchases to cover plans | - | - | - | - | - | - |
| - exercise of purchase options | - | - | - | - | - | - |
| - exercise of call options | - | - | - | - | - | - |
| - bonus share allocations | - | - | - | - | - | - |
| - purchases of shares to be retired | 550,000 | - | - | - | - | - |
| - share retirements | - | - | - | - | - | - |
| Average maximum maturity | - | - | - | - | - | - |
| Average trading price [(a)] *(EUR)* | 137.71 | - | - | - | - | - |
| Average exercise price *(EUR)* | - | - | - | - | - | - |
| Amounts *(EUR)* | 75,738,376 | - | - | - | - | - |

(a) Excluding bonus share awards and share retirements.

# 6. Remuneration of company officers

## • Summary of the remuneration, options and performance shares granted to senior executive officers [(a)]

| Senior executive officers | Remuneration due in respect of the fiscal year | | Valuation of options granted during the fiscal year [(b)] | | Valuation of performance shares granted during the fiscal year [(b)] | |
|---|---|---|---|---|---|---|
| *(EUR)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | June 30, 2013 (2 months) | April 30, 2013 (12 months) | June 30, 2013 (2 months) | April 30, 2013 (12 months) |
| Bernard Arnault | 183,597 | 2,907,575 | - | - | - | - |
| Sidney Toledano | 153,846 | 1,800,000 | - | - | - | - |

(a) Gross remuneration 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 as well as the performance conditions to be met for the definitive allocation of shares are presented in §3.4 and §3.6 of the report on the Christian Dior parent company within the Management report of the Board of Directors.

## • Summary of the remuneration of each senior executive officer [(a)]

| Bernard Arnault | Amounts due for the fiscal year | | Amounts paid during the fiscal year | |
|---|---|---|---|---|
| **Remuneration** *(EUR)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | June 30, 2013 (2 months) | April 30, 2013 (12 months) |
| Fixed compensation [(b)] | 183,597 | 1,440,908 | 183,597 | 1,535,730 |
| Variable compensation [(b)(c)] | - | 1,466,667 | - | 2,200,000 |
| Exceptional compensation | - | - | - | - |
| Directors' fees | 18,719 | 118,464 | 28,464 | 99,489 |
| Benefits in kind | Company car | Company car | Company car | Company car |
| **TOTAL** | **202,316** | **3,026,039** | **212,061** | **3,835,219** |

| Sidney Toledano [(d)] | Amounts due for the fiscal year | | Amounts paid during the fiscal year | |
|---|---|---|---|---|
| **Remuneration** *(EUR)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | June 30, 2013 (2 months) | April 30, 2013 (12 months) |
| Fixed compensation | 153,846 | 1,000,000 | 153,846 | 1,000,000 |
| Variable compensation [(e)] | - | 800,000 | - | 1,200,000 |
| Exceptional compensation | - | - | - | - |
| Directors' fees | 5,013 | 34,693 | 7,693 | 30,078 |
| Benefits in kind | Company car | Company car | Company car | Company car |
| **TOTAL** | **158,859** | **1,834,693** | **161,539** | **2,230,078** |

(a) Gross remuneration 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 paid by the LVMH group.
(c) 50% based on the achievement of qualitative objectives and 50% based on the achievement of budget objectives regarding revenue, operating profit and cash flow, each item bearing the same weight.
(d) Medium-term incentive scheme.
(e) One-third based on the achievement of qualitative objectives and two-thirds based on the achievement of budget objectives regarding revenue, operating profit and cash flow, each item bearing the same weight.

## • Work contracts, specific pensions, leaving indemnities and non-competition clauses in favor of senior executive officers

| | 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 and Chief Executive Officer | | X | X [(a)] | | | X | | X |
| **Sidney Toledano** Group Managing Director | X [(b)] | | | X | | X | X [(b)] | |

(a) This supplementary pension put in place by LMVH is only acquired if the potential beneficiary has been present for at least six years on the LVMH group's Executive Committee and simultaneously asserts his rights to his standard legal pension entitlement. 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. It is determined on the basis of a reference remuneration corresponding to the average of the three highest yearly remunerations received over the course of their career within the LVMH group, subject to a maximum of thirty-five times the annual social security ceiling. The annual supplementary pension is equal to the difference between 60% of the reference remuneration (i.e. 777,672 euros as of January 1, 2013) and all pension amounts paid by the general social security regime and the additional ARRCO and AGIRC regimes.
Amount of the commitment undertaken by LVMH as of June 30, 2013 for Mr. Bernard Arnault, determined in accordance with the principles defined by IAS 19 Employee benefits: 15,881,180 euros.

(b) 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.

## • Summary of directors' fees, compensation, benefits in kind and commitments given to other company officers [(a)]

| Members of the Board of Directors | Directors' fees paid during the fiscal year | | Fixed compensation paid during the fiscal year | | Variable compensation paid during the fiscal year | |
|---|---|---|---|---|---|---|
| *(EUR)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) |
| Delphine Arnault [(b)] | 9,232 | 58,803 | 84,231 | 505,385 | - | 430,000 |
| Denis Dalibot | 19,232 | 21,497 | - | 505,716 [(c)] | - | - |
| Hélène Desmarais | 12,310 | 514 | - | - | - | - |
| Renaud Donnedieu de Vabres | 12,310 | 4,104 | - | - | - | - |
| Ségolène Gallienne | 7,693 | 1,539 | - | - | - | - |
| Pierre Godé [(b)] | 720,193 | 153,872 | 250,000 | 876,600 | 300,000 | 200,000 |
| Eric Guerlain | 26,158 | 7,567 | - | - | - | - |
| Christian de Labriffe | 18,464 | 5,258 | - | - | - | - |
| Jaime de Marichalar y Sáenz de Tejada | 7,693 | 19,806 | - | - | - | - |

(a) Directors' fees, gross remuneration and/or fees 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 and received by the company officer or a company controlled by the latter.

(b) The breakdown of equity securities or securities conferring entitlement to capital granted to members of the Board of Directors during the fiscal year is presented in §3.6 of the Management report – Christian Dior parent company.

(c) Contract as a consultant.

## • Breakdown of equity shares or securities granting access to capital allocated to members of the Board of Directors during the fiscal year

This information is presented in §3.6 of the Management report of the Board of Directors – Christian Dior parent company section.

# 7. Administrative matters

## 7.1. LIST OF POSITIONS AND OFFICES HELD BY THE DIRECTORS

The list of all offices and positions held by each Director, currently as of June 30, 2013 and during the last five years, is provided in the "Other Information - Governance" section of the Annual Report.

## 7.2. REMUNERATION OF SENIOR EXECUTIVE OFFICERS

You are hereby asked, pursuant to the guidelines expressed in the June 2013 AFEP-MEDEF code of corporate governance, to give an opinion on the items of compensation due or awarded to the Chairman and Chief Executive Officer and to the Group Managing Director in respect of the fiscal year under review. These items are presented in:

- the "Management report of the Board of Directors - Christian Dior parent company" on pages 43 et seq., as regards fixed compensation, variable compensation, exceptional compensation, directors' fees, benefits in kind and supplementary pension plans;
- the "Report of the Chairman of the Board of Directors" on page 84, as regards rules governing the allotment of directors' fees.

During the fiscal year commencing May 1, 2013 and ended June 30, 2013, the Company did not grant any share purchase options, share subscription options, or bonus shares.

## 7.3. STATUTORY AUDITORS

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

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

for a six fiscal year term to expire at the close of the Shareholder's Meeting convened to approve the financial statements for the fiscal year ended June 30, 2019.

# 8. Information that could have an impact 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 70.45% of the capital and 83.12% of the voting rights as of June 30, 2013;
- share issuance and buybacks: under various resolutions, the Shareholders' Meeting has delegated to the Board of Directors full powers to:
  - increase the share capital, with or without shareholders' preferential rights and via public offer or private placement, in a total nominal amount not to exceed 80 million euros, or 22% of the Company's current share capital,
  - grant share subscription options, within the limit of 1% of the share capital,
  - allocate bonus shares, to be issued, within the limit of 1% of the share capital,
  - acquire Company shares up to 10% of the share capital.

Any delegation whose application would be likely to cause the operation to fail is suspended during the period of a takeover bid or exchange offer.

# Management report of the Board of Directors

## WORKFORCE, ENVIRONMENTAL AND SOCIAL REPORT


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# 1. Group reporting on employee-related issues

In accordance with Decree no. 2012-557 of April 24, 2012 regarding disclosure obligations for companies in the social and environmental fields in application of Article 225 of the "Grenelle II" law, the relevant and significant elements of Company information are provided in the following section. The indicators retained were selected by the Group's Human Resources Department and then verified by the Environment and Sustainable Development Department of Ernst & Young, one of the Group's Statutory Auditors. Their findings are expressed in the statement of opinion included at the end of the Workforce, Environmental and Social report.

Since 2010, all staff members involved in social reporting have had access to an e-learning module. The purpose of this online training tool is to familiarize users with the objectives of social reporting, and deepen understanding of key indicators and the calculation methodology used. Control procedures have also been reinforced at each organizational entity through the implementation of an electronic signature system on the final validation of social reporting documents and the signing of a representation letter by the Director of Human Resources of each House.

The mapping between organizational and legal entities ensures consistency between the social and financial communication systems. Accordingly, the scope of social reporting covers all staff employed by Group companies consolidated on a full or proportional basis, but does not include equity-accounted associates.

A descriptive sheet is available for each social indicator specifying its relevance, the elements of information tracked, the procedure to be applied to gather information, and the various controls to be performed when entering data.

As a result of the change in the Christian Dior group's fiscal year-end to June 30, 2013, workforce reporting exceptionally covers a two-month period, from May 1 to June 30, 2013. Workforce information provided below relates to all consolidated companies on June 30, 2013, including LVMH's and Christian Dior Couture's share in joint ventures. As it was not physically possible, within the time allotted, to develop the necessary computing resources for the exceptional short fiscal year under review, the remaining workforce indicators were calculated based on information pertaining to the fiscal year from May 1, 2012 to April 30, 2013 and published in the Annual Report of the Christian Dior group for the fiscal year ended April 30, 2013.

As stated previously, these workforce indicators were calculated in May 2013 for a scope of 598 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 Group's employees in China are counted in the number of staff working under permanent contracts (10,078 as of June 30, 2013). 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 legislation.

## 1.1. ANALYSIS AND DEVELOPMENT OF THE WORKFORCE

### 1.1.1. Breakdown of the workforce

The total workforce as of June 30, 2013 amounted to 108,837 employees. Of this total, 102,921 employees worked under permanent contracts and 5,916 worked under fixed-term contracts. Part-time employees represented some 14.6% of the total workforce, or 15,944 individuals. The portion of staff outside France remained stable compared with the previous year, representing 79% of the workforce worldwide.

The Group's average Full Time Equivalent (FTE) workforce comprised 101,567 employees during this exceptional fiscal year, a rise of 3.3% on the fiscal year ended April 30, 2013. The main changes are due to the opening of new stores, mainly in the United States, Europe and China.

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

### *Breakdown by business group*

| | June 30, 2013 | | April 30, 2013 | | April 30, 2012 | |
|---|---|---|---|---|---|---|
| **Total workforce as of fiscal year-end** [(a)] | (2 months) | % | (12 months) | % | (4 months) | % |
| Christian Dior Couture | 4,483 | 4 | 4,389 | 4 | 3,701 | 4 |
| Wines and Spirits | 7,167 | 7 | 7,174 | 7 | 7,083 | 7 |
| Fashion and Leather Goods | 28,421 | 26 | 28,288 | 26 | 27,078 | 27 |
| Perfumes and Cosmetics | 20,343 | 19 | 20,111 | 19 | 18,610 | 18 |
| Watches and Jewelry | 7,368 | 7 | 7,770 | 7 | 7,573 | 8 |
| Selective Retailing | 39,520 | 36 | 39,256 | 36 | 35,165 | 35 |
| Other activities | 1,535 | 1 | 1,558 | 1 | 1,545 | 1 |
| **TOTAL** | **108,837** | **100** | **108,546** | **100** | **100,755** | **100** |

(a) Total permanent and fixed-term headcount.

### *Breakdown by geographic region*

| | June 30, 2013 | | April 30, 2013 | | April 30, 2012 | |
|---|---|---|---|---|---|---|
| **Total workforce as of fiscal year-end** [(a)] | (2 months) | % | (12 months) | % | (4 months) | % |
| France | 22,681 | 21 | 22,444 | 21 | 21,925 | 22 |
| Europe (excluding France) | 26,061 | 24 | 26,056 | 24 | 24,938 | 25 |
| United States | 22,414 | 21 | 22,505 | 21 | 21,196 | 21 |
| Japan | 5,919 | 5 | 5,863 | 5 | 5,537 | 5 |
| Asia (excluding Japan) | 25,462 | 23 | 25,377 | 23 | 21,957 | 22 |
| Other countries | 6,300 | 6 | 6,301 | 6 | 5,202 | 5 |
| **TOTAL** | **108,837** | **100** | **108,546** | **100** | **100,755** | **100** |

(a) Total permanent and fixed-term headcount.

### *Breakdown of personnel by professional category*

| | June 30, 2013 | | April 30, 2013 | | April 30, 2012 | |
|---|---|---|---|---|---|---|
| **Total workforce as of fiscal year-end** [(a)] | (2 months) | % | (12 months) | % | (4 months) | % |
| Managers | 20,024 | 18 | 19,878 | 18 | 17,794 | 18 |
| Technicians and team leaders | 10,882 | 10 | 10,706 | 10 | 9,639 | 10 |
| Office and sales personnel | 64,138 | 59 | 64,223 | 59 | 59,735 | 59 |
| Labor and production workers | 13,793 | 13 | 13,739 | 13 | 13,587 | 13 |
| **TOTAL** | **108,837** | **100** | **108,546** | **100** | **100,755** | **100** |

(a) Total permanent and fixed-term headcount.

### *Average age and breakdown by age*

As of April 30, 2013, the average age of the worldwide workforce employed under permanent contracts is 36 years and the median age is 33 years. The youngest age ranges are found among sales personnel, mainly in the Asia-Pacific region and the United States.

| *(as %)* | | Global workforce | France | Europe [(a)] | United States | Japan | Asia [(b)] | Other markets |
|---|---|---|---|---|---|---|---|---|
| Age: | less than 25 years | 12.6 | 6.5 | 8.4 | 21.1 | 3.5 | 15.1 | 19.3 |
| | 25-29 years | 21.5 | 15.0 | 18.7 | 21.4 | 16.2 | 30.8 | 23.1 |
| | 30-34 years | 19.5 | 16.6 | 20.0 | 15.6 | 26.1 | 23.2 | 21.5 |
| | 35-39 years | 14.4 | 15.2 | 17.7 | 10.2 | 25.7 | 11.5 | 14.4 |
| | 40-44 years | 11.2 | 14.0 | 14.0 | 8.9 | 14.8 | 7.7 | 9.2 |
| | 45-49 years | 8.6 | 12.6 | 9.7 | 7.4 | 7.6 | 5.8 | 6.0 |
| | 50-54 years | 6.0 | 10.4 | 6.2 | 6.1 | 4.1 | 3.2 | 3.1 |
| | 55-59 years | 4.1 | 7.7 | 3.5 | 4.7 | 1.8 | 1.9 | 2.4 |
| | 60 years and over | 2.1 | 2.0 | 1.8 | 4.6 | 0.2 | 0.8 | 1.0 |
| | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **AVERAGE AGE** | | **36** | **39** | **37** | **36** | **36** | **33** | **34** |

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

### *Average length of service and breakdown by length of service*

As of April 30, 2013, the average length of service within the Group is ten years in France and ranges from four to seven years in the other geographic regions. This difference is mainly due to the predominance in these other regions of retail activities characterized by a high turnover rate. 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 | 37.8 | 52.9 | 71.6 | 39.0 | 72.2 | 77.6 |
| | 5-9 years | 21.3 | 20.8 | 27.2 | 18.7 | 35.4 | 17.0 | 13.0 |
| | 10-14 years | 9.6 | 16.3 | 11.2 | 5.8 | 16.6 | 5.0 | 5.1 |
| | 15-19 years | 4.0 | 7.2 | 4.3 | 1.9 | 4.8 | 2.9 | 1.7 |
| | 20-24 years | 2.8 | 6.9 | 2.3 | 1.1 | 3.1 | 1.6 | 1.0 |
| | 25-29 years | 1.6 | 4.8 | 1.0 | 0.5 | 0.8 | 0.8 | 0.9 |
| | 30 years and over | 1.8 | 6.2 | 1.1 | 0.4 | 0.3 | 0.5 | 0.7 |
| | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **AVERAGE LENGTH OF SERVICE** | | **6** | **10** | **6** | **5** | **7** | **5** | **4** |

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

### 1.1.2. Recruitment policy

The Christian Dior group sees the recruitment of talent as a key management task and a determining element for the success of each of its entities in the short, medium and long term. For businesses where creativity and know-how are of the utmost importance, it is clearly essential to be able to enlist the highest performing, most appropriate and promising talent. In this highly competitive business environment, the quality of teams and of each of their members make the difference.

The Group has bolstered its appeal to leading colleges and universities, organizing more than a hundred events worldwide to promote the Group and Group companies to up-and-coming talents while reaffirming its commitment to be a fully-fledged partner. These events were organized as part of the Group's sponsorship initiatives in France, including the LVMH endowed chair in luxury brand management at ESSEC business school, the orientation seminar for international students at HEC, grants for students from the Antilles at Sciences Po, and other programs involving the Institut français de la Mode as well as the École Duperré. Events were also organized abroad as part of LVMH's sponsorship role with the CEMS alliance, which builds bridges between multinational corporations and major European business schools. Outside Europe, events such as MBA meet-ups were held in the United States, Hong Kong and Shanghai, where different Group companies were introduced to students from four prestigious business schools; endowment initiatives included the "LVMH Chair in Luxury Branding" at Waseda University in Japan, the "Luxury Business Management Track Bulgari" at SDA Bocconi in Italy, and a sponsorship agreement with the Central Saint Martins College of Art and Design in the United Kingdom to foster the development of creative, cross disciplinary projects at Group companies.

The Group's recruitment policy is part of an overall Human Resources strategy designed to highlight all of its strengths and identify the right personality fit. For this purpose, the Group develops recruitment and integration tools built specifically to single out enterprising individuals with the skills to drive future growth, using methods which respect the candidates involved. LVMH has expanded its Recruitment Days program to every part of the world where the Group operates in order to recruit high-potential graduates from international backgrounds. The rigorous methodology used for these Recruitment Days, involving exercises simulating real-life business scenarios, is highly popular with applicants, who receive systematic, personalized feedback on their participation.

Since 2009, the Group has decided to make the career opportunities within what the Group calls its "ecosystem" better known. This has a unique appeal in the luxury world, and motivates the best applicants to join one of the Group companies. This determination to give the Group the means to continually reinforce its image as an employer of choice is already very widely recognized in France. Initiatives taken by all Group companies have been popular with business school students in France, who ranked LVMH first among preferred employers for the 7th consecutive year in the Universum poll run by Trendence. Randstad, an HR consulting firm, also awarded the Group first prize in its Consumer Goods category. These distinctions honor the efforts made by all Group companies to bolster their appeal to young graduates and, by doing so, heighten their ability to attract diverse, top-tier talent.

Outside France, the Group was one of the 50 most attractive employers worldwide in 2012 among business school students according to Universum's consolidated poll results from 12 different countries, ranking at position 25, two places higher than in the previous survey. The Group also ranked in the Top 50 for engineering students. The Group's appeal was reaffirmed in 2012, with a 25% increase in applications on LVMH's Career websites, which received some 240,000 job applications in 2012.

The Code of Conduct for Recruitment has been widely disseminated to all employees active in recruitment processes across the Group. It sets forth the ethical principles to be observed in recruitment at the Christian Dior group and guarantees that fair hiring practices are followed at all of the Group's operations worldwide. This Code of Conduct is embodied in fourteen commitments, which aim in particular to prevent any form of discrimination and to promote diversity. Ethical principles to be applied in recruitment and the Code of Conduct for Recruitment are reinforced by the training program "Recruitment without Discrimination". This training initiative, introduced in 2011 for Human Resources managers at various Group companies, invites participants to dissect the recruitment process and assess the impact of stereotypes and prejudices with the goal of reducing the risk of discrimination at each stage in the process. To date, 150 Human Resources managers have completed this training. Lastly, LVMH has also had discrimination tests performed since 2008, by an independent and highly regarded firm, on job offers published on its Web site. By means of this scrupulous self-assessment procedure using the services of an independent, external provider on an ongoing basis, the Group strictly monitors the excellence of its recruitment practices.

### 1.1.3. Employee turnover and internal mobility

The overall turnover rate as of April 30, 2013 rose compared to December 31, 2011 and shows marked differences across geographic regions: the highest rates are recorded in North America and Asia, where labor markets are more fluid.

The data presented in the table below are based on information reported as of April 30, 2013 for the 2012-2013 fiscal year.

***Turnover by geographic region***

| *(as %)* | April 30, 2013 | France | Europe [(d)] | United States | Japan | Asia [(e)] | Other markets | Dec. 31, 2011 |
|---|---|---|---|---|---|---|---|---|
| **Total turnover [(a)]** | **20.8** | **9.5** | **18.7** | **29.7** | **9.0** | **27.4** | **21.8** | **19.2** |
| Of which | | | | | | | | |
| voluntary turnover [(b)] | 15.4 | 4.3 | 12.3 | 24.0 | 8.4 | 21.8 | 17.1 | 14.3 |
| involuntary turnover [(c)] | 5.0 | 4.4 | 6.0 | 5.4 | 0.3 | 5.5 | 4.5 | 4.4 |

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

The Christian Dior group has made internal mobility, whether geographic or functional, one of the pillars of its human resources policy. The diversity of its brands, their strong identities as well as their expertise in their respective fields, each with its own very specific characteristics, foster these two types of mobility and offer many paths to professional fulfillment suited to the aspirations and capabilities of each employee. LVMH posts vacant positions on its Intranet, Voices, as part of its internal career mobility scheme, where applicants looking for a career transition can register. This tool is designed to give employees better up-to-date information on opportunities within the Group, regardless of brand, job, or location, and can be used to directly submit applications. As such initiatives show, LVMH is committed to helping its employees grow within the Group through skill building and structured career development opportunities. Since the first listing of jobs in March 2012, more than 1,500 positions earmarked for internal candidates on a priority basis have been posted on Voices. The resulting number of views (over 34,000) overwhelmingly illustrate the usefulness of this tool for providing motivation and holding onto talent.

These new initiatives supplement the existing system of monthly internal mobility committees, where open positions are matched up to individuals interested in developing their careers. This applies to all seniority levels, job types, and geographical regions. Significant results have been seen over the past few years, with more than 2,100 internal opportunities taken up in 2012.

## 1.2. WORK TIME

### 1.2.1. Work time organization

As of April 30, 2013, 13% of employees benefit from variable or adjusted working hours and 45% work as a team or alternate their working hours.

***Global workforce affected by various forms of working hour adjustment: breakdown by geographic region***

| **Employees concerned** [(a)] *(as % of total payroll)* | **Global workforce** | **France** | **Europe** [(b)] | **United States** | **Japan** | **Asia** [(c)] | **Other markets** |
|---|---|---|---|---|---|---|---|
| Variable/adjusted schedules | 13 | 35 | 16 | 1 | 13 | 2 | - |
| Part-time | 15 | 10 | 17 | 34 | 1 | 5 | 18 |
| Teamwork or alternating hours | 45 | 10 | 29 | 75 | 83 | 56 | 57 |

(a) The percentages are calculated in relation to the total number of employee under permanent and fixed-term contracts in France. For the other regions, they are calculated in relation to the number of employees under permanent contracts only, except for part-time workers, in which case the percentages are calculated with respect to the total headcount. Data are reported as of April 30, 2013.
(b) Excluding France.
(c) Excluding Japan.

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

| **Employees concerned** [(a)] *(as %)* | **France workforce** | **Managers** | **Technicians and team leaders** | **Office and sales personnel** | **Labor and production workers** |
|---|---|---|---|---|---|
| Variable/adjusted schedules | 35 | 27 | 50 | 58 | 3 |
| Part-time | 10 | 3 | 6 | 21 | 7 |
| Teamwork or alternating hours | 10 | - | 7 | 2 | 35 |
| Employees benefiting from time off in lieu | 10 | - | 13 | 16 | 12 |

(a) Percentages are calculated on the basis of the total headcount (employees under both permanent and fixed-term contracts) as of April 30, 2013.

### 1.2.2. Overtime

The cost of the volume of overtime represents an average of 1.5% of the worldwide payroll, an estimated value of around 57 million euros for the fiscal year ended April 30, 2013.

***Percentage of overtime by region*** [(a)]

| *(as % of payroll)* | **Global workforce** | **France** | **Europe** [(b)] | **United States** | **Japan** | **Asia** [(c)] | **Other markets** |
|---|---|---|---|---|---|---|---|
| Overtime | 1.5 | 1.2 | 1.6 | 1.4 | 2.9 | 1.4 | 1.1 |

(a) Data are reported as of April 30, 2013.
(b) Excluding France.
(c) Excluding Japan.

### 1.2.3. Absenteeism

The worldwide absentee rate of the Group for employees working under permanent and fixed-term contracts was 4.9% for the fiscal year ended April 30, 2013. It has increased slightly compared with the previous years (4.8% in 2011 and 2010). The two main causes of absence are illness (2.3%) and maternity leave (1.7%). The overall absentee rate of the European entities is twice as high as that recorded in other geographic regions.

The data presented in the table below are based on information reported as of April 30, 2013 for the 2012-2013 fiscal year.

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

| *(as %)* | **Global workforce** | **France** | **Europe [(b)]** | **United States** | **Japan** | **Asia [(c)]** | **Other markets** |
|---|---|---|---|---|---|---|---|
| Illness | 2.3 | 3.6 | 3.1 | 1.1 | 0.3 | 1.8 | 1.1 |
| Work/work-travel accidents | 0.2 | 0.4 | 0.1 | 0.1 | - | 0.1 | 0.2 |
| Maternity | 1.7 | 1.5 | 2.9 | 0.5 | 3.1 | 1.4 | 0.9 |
| Paid absences (family events) | 0.5 | 0.3 | 0.3 | 0.1 | 1.0 | 1.1 | 0.8 |
| Unpaid absences | 0.3 | 0.5 | 0.3 | 0.2 | 0.2 | 0.4 | 0.3 |
| **OVERALL ABSENTEE RATE** | **4.9** | **6.3** | **6.7** | **2.0** | **4.7** | **4.8** | **3.3** |

(a) Number of days absent divided by the theoretical number of days worked.
(b) Excluding France.
(c) Excluding Japan.

## 1.3. COMPENSATION

Christian Dior group companies offer attractive and motivating compensation packages. 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 on a permanent basis. By means of variable pay components based on both individual performance and that of the Group, managers have a vested interest in the success of its companies.

Initiatives and tools specific to each entity are put in place to reduce the salary gap between men and women within the same professional category. Studies and actions conducted at the brands in the field of professional equality mainly relate to pay, promotion to positions of greater responsibility, and the distribution of levels of individual performance.

The studies conducted in 2012 on the distribution of levels of individual performance evidenced an identical distribution for women and men.

### 1.3.1. Average salary

The table below shows the gross average monthly compensation paid to Group employees in France under full-time permanent contracts who were employed throughout the fiscal year ended April 30, 2013:

| **Employees concerned** *(as %)* | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) | **Dec. 31, 2011** (12 months) |
|---|---|---|---|
| Less than 1,500 euros | 2 | 1 | 1 |
| 1,501 to 2,250 euros | 30 | 30 | 32 |
| 2,251 to 3,000 euros | 21 | 25 | 23 |
| Over 3,000 euros | 47 | 44 | 44 |
| **TOTAL** | **100** | **100** | **100** |

### 1.3.2. Personnel costs

Worldwide, the breakdown of personnel costs for the fiscal year ended June 30, 2013 was estimated using information reported as of April 30, 2013, then recalculated on a Full Time Equivalent basis over a two-month period:

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Gross payroll - Fixed term or permanent contracts | 648 | 3,812 | 1,120 |
| Employers' social security contributions | 163 | 961 | 290 |
| Temporary staffing costs | 27 | 158 | 55 |
| **TOTAL PERSONNEL COSTS** | **838** | **4,931** | **1,465** |

Outsourcing and temporary staffing costs accounted for 6% of the total payroll worldwide, including employer's social security contributions.

### 1.3.3. Incentive schemes, profit sharing and company savings plans

All companies in France with at least 50 employees have an incentive scheme, profit sharing or company savings plan. These plans accounted for a total expense of 61 million euros in the fiscal year ended June 30, 2013, paid in respect of 2012-2013, a strong increase compared to previous years.

The table below shows the amounts paid during the fiscal year ended June 30, 2013. Payments in respect of 2012 made before May 1, 2013 are not included.

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Profit sharing | 15 | 103 | 82 |
| Incentive | 39 | 73 | 50 |
| Employer's contribution to company savings plans | 7 | 15 | 9 |
| **TOTAL** | **61** | **191** | **141** |

## 1.4. SOCIAL RESPONSIBILITY

Integrity, constant vigilance to maintain a healthy environment, and respect at all levels are the pillars of social responsibility at the Christian Dior group. Over the last five years, the Group has reiterated its commitments in this regard and increased the number of programs in place wherever it is present.

Social responsibility is an approach adopted by all Group companies. It is applied in different ways in different places, depending on local concerns or specific history and heritage. Coordination takes place at Group level through regular meetings of Group company representatives in charge of social and environmental responsibility. At each year-end, a full international report is drawn up, covering Group companies with the largest workforce. This report lists all the actions implemented by Group companies over the previous twelve months. Subjects include preventing discrimination, promoting professional equality, employees' wellbeing, workforce integration, the employment of disabled persons, parenting, and efforts to stem socio-economic marginalization.

These achievements demonstrate the extent to which Christian Dior group companies monitor the impact of their business activities and behaviors on people, communities and the regions in which they operate. Such initiatives are rooted in a clear acknowledgment of the Group's responsibilities towards all stakeholders, a drive to increase the positive social impact of their business, and a generous vision of excellence.

LVMH is a signatory of the United Nations Global Compact and, in France, of the Diversity Charter and the Enterprise Charter for Equal Opportunity in Education.

Thus, LVMH has met all of the necessary criteria for admission to the two leading indexes of responsible investment stocks: the Dow Jones Sustainability World Index and the FTSE4Good Index.

### 1.4.1. Equality of opportunity for men and women

Gender equality is an integral part of the Christian Dior group's corporate culture. As of April 30, 2013, women accounted for more than three-quarters of the Group's workforce. This strong feminine presence is an essential characteristic of the Group. It is related to the very nature of the Group's businesses. Women are particularly prominent in Perfumes and Cosmetics (83% women), Selective Retailing (81% women), and Fashion and Leather Goods (72% women). Conversely, the majority of staff in Wines and Spirits are men, representing 63% of the workforce in this business group.

The initiatives begun back in 2009 to promote women's access to senior executive positions have produced results. The Group has had more and more women on its executive committees every year, from 28% in 2010 to 36% in 2012. This comes as confirmation of the Group's ambition to build diverse leadership teams that reflect its true economic and social profile. The Group's gender equality policy sets a target of 40% for women on executive bodies by 2015. All major human resources management decisions are informed by a desire for gender equality, the source of a greater diversity and complementarity of sensitivities.

***Proportion of female employees in new joiners [(a)] and in the Group's active workforce***

| | Joiners | | Workforce | |
|---|---|---|---|---|
| *(as % of women)* | **April 30, 2013** (12 months) | **Dec. 31, 2011** (12 months) | **April 30, 2013** (12 months) | **Dec. 31, 2011** (12 months) |
| **Breakdown by business group** | | | | |
| Christian Dior Couture | 66 | 72 | 70 | 72 |
| Wines and Spirits | 42 | 47 | 37 | 36 |
| Fashion and Leather Goods | 67 | 68 | 72 | 72 |
| Perfumes and Cosmetics | 84 | 85 | 83 | 84 |
| Watches and Jewelry | 62 | 57 | 62 | 56 |
| Selective Retailing | 81 | 82 | 81 | 81 |
| Other activities | 53 | 57 | 46 | 46 |
| **Breakdown of personnel by professional category** | | | | |
| Managers | 62 | 64 | 63 | 62 |
| Technicians and team leaders | 68 | 73 | 68 | 68 |
| Office and sales personnel | 80 | 80 | 81 | 81 |
| Labor and production workers | 43 | 55 | 61 | 63 |
| **Breakdown by geographic region** | | | | |
| France | 71 | 74 | 69 | 69 |
| Europe (excluding France) | 78 | 76 | 74 | 75 |
| United States | 77 | 80 | 78 | 77 |
| Japan | 73 | 79 | 75 | 78 |
| Asia (excluding Japan) | 74 | 75 | 75 | 75 |
| Other markets | 73 | 75 | 67 | 65 |
| **TOTAL** | **75** | **76** | **74** | **74** |

(a) Under permanent contracts, including internal mobility and transfers from fixed-term to permanent contract.

Through its "EllesVMH" program, the Group aims to facilitate women's access to positions of greater responsibility: access to management training, diversity considerations in the context of succession planning for key positions or in the recruitment of managers. In addition to an initial pilot project, a new one-year mentoring program was set up at the end of the year. The Group has also built up women's networks in the five biggest countries where it operates. Events organized by these networks brought together more than 350 women in 2012. Numerous events were held worldwide in March 2012 to celebrate International Women's Day. As regards online networking, "EllesVMH" is now one of the largest Intranet communities, with 500 members around the world.

The Christian Dior group remains ever vigilant with regard to gender equality, from the hiring stage throughout each employee's career. In France in 2012, all Group companies either signed labor agreements or established action plans on the topic of gender equality. These measures include stipulations on working conditions, career development opportunities, and better work-life balance.

## 1.4.2. Actions in favor of older employees

Access to employment by older staff and their retention are areas of constant concern for the Christian Dior group. Workgroups formed at the instigation of the Group's Human Resources Department have sought to implement a global approach to the management and professional development of older staff, and Group companies have been able to adapt this policy to their specific characteristics. In this connection, among the priorities identified, 80% of the Group's Houses took on quantified commitments to end-of-career planning, while 70% vowed to improve workplace conditions.

In France, action plans and collective agreements have been implemented to promote the recruitment, employment and career development of staff over the age of 50. Louis Vuitton, Céline and Guerlain are among Group companies that have developed "Senior-Junior" mentoring schemes to ensure the successful transmission of their unequaled know-how.

Human Resources managers at all of the brands have received training in the conduct of a mid-career interview, following a program established by the Group's Human Resources Department. These interviews are used at all Group companies to improve career management for older employees and offer systematic career plan assessments to those over the age of 50. Information meetings about retirement have also been offered to older employees at companies such as Le Bon Marché and Parfums Christian Dior.

Further measures to promote the employment of older staff have been implemented in several Group companies. Moët & Chandon, Parfums Christian Dior, LVMH Fragrance Brands, Guerlain and Le Bon Marché have signed agreements with their union representatives relating to the anticipatory management of jobs and skills in order to organize and develop the career prospects of older employees, with a particular focus on working time arrangements.

Worldwide, 12.2% of the Christian Dior group's active workforce were over the age of 50 as of April 30, 2013. In France, this population accounted for 20.1% of employees as of April 30, 2013.

### 1.4.3. Employment of disabled persons

In January 2011, LVMH signed its second partnership agreement with AGEFIPH, a key French stakeholder in the employment of disabled persons. With this new agreement, the Group reinforces its commitments relating to the recruitment and accommodation of employees affected by disabilities. In these efforts, Christian Dior group is supported by a network of more than 30 disability correspondents in Group companies through its Mission Handicap initiative. In 2012 the Group also took a particular interest in suppliers specializing in the employment of disabled persons. In France, between 2007 and 2012, the employment rate for disabled persons increased from 1.6% to 3.9% based on official standards for the definition of disabilities.

The Group is particularly attentive to the need to ensure that employees who become disabled are able to continue working, as illustrated already by the specially designed facilities at Moët & Chandon, Parfums Christian Dior and Guerlain, which allow staff members with medical limitations to continue to work in their jobs under appropriate conditions. A forerunner in this area, Moët & Chandon founded MHEA in March 2011, a company offering facilities adapted for disabled employees. A fully autonomous entity, MHEA maintains a disabled employment rate of at least 80% and provides the best possible working conditions for employees affected by disabilities, without any change in the terms of their compensation.

In the area of recruitment, the Christian Dior group has developed a methodology ("Handi-Talents") based on professional-life scenarios for disabled applicants. These innovative recruitment sessions pay no heed to the applicants' résumés but instead seek to make the recruitment process objective and identify skills and competencies which are transferable into the professional sphere.

Informing and training employees is an essential part of providing job opportunities to disabled persons. Les Echos group organized awareness training for more than 60 employees in 2012. On February 10, 2012 the Group organized a conference involving more than 50 managers on the subject of disabilities and management. This initiative has continued in the form of a training program called "Le Manager et le Handicap".

In keeping with the international reach of its business activities, the Group sees to it that its policies with respect to the employment of persons with disabilities are consistently applied outside France as well. In London, the LVMH House and the Down's Syndrome Association (DSA) organized an event to promote the social and professional integration of people with Down's syndrome (otherwise known as Trisomy 21). In Spain, Loewe funded training for 300 disabled individuals to increase their ability to find employment.

The Christian Dior group encourages recourse to organizations that specialize in the employment of disabled persons in a protected environment where they are not independent enough to work in conventional settings. On November 7, 2012 the Group organized its first exhibition on Disabilities and Responsible Procurement as part of its approach to responsible decision-making in procurement. Presented by LVMH's Group Managing Director Antonio Belloni and LVMH's Human Resources Director Chantal Gaemperle, this exhibition showcased various organizations specializing in disability employment as well as the sponsorships run by Hennessy, Moët & Chandon, Guerlain, Louis Vuitton, Make Up For Ever and Parfums Christian Dior. The event was attended by about 170 managers from all Group companies.

## 1.5. PROFESSIONAL DEVELOPMENT OF EMPLOYEES

The annual review of organization and talents run by the Human Resources department in close collaboration with operational managers forms the backbone of Christian Dior group's Human Resources policy. It is fueled by the business-related issues pinpointed in each Group company's strategic plan, and highlights their implications in terms of Human Resources. This review provides forward-looking insights into the most critical positions and succession plans. It also aims to identify and develop talents within the Group through short-term and medium-term career opportunities and by putting together individual development plans to prepare staff for their future responsibilities. Reviews have shown that the Group's pool of senior executives is stable and loyal, as well as increasingly international, with most key positions held by non-French managers. The organization is also proving capable of revealing talent within the Group, with more than two thirds of key positions filled by internal promotions. This policy has also reinforced the use of career interviews, adopting a complementary approach to existing annual assessments, with a greater focus on personal development.

The Group also fosters mobility between professional categories by encouraging its employees to acquire new skills, especially through certificate or degree programs. More than 8,200 staff

members were promoted in 2012, i.e. 8% of the permanent workforce.

The Christian Dior group continued and increased its investments in training in 2012 so as to support growth and provide a broad array of opportunities for personal and professional development. Apart from encouraging internal mobility across the various Group companies, training serves as a powerful driver for building careers, enabling the acquisition or enhancement of skills, and encouraging exchanges both inside and outside the Group.

Programs and forums are a reflection of the Group's increasingly international character, be it through the development of e-learning technologies or the growing variety of locations involved. The opening of an ambitious Asia-Pacific Talent Development Centre in Singapore stands as a testament to the Group's global ties.

After Shanghai and Paris, New York played host to the final segment of the 2011-2012 LVMH Inspiring Entrepreneurs program, offered to a select group of highly experienced managers. This innovative program was developed as a counterpart to the array of forums offered by the LVMH House in London, to demonstrate the Group's commitment to excellence for its executives. Participants were offered the chance to hear from inspiring, high-profile guest speakers as well as in-house leaders, including the LVMH group's entire Executive Committee, and to engage with them on a variety of current topics.

On a global scale, the Group's major regional Human Resources teams substantially increased the number of training opportunities available to local organizations, involving over 800 managers in Asia and more than 400 in the United States, with a worldwide total in excess of 3,000 participants. The Group's first ever middle management leadership program was offered jointly in French and English in the United States, France, Hong Kong, Singapore, Spain, Italy, and China (Shanghai).

A diverse selection of training programs is also available to non executive employees for career development in the Group's boutiques, manufacturing facilities, and administrative offices.

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

| **Global workforce** | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Training investment *(EUR millions)* | 15.8 | 95.0 | 27.8 |
| Portion of total payroll *(as %)* | 2.5 | 2.5 | 2.5 |
| Number of days training per employee | 0.4 | 2.3 | 0.8 |
| Average cost of training per employee *(EUR)* | 145 | 872 | 268 |

In the fiscal year ended June 30, 2013, training expenses incurred by the Christian Dior group's companies throughout the world remained stable compared with preceding years, at approximately 2.5% of total payroll.

Moreover, the Christian Dior group organizes integration and awareness seminars for new hires focusing on the culture of the Group, its values, its key management principles and knowledge of its brands. More than 25,148 employees attended seminars of this type in the fiscal year ended April 30, 2013.

## 1.6. HEALTH AND SAFETY

Between May 1, 2012 and April 30, 2013, there were a total of 1,057 work accidents resulting in leave of absence which resulted in 23,322 lost working days. Frequency rates have been improving steadily for several years and severity rates are stable. 399 commuting accidents were also recorded, resulting in 7,955 lost working days.

Lost time accidents by business group and geographic region break down as follows as of April 30, 2013:

| | Frequency rate [a] | Severity rate [b] |
|---|---|---|
| **Breakdown by business group** | | |
| Christian Dior Couture | 2.52 | 0.05 |
| Wines and Spirits | 7.73 | 0.19 |
| Fashion and Leather Goods | 3.82 | 0.09 |
| Perfumes and Cosmetics | 4.91 | 0.09 |
| Watches and Jewelry | 3.71 | 0.10 |
| Selective Retailing | 6.46 | 0.14 |
| Other activities | 6.37 | 0.07 |
| **Breakdown by geographic region** | | |
| France | 12.48 | 0.32 |
| Europe (excluding France) | 3.93 | 0.06 |
| United States | 6.00 | 0.15 |
| Japan | 0.17 | 0.00 |
| Asia (excluding Japan) | 3.22 | 0.05 |
| Other countries | 4.47 | 0.12 |
| **Group: April 30, 2013** | **5.45** | **0.12** |

(a) The frequency rate is equal to the number of 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, multiplied by 1,000 and divided by the total number of hours worked [c].
(c) For companies located outside France, the total number of hours worked per employee is estimated at 2,000 on a full-time equivalent basis. This number of hours may vary slightly from the number of hours actually worked depending on the country.

Almost 19.4 million euros were invested in health and safety in the fiscal year ended April 30, 2013. This includes expenses for occupational medical services, protective equipment as well as programs for improving personal safety and health, such as compliance, the posting of warnings, replacement of protective devices, fire prevention training and noise reduction.

The total amount of expenditure and investments promoting health and safety in the workplace and improvements in working conditions amounted to almost 71 million euros, representing 1.8% of the Group's gross payroll worldwide. More than 29,880 Group company employees received safety training worldwide.

All Group companies constantly strive to look after the health, safety, and wellbeing of their employees, who themselves take a widely active role in promoting proper working conditions at manufacturing sites, stores and company head offices. The Health and Safety initiatives undertaken by Group companies such as Louis Vuitton, Parfums Christian Dior, and Moët & Chandon are highly structured and ambitious. Glenmorangie's "Zero accidents" program is one example of this. Companies including Bulgari, Donna Karan, and Loewe manage these initiatives via health and safety committees and working groups. Programs are designed to help employees manage the work-life balance (day-care at Hublot, concierge services at Berluti) and increase their job satisfaction (sales employee training at Céline). Special efforts have also been made to improve workstation ergonomics at companies such as Louis Vuitton, Bulgari, Fendi, Chaumet, etc.

The Christian Dior group makes every effort to prevent and deal with phenomena such as harassment and stress in the workplace. Over the course of 2012, LVMH continued taking action to prevent psychosocial distress through risk assessment and gauging (Moët & Chandon), steering committees, training and awareness raising, support units (Hennessy, Parfums Christian Dior, Veuve Clicquot, Loewe, Guerlain, Sephora Inc., etc.), work organization reviews, work-life balance adjustments, organizational overhauls, and harassment prevention.

Moët & Chandon, Le Bon Marché and Sephora have signed agreements to prevent psychosocial risks which in some cases provide for some of them the creation of a dedicated Observatory,

in which the Occupational Medicine unit and the Committee on Health, Safety and Working Conditions are both involved. Parfums Christian Dior has committed to a process to improve the quality of life in the workplace and prevent psychosocial risks, involving in particular the creation of a manager-level position responsible for risk prevention and occupational health. Louis Vuitton has also developed a prevention program that supports all of its entities. Other innovative initiatives have been taken, in collaboration with occupational health services staff: for example, holistic massages for production staff at Guerlain's sites and in Céline's workshops during the stressful periods when runway shows are being prepared.

A posture and movement training program is also implemented at all manufacturing sites to prevent musculoskeletal disorders, which are the main type of occupational illness that has been observed, and to accompany employees' career path with a policy of improved working conditions. The ergonomics and working conditions at vineyards, workshops and manufacturing sites are reevaluated on a regular basis. For five years, Veuve Clicquot has run a working group on how best to handle the physical strain encountered by certain agricultural laborers.

Reported occupational illnesses are monitored by all of the Group's French entities and consolidated on an annual basis. Data relating to this indicator is currently being verified for relevance so as to allow for the indicator's publication and an enlargement of the scope of reporting. An analysis of the results obtained will be used to define priorities for action in the area of occupational health.

## 1.7. EMPLOYEE RELATIONS

### 1.7.1. Status of collective agreements

In France, Christian Dior group companies have works councils, employee representatives, as well as health and safety committees. The Group Committee was formed in 1985.

During the fiscal year ended June 30, 2013, employee representatives attended 293 meetings:

| Nature of the meetings | Number |
|---|---|
| Works council | 100 |
| Employee representatives | 108 |
| Health and Safety Committee | 48 |
| Other | 37 |
| **TOTAL** | **293** |

As a result of these meetings, 42 company-wide agreements were signed, such as annual negotiations on wages and work schedules, incentive and profit sharing agreements and company savings plans, and agreements on the payment of the profit sharing employee bonus. Specific agreements and amendments related to the employment of disabled persons, professional equality between women and men, anticipatory management of jobs and skills, labor-management dialogue, and the prevention of psychosocial risks have been signed at Group companies.

### 1.7.2. Social and cultural activities

In France, during the fiscal year ended June 30, 2013, Christian Dior group companies allocated a budget of over 3 million euros to social and cultural activities in France via contributions to works councils.

Total catering costs for Group employees represent a budget of 3.7 million euros.

## 1.8. RELATIONS WITH THIRD PARTIES

### 1.8.1. Subcontracting and relations with suppliers

The Christian Dior group places a priority on maintaining and promoting stable relations with responsible partners (suppliers, distributors, subcontractors, etc.).

Since 2008, all of the Group's brands have adopted and promulgated the Supplier Code of Conduct which sets forth the Group's requirements in terms of social responsibility (forced labor, discrimination, harassment, child labor, compensation, hours of work, freedom of association and collective bargaining, health and safety, etc.), the environment (reducing environmental impacts, use of green technologies, waste reduction, compliance with regulations and standards), and the fight against corruption. Relations with any partner necessitate the latter's commitment to comply with all ethical principles enunciated in this Code. This Code of Conduct also sets forth the principle and procedures for the control and audit of compliance with these guidelines.

Among many initiatives by Group companies illustrating this commitment, all the brands of Moët Hennessy establish a specifications document presented for signature to their subcontractors that addresses respect for the environment and fundamental labor law compliance, among other issues; every year, supplier audits are carried out to minimize the most significant risks. In its supplier specifications documents, Sephora includes clauses dealing with the individual rights of employees, child labor prevention, equality of opportunity and treatment, working time policy, and the protection of the environment. Louis Vuitton has put in place an ethical system of preliminary audits founded on compliance with local regulations as well as the SA 8000 social accountability standard, which is based on international workplace norms included in the International Labor Organization (ILO) conventions: no child labor, working conditions, health and safety, freedom of association and the right to collective bargaining, no discrimination, disciplinary practices, compliance with working hour and wage regulations. To ensure that they will be able to perform preliminary audits independently, Louis Vuitton's buyers receive theoretical training covering the approach and criteria as well as field training in the company of an SA 8000 auditor. Donna Karan has developed a Vendor Code of Conduct designed to ensure respect for fundamental principles of labor law and targeting the highest ethical standards. It has also developed a Vendor Profile Questionnaire, a document signed by the subcontractor when the pre-approval request is submitted. Donna Karan has also introduced a Vendor Compliance Agreement, which plans for independent audits of suppliers to ensure that commitments have been observed. In order to encourage such practices and share its own expertise, Donna Karan organizes supplier training programs in partnership with Marc Jacobs. These training programs are run by expert third parties and mainly concern employee working hours, the greening of manufacturing facilities, improved corrective action plans, and updates on regulated substances. TAG Heuer and Loewe require that all new suppliers submit a written pledge indicating their compliance with the SA 8000 standard. The same is true for Parfums Christian Dior, Parfums Givenchy, and Guerlain, who have introduced specifications documents including compliance with the SA 8000 standard among their provisions.

Workgroups comprising experts from various Group Houses presented, as they have each year, a review of their accomplishments and progress made during an annual meeting that provides an opportunity to exchange best practices, to implement shared tools and reference guides, and to identify new areas meriting attention.

In 2012, over 650 social and/or environmental audits were carried out, nearly 80% of which by specialized external service providers, at 546 of our suppliers. Among these audits, 526 related exclusively to social criteria. More than one-third of these audits showed results in line with our standards and 40% identified minor non-compliance issues. Audits whose conclusions indicated a need for significant improvement by suppliers or the existence of major non-compliance issues accounted for 20% and 2% of audits performed, respectively. In all, 141 corrective action plans were implemented at our suppliers where audits had identified areas in need of improvement.

The increasing use of preliminary audits (81 performed in 2012) enabled better advance identification of supplier practices, thus leading to the decision to refrain from working with certain potential suppliers. For example, Louis Vuitton decided not to begin working with one of its potential suppliers after receiving unsatisfactory results from a preliminary audit. In addition, some Group companies were prompted to put an end to their existing relationships with suppliers whose social audit findings revealed major issues of non-compliance with our Code of Conduct.

In the interest of continued improvement in this area, the Group's Houses will continue their supplier audit programs in the coming months of 2013, together with follow-ups on action plans.

### 1.8.2. Supply sources and subcontracting by business group

As they have not undergone any changes since December 31, 2012, the 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 2012 Reference Document.

#### *Champagnes and Wines*

The Group owns 1,717 hectares of champagne under production, which provide a little more than one-fourth of its annual needs. In addition, Group companies purchase grapes and wines from wine growers and cooperatives on the basis of multi-year agreements; the largest supplier of grapes and wines represents less than 10% of total supplies for the Group's brands. Until 1996, a theoretical price was published by the industry; to this were added specific premiums negotiated individually between wine growers and merchants. 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 2009, setting the

framework for negotiations relating to harvests from 2009 to 2013. Each individual agreement must now include an indexation clause for grape prices. The recommended benchmark is the average sales price of a bottle of champagne, which ensures better value distribution for the market participants and more control over grape price speculation.

For about ten years, wine growers 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 security for future years with smaller harvests.

For the 2012 harvest, the Institut National des Appellations d'Origine (INAO, the French organization responsible for regulating controlled place names) set the maximum yield for the Champagne appellation at 11,000 kg/ha. This maximum 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. It is now 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 1,000 kg/ha for the 2012 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 10,000 kg/ha.

The price paid for each kilogram of grapes in the 2012 harvest ranged between 5.20 euros and 6.05 euros depending on the vineyard, a 3.4% increase compared to 2011.

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

The champagne houses used subcontractors primarily for bottle handling and storing operations; these operations represented approximately 18 million euros in 2012.

### *Cognac and Spirits*

Hennessy owns 173 hectares. The Group's vineyard has remained virtually stable since 2000, after 60 hectares of vines were cleared in 1999 as part of the industry plan implemented in 1998. The objective of the plan was to reduce the production area through premiums offered for clearing and assistance given to wine growers to encourage them to produce wines other than those used in the preparation of cognac.

Most of the wines and eaux-de-vie Hennessy needs for its production are purchased from a network of approximately 2,500 independent producers, a collaboration which enables the company to ensure that exceptional quality is preserved. Purchase prices for wine and eaux-de-vie established between the company and each producer based on supply and demand. In 2012, the price of eaux-de-vie from the harvest increased by 11% compared to the 2011 harvest.

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

Hennessy continued to control its purchase commitments for the year's harvest, and diversify its partnerships to prepare its future growth in various qualities.

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*

In Fashion and Leather Goods, manufacturing capacities and the use of subcontracting vary significantly, depending on the brand.

The seventeen leather goods manufacturing shops of Louis Vuitton Malletier, twelve in France, three in Spain and two in the United States, provide most of the brand's production. All development and production processes for Louis Vuitton's entire footwear line are handled at its site in Fiesso d'Artico, Italy. Louis Vuitton Malletier uses third parties only to supplement its manufacturing and achieve production flexibility in terms of volumes.

Louis Vuitton Malletier purchases its materials from suppliers located around the world, with whom Louis Vuitton Malletier has established partnership relationships. The supplier strategy implemented over the last few years has enabled requirements to be fulfilled in terms of volumes, quality and innovation, thanks to progressive diversification and by limiting dependency on suppliers. In 2009, Louis Vuitton Malletier initiated an integration strategy, notably via a joint venture agreement with Tannerie Masure, a longstanding supplier of premium-quality vegetable-tanned leathers. This partnership resulted in the creation of Tanneries de la Comète, where hides are tanned exclusively for Louis Vuitton, using vegetable tannins. In 2011, the acquisition of a stake in Heng Long, an exotic leather tannery, also contributed to mastering this savoir-faire, and helped secure access to strategic supplies. This strategy continued in 2012, with the acquisition of Tanneries Roux, a French supplier of premium-quality calfskin. For Louis Vuitton, the leading supplier of hides and leathers represents about 16% of its total supplies of these products.

Fendi and Loewe have leather workshops in their country of origin, and in Italy for Céline, 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 country of origin of the brand: France, Italy and Spain.

Overall, the use of subcontractors for Fashion and Leather Goods operations represented about 41% of the cost of sales in 2012.

Finally, for the various Houses, the fabric suppliers are often Italian, but on a non-exclusive basis.

The designers and style departments of each House ensure that manufacturing does not generally depend on patents or exclusive expertise owned by third parties.

### *Perfumes and Cosmetics*

The five French production centers of Guerlain, Parfums Christian Dior and LVMH Fragrance Brands provide almost all the production for the four major French brands, including Kenzo, both in fragrances, and in make-up and beauty products. Make Up For Ever also has manufacturing capacities in France. The manufacturing of Benefit, Parfums Loewe, Fresh and Parfums Fendi's products is partly provided by the Group's other brands, the remainder being subcontracted externally.

In 2012, manufacturing subcontracting represented overall about 8% of the cost of sales for this activity, plus approximately 9 million euros for logistical 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 elaborate 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 (France) laboratories, but the Group can also acquire or develop formulas from specialized companies, particularly for perfume essences.

### *Watches and Jewelry*

With its Swiss workshops and manufactures, located in Le Locle, La Chaux-de-Fonds, Neuchâtel, Cornol, Le Sentier and in Nyon, the Group provides almost the entire assembly of the watches and chronographs sold under the TAG Heuer, Hublot, Zenith, Bulgari, Christian Dior, Chaumet and Fred brands, as well as the design and manufacturing of the mechanical movements *El Primero* and *Elite* from Zenith, the *Calibre 1887* from TAG Heuer, *UNICO* from Hublot and the *Hautes Complications* from Bulgari. In 2011, TAG Heuer acquired the entire share capital of ArteCad, a leading Swiss manufacturer of watch dials, and Hublot acquired the entire share capital of Profusion, a supplier of carbon fiber parts and components, which complements TAG Heuer and Bulgari's current capacity for critical components such as dials, cases and straps. Zenith's manufacture in Le Locle underwent a major renovation in 2012.

In this business, subcontracting represented 12% of the cost of sales in 2012.

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 approximately 34% of the cost of sales for the fiscal year ended June 30, 2013.

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

## 1.8.3. 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' retail networks.

As of April 30, 2013, non-disciplinary layoffs, including those due to economic conditions, represent 3.2% of total departures in France.

A number of the Group's 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), Veuve Clicquot Ponsardin and Moët & Chandon in the Champagne region, and Hennessy in the Cognac region 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, the Group's companies are attentive to the social particularities of their regions and have forged partnerships, as described below, with associations or non-governmental organizations to help with the social and professional integration of the underprivileged.

## 1.8.4. Promotion of education and relations with educational institutions and apprenticeship associations

Around the world, Group companies are involved in efforts to facilitate access to education for young people in disadvantaged regions and in those having experienced traumatic events. In China, Moët Hennessy Diageo has mentored a group of middle school students from Sichuan province since the earthquake in 2009, with remedial assistance provided by its employees and the funding of educational materials. Similarly, through the operation "Hand in Hand for Haiti" launched in the aftermath of the earthquake in January 2010, DFS contributed to the rebuilding of a school complex for the most disadvantaged children in the town of Saint-Marc. In South America, Moët Hennessy participates in Brazil in initiatives promoting the occupational integration of struggling youths or those from underprivileged backgrounds and it offers in Argentina parental training programs for the families of its employees in partnership with training organizations. For the third year in a row, through its partnership with Spectaculu in Brazil, Louis Vuitton is sponsoring an annual photography course for around twenty underprivileged students in Rio de Janeiro, who will get the opportunity to develop their cultural and professional qualifications. In India, Moët Hennessy supports the work of Aseema, a non-governmental organization working to promote

access to education for underprivileged children in Mumbai. In 2010, Louis Vuitton and SOS Children's Villages entered into a five-year worldwide alliance with the aim of developing a program entitled "Partnership for Children's Futures". This project seeks to improve future prospects for underprivileged children around the world, building a future based on safety, education and apprenticeship training. This partnership is in keeping with the values espoused by Louis Vuitton. Through this initiative, the brand supports the development of scholastic programs for children in China, the Philippines, Vietnam, the Dominican Republic, and also in Europe.

Local solidarity also showed through during Hurricane Sandy's assault on the east coast of the United States and especially the New York metropolitan area. The violent storm affected many employees and clients, some tragically. The Group and Group companies provided support to employees affected by the hurricane, including financial support in the most urgent cases. Together, they also contributed a total of one million US dollars in support to aid organizations for hurricane victims, such as the American Red Cross and the Mayor's Fund to Advance New York City.

In all countries where it is present, the Christian Dior group continues to nurture many partnerships and develop its multiple ties with educational institutions to raise the profile of the Group's professions. These partnerships often result in scholarships and funding for schools training young people in the fashion and leather goods professions. Over the years, LVMH has forged strong ties with the Institut français de la Mode, in relation to the training of its employees and the recruitment of the institute's graduates, whose dual specialization is appreciated. LVMH is also a privileged partner of CEMS, a strategic global alliance of leading business schools and multinational companies, that takes part in many actions in favor of graduates of top universities in more than twenty countries. Key Group companies give presentations on the campuses of these universities several times a year.

The Group is continually developing resources and partnerships to promote access to employment for disadvantaged populations. In France, many initiatives to promote occupational integration are undertaken to allow all employees to participate actively in the Group's commitment to society. For example, in partnership with the association "Nos Quartiers ont des Talents", about a hundred senior-level staff members have mentored more than 150 young graduates from underprivileged neighborhoods. Under partnerships with municipal authorities in underprivileged areas, presentations on the Group's professions are given to middle school students in these localities, thus contributing to youth guidance efforts, a condition for successful occupational integration.

Since 2010, LVMH has been involved in a partnership with Montfermeil, a diversely populated suburb of Paris benefiting from a strong commitment by its political leadership in favor of the more vulnerable members of its community. Driven by a shared commitment to excellence, this partnership is helping to facilitate social advancement for disadvantaged populations, by arranging internships for young people and hiring older members of the community. In this context, Montfermeil also receives support from the Group to raise awareness of its rich cultural makeup and the talents of its inhabitants, expressed through the annual "Cultures et création" runway event. Thanks to the support of LVMH, the collection by the designer awarded the grand prize at this event was exhibited at the 2012 edition of the Ethical Fashion Show, held at the Carrousel du Louvre in Paris. Young people are the beneficiaries of a wide range of initiatives: internships for middle school pupils, visits to Group companies, preparatory programs for high school students, career orientation, etc. On December 18, 2012, the LVMH group received the Trophée national de l'entreprise citoyenne, a corporate citizenship award, for its partnership with Montfermeil. The award was presented by France's Minister of Urban Development, François Lamy, at a ceremony attended by the President of the Senate, Jean-Pierre Bel.

In the same spirit, for the third consecutive year, Parfums Christian Dior helped recipients of basic social security benefits return to work. This program, carried out in partnership with the association "Programme d'accompagnement de retour vers l'emploi" (PARE), gives people outside the labor market the opportunity to work under a work/training alternation contract at the company's production site in Saint-Jean de Braye, culminating in official qualification by way of a professional diploma. Twenty people have been recruited this way since the start of the operation. In recognition of the positive impact this recruitment policy has had in the site's local area, regional stakeholders selected the Saint-Jean de Braye facility as a recipient of a Trophée de l'entreprise du Loiret corporate citizenship prize, awarded on October 25, 2012 in Orléans.

Always with the aim of furthering access to employment based only on merit and commitment, LVMH is a participating member of the RNEECE, a network of French companies promoting equal opportunities in education and training. This association arranges actions by companies in schools located in underprivileged areas and welcomes their graduates as interns.

In order to promote the integration of young people through education regardless of their background or origin, LVMH supports the priority education program run by the Institut d'Études Politiques (Sciences Po), by offering grants to students and giving young graduates of this program the chance of being mentored by managers. Moreover, Hennessy funds scholarships for African-American students in the United States.

Lastly, 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. More than 700 employees were able to take advantage of work-study arrangements in France. The majority of those offered a professionalization contract have found stable employment afterwards. As of April 30 2013, there were almost 860 young people working under apprenticeship or professionalization contracts in all of the Group's French companies.

## 1.8.5. Corporate sponsorship

The Christian Dior group's corporate sponsorship initiatives are undertaken to preserve artistic heritage in France and elsewhere, by supporting the restoration of historical monuments, expanding the collections of leading museums, contributing to major national exhibits, and engaging in creation with artists emblematic of the contemporary era. In 2012, LVMH supported the retrospective dedicated by the Centre Pompidou

in Paris to the German artist Gerhard Richter. It also sponsored an "Impressionism and fashion" exhibit at the Musée d'Orsay (Paris), a Picasso series at the Hong Kong Heritage Museum, and a Thomas Schütte show at the Serpentine Gallery in London. In addition to this, the Fondation Louis Vuitton pour la Création, under construction at the Jardin d'Acclimatation in Paris, will enter a key phase of its completion in 2013.

The Group has long been involved in educational and youth activities, including the loan of Stradivarius violins from LVMH's collection to young virtuosos, free tickets for Parisian conservatory students to the city's greatest concerts through the "1000 places pour les jeunes" project for the last 15 years, and support for the International Music Academy founded in Switzerland by the conductor Seiji Ozawa.

The Group also supports a great number of institutions known for their involvement with children, such as the Fondation des hôpitaux de Paris – Hôpitaux de France, Save the Children (Japan), the Robin Hood Foundation (New York), and more. The Group stands behind scientists conducting advanced research on public health, such as the teams at the Institut Pasteur in Paris, the American Foundation for AIDS Research, and the Parkinson's Disease Foundation in New York.

## 1.9. COMPLIANCE WITH INTERNATIONAL CONVENTIONS

Taking each individual, his or her freedom and dignity, personal growth and health into consideration in each decision is the foundation of a doctrine of responsibility to which all Group companies 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 and forced labor.

# 2. Effects of operations on the environment

In accordance with Decree no. 2002-221 of February 20, 2002, known as the NRE decree (Nouvelles régulations économiques) and Decree no. 2012-557 of April 24, 2012 regarding companies' transparency obligations with respect to social and environmental issues, the following sections provide information on the type and significance of relevant and significant impacts only, with regard to business operations. The information and indicators retained were selected by the Group's Environment Department and then verified by the Environment and Sustainable Development Department of Ernst & Young, the independent verifier, one of the Group's Statutory Auditors. This audit team's findings are expressed in the statement of opinion included at the end of the Workforce, Environmental and Social report.

As a result of the change in the Christian Dior group's fiscal year-end to June 30, 2013, environmental reporting exceptionally covers a two-month period, from May 1 to June 30, 2013. Certain pertinent information could thus not be produced for this Management Report, namely the number of sites audited in the period and the number of environmental training hours.

Moreover, the indicators presented here below were calculated based on information pertaining to the fiscal year from May 1, 2012 to April 30, 2013 and published in the Annual Report of the Christian Dior group for the fiscal year ended April 30, 2013.

The formula applied is:

Value May 2013-June 2013 (2 months) = [Value May 2012-April 2013 (12 months)]/6

The reporting scope for environmental indicators included the following sites as of June 30, 2013:

### *Production facilities, warehouses and administrative sites*

| *(number)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) |
|---|---|---|
| Sites covered | 228 | 228 |
| Sites not covered [(a)] | 40 | 40 |
| Total number of sites | 268 | 268 |

(a) Including mainly: a Louis Vuitton workshop recently opened, the Heng Long (Singapore) and La Comète (Belgium) tanneries and the administrative sites of Benefit, Fresh, Pucci, Acqua di Parma, Radio Classique, Marc Jacobs, De Beers, StefanoBi, Donna Karan, Thomas Pink and certain Christian Dior Couture sites.

### *Sales floor area included in the scope of reporting, per indicator*

| | Energy consumption and greenhouse gas emissions | | Water consumption | |
|---|---|---|---|---|
| *(as % of total sales floor area or of the Group company's sales floor area)* [(a)] | June 30, 2013 (2 months) | April 30, 2013[(b)] (12 months) | June 30, 2013 (2 months) | April 30, 2013[(c)] (12 months) |
| **Group total** | **46** | **46** | **24** | **24** |
| Of which, mainly: | | | | |
| Christian Dior Couture | 50 | 50 | 18 | 18 |
| DFS | 70 | 70 | 53 | 53 |
| Louis Vuitton | 43 | 43 | 10 | 10 |
| Sephora Americas | 57 | 57 | 53 | 53 |
| Sephora Europe | 45 | 45 | 10 | 10 |

(a) The reporting scope does not cover the stores operated under franchise for Fashion and Leather Goods, Perfumes and Cosmetics, and Watches and Jewelry.
(b) Also includes all French stores operated by Berluti, Guerlain, Kenzo, Le Bon Marché, Make Up For Ever, and certain stores operated by Bulgari, Christian Dior Couture, Fendi, Loewe, and Marc Jacobs.
(c) Also includes certain stores operated by Berluti, Bulgari, Christian Dior Couture, Fendi, and Guerlain.

For waste production, only stores operated by DFS or Le Bon Marché, and certain Louis Vuitton and Christian Dior Couture stores, are included in the scope. For seven DFS stores, 2011 data were applied again. The environmental indicators for the stores that are not part of the scope are deduced by extrapolation: estimates are included in the comments rather than in the tables themselves.

## 2.1. WATER, ENERGY CONSUMPTION AND RAW MATERIAL REQUIREMENTS

### 2.1.1. Water consumption

Water consumption is analyzed based on the following:

- 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 vine irrigation outside France, as irrigation is not used in France for the Group's vineyards. As such, water is taken directly from its natural environment for irrigation purposes. Its consumption varies each year according to changes in weather conditions. However, it is worth noting that the measurement by the sites of water consumption for agricultural purposes is less precise than the measurement of process water consumption.

| *(in $m^3$)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) |
|---|---|---|
| Process requirements | 336,574 | 2,019,446 |
| Agricultural requirements (vine irrigation) | 1,096,402 | 6,578,409 |

Water consumption by retail sales areas excluded from the reporting scope (76% of total retail space) is estimated at 156,746 cubic meters.

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

***Water consumption by business group***

| **Process requirements** *(in $m^3$)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) |
|---|---|---|
| Christian Dior Couture | 6,456 | 38,736 |
| Wines and Spirits | 211,413 | 1,268,479 |
| Fashion and Leather Goods | 29,566 | 177,395 |
| Perfumes and Cosmetics | 29,077 | 174,463 |
| Watches and Jewelry | 3,631 | 21,787 |
| Selective Retailing | 54,269 | 325,614 |
| Other activities | 2,162 | 12,972 |
| **TOTAL** | **336,574** | **2,019,446** |

Pfister's water scarcity index was used to analyze sensitivity to local constraints at each Group company. Pfister's index provides a sensitivity assessment of each geographic area by comparing water consumption to available resources at the local level. Four Group companies with significant water consumption due to vineyard irrigation were identified in areas of high water stress: Domaine Chandon California, Newton, Cheval des Andes, and Terrazas de Los Andes.

Vineyard irrigation is an authorized and supervised practice in California and Argentina due to the climate. It is essential for the preservation of vines. The Group has also taken measures to limit water consumption: recovery of rain water, drafting of agreements on measures and specifications with respect to water requirements, standardized drip method of irrigation, weather forecasts for optimized irrigation or adoption of the "reduced loss irrigation" technique, which reduces water consumption and actually improves the quality of the grapes and the size of the vine, yielding an enhanced concentration of aroma and color.

### 2.1.2. Energy consumption

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

As of June 30, 2013, the subsidiaries included in the reporting scope consumed 118,688 MWh provided by the following sources: 68% electricity, 19% natural gas, 5% heavy fuel oil, 5% fuel oil, 1% butane/propane, 1% steam, and 1% renewable energies.

This consumption corresponds, in decreasing order of use to Selective Retailing, for 33%, Wines and Spirits, for 27%, Fashion and Leather Goods, for 23%, and Perfumes and Cosmetics, for 9% and finally Christian Dior Couture, for 4%. The remaining 4% was generated by Watches and Jewelry and the Other activities of the Group.

Energy consumption by retail sales areas excluded from the reporting scope, representing 54% of total retail space, is estimated at 56,776 MWh.

Bilan Carbone® assessments and energy audits provide insights that Group companies can use to develop suitable strategies for reducing energy consumption. A variety of solutions are being implemented by Group companies with regard to store lighting and air conditioning, transport, energy efficiency, and the promotion of renewable energy sources. In 2012, Louis Vuitton continued its photovoltaic energy production program at the San Dimas workshop in California, the Cergy 1 storage center in France, and the Fiesso d'Artico workshop in Italy. The Cergy 1 array alone has had 2,000 square meters of solar roofing membrane and 64 photovoltaic panels in service since early October 2010, for a total output of 100 MWh in 2012. TAG Heuer's La Chaux-de-Fonds manufacturing facilities boast the largest solar roof ever built in western Switzerland. In 2012, Sephora Europe installed photovoltaic roofing on its Santa Cristina e Bissone storage center near Milan, Italy.

***Energy consumption by business group***

| *(in MWh)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) |
|---|---|---|
| Christian Dior Couture | 4,714 | 28,284 |
| Wines and Spirits | 32,178 | 193,066 |
| Fashion and Leather Goods | 27,419 | 164,511 |
| Perfumes and Cosmetics | 10,958 | 65,749 |
| Watches and Jewelry | 2,701 | 16,204 |
| Selective Retailing | 38,816 | 232,896 |
| Other activities | 1,903 | 11,419 |
| **TOTAL** | **118,689** (a) | **712,129** (a) |

(a) This indicator does not include Berluti, Château Cheval Blanc, Chaumet, Hublot and Marc Jacobs.

***Consumption by energy source as of June 30, 2013***

| *(in MWh)* | **Electricity** | **Natural gas** | **Fuel oil** | **Heavy fuel oil** | **Butane Propane** | **Steam** | **Renewable energies** |
|---|---|---|---|---|---|---|---|
| Christian Dior Couture | 4,231 | 248 | 22 | - | - | 213 | - |
| Wines and Spirits | 11,175 | 10,365 | 3,141 | 6,213 | 944 | - | 340 |
| Fashion and Leather Goods | 22,176 | 4,000 | 400 | - | 477 | 242 | 124 |
| Perfumes and Cosmetics | 6,588 | 4,169 | 21 | - | - | 151 | 29 |
| Watches and Jewelry | 1,649 | 963 | 49 | - | - | - | 40 |
| Selective Retailing | 32,587 | 2,372 | 2,158 | - | - | 838 | 861 |
| Other activities | 1,324 | 531 | 10 | - | 6 | 32 | - |
| **TOTAL** | **79,730** | **22,648** | **5,801** | **6,213** | **1,427** | **1,476** | **1,394** |

### 2.1.3. Raw material consumption

The main raw materials consumed by the Group are:

- grapes (see §2.2.1 Soil use);
- leather (see §2.3 Limitation of damage to ecosystem balance, natural habitats, protected animal and plant species);
- essential oils (see §2.3 Limitation of damage to ecosystem balance, natural habitats, protected animal and plant species);
- precious metals and gemstones (see §2.4.2 Evaluation and certification programs).

The only significant, relevant criterion used by all of the Group's brands for the analysis of raw material consumption is the quantity, measured in metric tons, of primary and secondary packaging used for consumer goods placed on the market:

- 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.

The packaging used for transport is excluded from this analysis.

***Packaging placed on the market***

| *(in metric tons)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) |
|---|---|---|
| Christian Dior Couture | 70 | 419 |
| Wines and Spirits | 30,083 | 180,495 |
| Fashion and Leather Goods | 1,071 | 6,424 |
| Perfumes and Cosmetics | 3,391 | 20,344 |
| Watches and Jewelry | 81 | 488 |
| Selective Retailing | 274 | 1,643 |
| **TOTAL** | **34,970** | **209,813** |

***Breakdown of the total weight of packaging placed on the market, by type of material, as of June 30, 2013***

| *(in metric tons)* | **Glass** | **Paper-cardboard** | **Plastic** | **Metal** | **Fabric** | **Other packaging material** |
|---|---|---|---|---|---|---|
| Christian Dior Couture | - | 65 | 4 | - | 1 | - |
| Wines and Spirits | 25,226 | 3,912 | 332 | 261 | 10 | 342 |
| Fashion and Leather Goods | - | 924 | 3 | 1 | 24 | 119 |
| Perfumes and Cosmetics | 1,733 | 575 | 806 | 139 | 16 | 122 |
| Watches and Jewelry | - | 29 | - | - | 1 | 51 |
| Selective Retailing | 45 | 37 | 176 | 9 | 7 | - |
| **TOTAL** | **27,004** | **5,542** | **1,321** | **410** | **59** | **634** |

The brands have adapted different tools and training to ensure that there is optimum consideration of the environment in product design. In 2012, a major enhancement and adaptation process was carried out with the aim of replacing the Excel format of the environmental performance index (IPE) with the Edibox (EcoDesign Indicators Box) application to ensure the continuity, reliability, and universal adoption of this tool. In December 2012, the Edibox software package was released by LVMH, as a joint endeavor with Parfums Christian Dior, Guerlain, LVMH Fragrance Brands, Make Up For Ever, Louis Vuitton (Perfumes), and Bulgari (Perfumes) in order to integrate environmental concerns into the early design stages for all packaging. IPE scores, which are combined with data on $CO_2$ emissions, at this stage only apply to packaging materials. Further developments are planned to take into account other stages of the product life cycle (transport, production, etc.) and other indicators such as the consumption of water and non-renewable resources. Each Group company is responsible for setting its own targets accordingly.

## 2.2. SOIL USE CONDITIONS, EMISSIONS INTO THE AIR, WATER AND SOIL

### 2.2.1. Soil use

Soil pollution arising from old manufacturing facilities (cognac, wine and champagne production, trunk production) is insignificant. 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 viticulture, 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 phytosanitary products with a high environmental impact. Hennessy, for example, has adopted a sustainable winegrowing approach designed to do just this. In January 2011, 12-hectare parcels of vineyard under Group management in the Cognac area, were selected by the French government as benchmarks for its Ecophyto 2018 plan. This plan continued in 2012. An action plan was implemented, which included setting up weather stations to modulate treatment doses. More advanced testing was carried out on certain parcels of land, involving sexual confusion techniques instead of insecticides.

### 2.2.2. Greenhouse gas emissions

Given the nature of the Group's operations, the only emissions that have a significant impact on the environment are greenhouse gas emissions.

Estimated greenhouse gas emissions in tons of $CO_2$ (carbon dioxide) equivalent correspond to the site energy consumption emissions, as defined in §2.1.2 Energy consumption. These include direct and indirect emissions (scope 1 and 2) and do not cover emissions caused by transporting raw materials or finished products (scope 3). $CO_2$ emission factors are updated every year for each energy source, notably for electricity. This update may lead to significant changes. The main scope 1 and 2 greenhouse gas emission reduction initiatives involve lessening the amount of energy used for lighting and air conditioning, and optimizing the energy consumed by manufacturing processes. A special working group made up of the architects responsible for opening and renovating stores is working to identify and expand the use of higher-performing, more energy-efficient lighting sources.

***Breakdown of emissions by business group as of June 30, 2013***

| *(in metric tons of $CO_2$ equivalent)* | **$CO_2$ emissions June 30, 2013** (2 months) | **Of which Direct $CO_2$ emissions** | **Of which Indirect $CO_2$ emissions** | **$CO_2$ emissions April 30, 2013** (12 months) |
|---|---|---|---|---|
| Christian Dior Couture | 2,224 | 57 | 2,167 | 13,347 |
| Wines and Spirits | 7,437 | 4,959 | 2,478 | 44,619 |
| Fashion and Leather Goods | 9,414 | 1,044 | 8,370 | 56,482 |
| Perfumes and Cosmetics | 1,770 | 864 | 906 | 10,623 |
| Watches and Jewelry | 387 | 212 | 175 | 2,321 |
| Selective Retailing | 13,949 | 1,073 | 12,876 | 85,693 |
| Other activities | 366 | 113 | 253 | 2,196 |
| **TOTAL** | **35,547** | **8,322** | **27,225** | **213,281** |

Greenhouse gas emissions generated by retail space excluded from the reporting scope (54% of total retail space) are estimated at 28,604 metric tons of $CO_2$ equivalent. 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 three years.

The Group is also studying the impact of climate change on locally available water resources (see §2.1.1 Water consumption) and potential changes in certain ecosystems, especially as pertains to winegrowing and producing specific plant species used to manufacture perfumes and cosmetics.

### 2.2.3. Discharges to water

The discharges of substances causing eutrophization by Wines and Spirits and Perfumes and Cosmetics operations are considered as the only significant and relevant emissions into water. The Group's other business groups have a very limited impact on water quality. Eutrophization is the excessive build up 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 partnership agreements. The following operations are considered as treatment: city and county waste water collection and treatment, independent collection and treatment (aeration basin) and land application. Research is underway to identify reduction opportunities at the Group's Wines and Spirits companies.

| **COD after treatment** *(in metric tons)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) |
|---|---|---|
| Wines and Spirits | 476 | 2,858 |
| Perfumes and Cosmetics | 4 | 24 |
| **TOTAL** | **480** | **2,882** |

### 2.2.4. Waste

As of June 30, 2013, 75% of waste was recovered. Recovered waste is waste for which the final use corresponds to one of the following channels:

- re-use, i.e. the waste is used for the same purpose for which the product was initially designed;
- recycling, i.e. the direct reintroduction of waste into its original manufacturing cycle resulting in the 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. the recovery of the energy in the form of electricity or heat by burning the waste.

***Waste produced***

| *(in metric tons)* | **Waste produced as of June 30, 2013** (2 months) | **Of which: hazardous waste produced as of June 30, 2013** [(a)] (2 months) | **Waste produced as of April 30, 2013** (12 months) |
|---|---|---|---|
| Christian Dior Couture | 107 | 5 | 643 |
| Wines and Spirits | 10,246 | 59 | 61,478 |
| Fashion and Leather Goods | 1,288 | 27 | 7,726 |
| Perfumes and Cosmetics | 1,235 | 167 [(b)] | 7,408 |
| Watches and Jewelry | 45 | 4 | 268 |
| Selective Retailing | 1,180 | 23 | 7,081 |
| Other activities | 160 | 13 | 962 |
| **TOTAL** | **14,261** | **298** | **85,566** |

(a) Waste to be sorted and treated separately from other "common" waste (boxes, plastic, wood, paper, etc.).
(b) Some products that are removed from the manufacturing cycle are treated in the same way as hazardous waste to prevent counterfeiting attempts.

*Waste recovery as of June 30, 2013*

| *(as %)* | Re-used | Material recovery | Energy recovery | Total recovery |
|---|---|---|---|---|
| Christian Dior Couture | - | 24 | 41 | 65 |
| Wines and Spirits | 3 | 64 | 3 | 70 |
| Fashion and Leather Goods | 6 | 38 | 31 | 75 |
| Perfumes and Cosmetics | 4 | 66 | 27 | 97 |
| Watches and Jewelry | 5 | 51 | 22 | 78 |
| Selective Retailing | 3 | 37 | 50 | 90 |
| Other activities | - | 86 | 14 | 100 |
| **TOTAL** | **3** | **59** | **12** | **75** |

The Perfumes and Cosmetics brands as well as Sephora since 2010, and Louis Vuitton since 2011, have used the CEDRE recovery and recycling facility (Centre environnemental de déconditionnement et de 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, communication materials, store testers, and empty packaging returned to stores by customers. Over the course of 2012, the facility processed approximately 1,625 metric tons of waste and was able to resell various materials such as glass, cardboard, wood, metal, plastics, alcohol and cellophane to a network of specialized recyclers. The Wines and Spirits companies continued their efforts to reduce manufacturing-related waste production and maximize recovery.

## 2.3. LIMITATION OF DAMAGE TO ECOSYSTEM BALANCE, NATURAL HABITATS, PROTECTED ANIMAL AND PLANT SPECIES

Fashion and Leather Goods, as well as Watches and Jewelry, implemented procedures to ensure that all of their products comply with the terms of the requirements of international trade in endangered species (CITES). Through a system of import export permits, this convention was set up to prevent certain species of endangered fauna and flora against overexploitation.

The Research & Development teams of the Perfumes and Cosmetics business group have been working in the field of ethno botany 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. Guerlain continued its sponsorship of Tianzi, a nature reserve in China, as part of a ten-year funding agreement focusing on three areas: reforestation, the introduction of orchids, and social initiatives in support of local populations. For several years, Group companies have supported programs to save bees, the natural defenders of our planet's ecosystems. Chaumet has been working with Terre d'Abeilles, a bee protection initiative, since 2002, and Guerlain has signed an environmental funding agreement with a similar organization, the Conservatoire de l'Abeille noire d'Ouessant. Both these brands have longstanding links to bees. In 2011, Louis Vuitton also signed a three-year sponsorship agreement with the CNRS (France's National Center for Scientific Research) for a project entitled "City bees – Country bees," the goal of which is to understand why bees fair better today in urban areas than rural ones. A study released in 2012 addressed biodiversity at Louis Vuitton's Cergy 1 and Cergy 3 sites (flora, birds, butterflies).

## 2.4. ENVIRONMENTAL PROTECTION METHODS WITHIN THE GROUP

### 2.4.1. Organization

The Group has had an Environment Management team since 1992. In 2001 LVMH established an "Environment Charter" signed by the Chairman of the Group, which requires that each company undertakes to set up an effective environment management system, create think-tanks to assess the environmental impacts of the Group's products, manage risks and adopt the best environmental practices. In 2003, Bernard Arnault joined the United Nations' Global Compact program. In 2007, he also endorsed Gordon Brown's Millennium Development Goals.

The Group undertakes to adopt the following environmental measures:

- apply precaution to all issues impacting the environment;
- undertake initiatives to promote greater environmental responsibility;
- favor the development and distribution of environmentally friendly technologies.

The Group's environment management team was set up with the following objectives:

- implement the environmental policies of the Group companies, based on the LVMH Charter;
- conduct audits to assess Group companies' environmental performance;
- monitor regulatory and technical issues;
- create management tools;
- help Group companies anticipate risks;
- train employees and increase environmental awareness at all management levels;
- define and consolidate the environmental indicators;
- work alongside the various key players (associations, rating agencies, government authorities, etc.).

Almost all of the Houses in the Group's business groups continued their employee training and awareness programs on the environment. These programs comprised 17,766 hours for 2012.

In 2011, the Group initiated a strategic thought process to identify key themes in order to better deal with the Group's environmental concerns. This process was implemented by a Steering Committee comprised of representatives from seven pilot Group companies and overseen by LVMH's main Executive Committee. In 2012, it resulted in formulation of the "LIFE – LVMH Indicators for Environment" program, based on nine key aspects of environmental performance:

- eco-design;
- strategic raw materials and supply channels;
- traceability and compliance of materials;
- relations with suppliers;
- know-how;
- reduction of greenhouse gas emissions;
- environmentally friendly manufacturing processes;
- product life span;
- customer information.

This initiative involved seven pilot Group companies from the Group's six business groups, which launched the process, thus representing a diverse array of environmental concerns. Each Group company drew up an action plan to illustrate and define priorities for its strategic issues, coupled with indicators to track performance. This methodology led to clearer distinctions between specific and shared indicators, while also defining in greater detail how to build a shared model combining the environmental challenges facing Group companies.

From this perspective, the LIFE program represents a new forum for sharing views and thinking strategically at the Group level, with cross-cutting learning points, which will be progressively rolled out to all Group companies. The program was designed in such a way as to reinforce the inclusion of environmental concerns in management processes, facilitate the development of new steering tools, and take into account the changes and enhancements resulting from Group companies' innovative practices.

### 2.4.2. Evaluation and certification programs

In accordance with the Environment Charter, each company is responsible for designing and implementing its own environment management system, in particular for defining goals, and more precisely for drafting its own environmental policy. Each company has access to a self-assessment guide and can, if it wishes, apply for ISO 14001 or EMAS certification for its system.

All of the Cognac, Champagne and Vodka Houses have now obtained ISO 14001 certification. In 2011, Guerlain obtained certification for its two production sites, its headquarters, and its Paris stores. Following the certification of its manufacturing center in Chartres, its headquarters in Levallois and its Paris boutiques, Guerlain France also obtained certification for its Orphin manufacturing site in June 2012, thus enabling the certification of all Guerlain France activities. Parfums Christian Dior was also able to have the entirety of its manufacturing and logistics facilities certified. Louis Vuitton continued the certification process for its workshops and began involving its entire downstream supply chain as well.

The Watches and Jewelry business group is a member of the Responsible Jewellery Council (RJC), an organization bringing together more than 260 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 mainly to ensure that the diamonds and gold used in manufacturing do not come from conflict zones. The Kimberly Process is applied to diamonds. Kimberly certification requires the input of independent, accredited auditors. This certification has been obtained by Christian Dior Couture, Bulgari, TAG Heuer, Chaumet, Hublot, Louis Vuitton, Zenith and Fred.

### 2.4.3. Measures to ensure compliance with applicable laws and regulations

Group companies are audited on a regular basis, either by third parties, insurers or internal auditors, which enables them to keep their compliance monitoring plan up-to-date. In 2012, 24% of the 268 manufacturing, logistics and administrative sites were audited, for a total of 59 external audits and 105 internal audits, with some sites being audited several times during the year. These audits correspond to an inspection of one or more sites of the same company based on all relevant environmental issues – waste, water, energy, and environmental management – and are documented in a written report including recommendations.

This figure does not include the numerous compliance controls that may be performed on a specific environmental regulation topic, e.g. a waste sorting inspection, performed periodically by the Group companies on their sites. Since 2003, a review of environmental regulatory compliance is also performed by the insurance companies, which now includes an environmental inspection during their fire safety visits to Group company sites. A total of 30 sites were evaluated over the period.

### 2.4.4. Expenses incurred to anticipate the effects of operations on the environment

Amounts were recognized under the relevant environmental expense headings in accordance with the recommendations of the CNC (French National Accounting Council). Operating expenses and capital expenditure were recognized for each of the following headings:

- 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.

As of June 30, 2013 (two-month fiscal year), environmental protection expenses broke down as follows:

- operating expenses: 1.6 million euros;
- capital expenditure: 1.1 million euros.

### 2.4.5. Provisions and guarantees given for environmental risks, and compensation paid pursuant to a court decision

The amount of provisions for environmental risks is 2.2 million euros as of June 30, 2013. This amount corresponds to the financial guarantees required by law for Seveso upper-tier establishments.

### 2.4.6. Objectives assigned by the Group to its subsidiaries abroad

The Group requires each subsidiary, regardless of its geographic location, to apply the Group's environmental policy as set forth in the Charter, which stipulates that each subsidiary defines its own environmental objectives and communicates the annual indicators included in this section.

### 2.4.7. Consumer safety

The Group's policy concerning the sensitive issue of animal testing to evaluate the safety of finished products is clearly defined: its aim is to guarantee the safety of consumers who use our products while taking into account respect for animal life. It is for this reason that, 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. The development of alternatives to animal testing represents a genuine scientific challenge and the Group will continue to be as active as possible in its efforts to rise to this challenge.

Furthermore, the European Union regulatory framework for cosmetics changed with the adoption on November 30, 2009 of Regulation (EC) No 1223/2009 of the European Parliament and of the Council on cosmetic products. This text, all of whose provisions will enter into application in July 2013, is intended to replace 76/768/EEC. The main objective of the Commission's legislation is to further raise the already high level of safety for cosmetic products:

- by reinforcing the manufacturer's responsibility through more explicit minimum requirements in the area of product safety assessment;
- by reinforcing market surveillance through the obligation to notify the competent authorities of serious undesirable effects.

The Group has implemented procedures and initiatives ensure it is ready when the new regulation enters into force. These initiatives are becoming more essential than ever, especially since cosmetics regulations are giving rise to an increasing amount of legislation worldwide.

All European regulations currently in force, some of which are relatively recent, have been integrated into the Group's processes:

- the GHS (Globally Harmonized System) which aims to harmonize the classification and labeling of chemicals;
- the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), which streamlines and improves the EU's pre-existing legislative framework on

chemicals. The main aims of REACH are to ensure a high level of protection of human health and of the environment against the risks that can be posed by chemicals, to promote alternative testing methods and the free circulation of substances on the internal market, and to enhance competitiveness and innovation.

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. Moreover, 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 anticipatory perspective is made possible thanks to the efforts of our experts, who regularly take part in the workgroups of 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 the Group's experts has led the Group to prohibit the use of some substances and make efforts to reformulate some of its products.

These extremely high standards allow us to guarantee the safety of our cosmetic products, not only when the products are released into the market, but also throughout their whole commercialization period. A client relation network set up by the Group handles the analysis of all claims received from consumers and ensures the cosmetovigilance of our products. Any claim, whether relating to a simple intolerance or a severe allergic reaction, is given due consideration by a specialized team and evaluated by a professional. Visits to a dermatologist may be offered to consumers. Furthermore, the analysis of these claims and the review of cosmetovigilance cases prompts us to explore new areas of research and improve the quality of our products.

During the course of the fiscal year, Moët Hennessy strengthened its commitment to responsible consumption. Its efforts in this area are directed at employees, consumers, guests and visitors.

An internal awareness campaign entitled "Responsible Drinking" at Moët Hennessy and directed at the company's 6,500 employees was developed worldwide. It involved in-house training, an Intranet site promoting responsible drinking, an e learning module and a questionnaire to help each employee confidentially and anonymously measure his or her alcohol consumption.

For the benefit of consumers, Moët Hennessy not only adheres scrupulously to local regulations, it also self-regulates, especially in terms of information and communication, by implementing a Code of Good Practices for Marketing and Communications, which provides guidelines for online communication, website filters to keep out underage viewers, etc. Each year, teams are deployed worldwide to teach hundreds of people how to properly enjoy the company's products for their esthetic, cultural, gastronomic and historical value.

All wine bottles sold in the EU (except in France, for regulatory reasons) are labeled www.wineinmoderation.eu, and all spirits are labeled www.responsibledrinking.eu. Lastly, Moët Hennessy actively supports numerous responsible drinking programs around the world, such as Wine in Moderation, ICAP initiatives, etc.

# 3. INDEPENDENT VERIFIER'S REPORT ON WORKFORCE, ENVIRONMENTAL AND SOCIAL INFORMATION IN THE MANAGEMENT REPORT

To the Shareholders,

In our capacity as Independent Verifier of Christian Dior, we hereby report to you on the consolidated workforce, environmental and social information ("CSR Information") presented in the Management Report issued for the two-month fiscal year ended June 30, 2013, in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (Code de commerce).

**The Company's Responsibility**

The Board of Directors of Christian Dior is responsible for the preparation of the Management Report including CSR Information in accordance with the requirements of Article R. 225-105-1 of the French Commercial Code, presented as required by the entity's internal reporting standards (the "Guidelines") and available at the LVMH group's Human Resources and Environmental departments.

**Our Independence and Quality Control**

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (Code de déontologie) and the provisions of Article L. 822-11 of the French Commercial Code. In addition, we maintain a comprehensive system of quality control including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Independent Verifier's responsibility**

Based on our work, our responsibility is:

- to attest whether the CSR Information is presented in the Management Report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of presentation of CSR Information);
- to provide moderate assurance on whether the other CSR Information as a whole is fairly presented, in all material respects, in accordance with the Guidelines (opinion on the CSR Information's truth and fairness).

## 1. Attestation of presentation of CSR Information

Our engagement was performed in accordance with professional standards applicable in France and pursuant to the ministerial decision of May 13, 2013 stipulating the manner in which independent third party verifications are to be conducted:

- We reviewed the guidances provided on sustainable development, with regard to the social and environmental impacts of the company's business as well as with regard to its social commitments and, where applicable, actions or programs stemming from those commitments.
- We compared the CSR Information presented in the Management Report with the list as provided for in Article R. 225-105-1 of the French Commercial Code.
- We verified that the CSR Information covers the consolidated perimeter, namely the entity and its subsidiaries within the meaning of Article L. 233-1 and the controlled entities within the meaning of Article L. 233-3 of the French Commercial Code, within the limits specified in the methodology note presented at the beginning of the "Group reporting on employee-related issues" and "Effects of operations on the environment" sections of the Management Report.
- In the event of the absence of certain consolidated information, we verified that an appropriate explanation was given in accordance with Article R. 225-105, paragraph 3.

On the basis of our assessment, we hereby certify that the required CSR Information is presented in the Management Report.

## 2. Opinion on the CSR Information's truth and fairness

**Nature and scope of procedures**

We conducted our procedures in accordance with professional standards applicable in France and pursuant to the ministerial decision of May 13, 2013 stipulating the manner in which independent third party verifications are to be conducted, as well as in compliance with ISAE 3000 (International Standard on Assurance Engagements).

We carried out the following work to obtain moderate assurance on the fact that the CSR Information presented in the Management report does not contain any material anomalies that would call into question its fairness, in all material aspects, in accordance with the Guidelines. A higher level of assurance would have required more extensive work.

Our work consisted in the following:

- We identified the individuals in the company responsible for the reporting process and, where applicable, for internal control and risk management procedures.
- We assessed the appropriateness of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, the good practices in the sector.
- We verified that the Group had set up a process for the collection, compilation, processing and control of the Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the CSR Information. We conducted interviews with those responsible for preparing the CSR Information.
- We selected the consolidated information to be tested and determined the nature and scope of the tests by taking into consideration their significance with respect to the social and corporate consequences relating to the Group's activity and characteristics as well as its societal commitments.

  Concerning the consolidated quantitative information that we consider to be the most significant:

  - at the level of the consolidating entity and the controlled entities, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of this information;
  - at the entities that we have selected based on their activity, their contribution to consolidated indicators, their location and a risk analysis, we:
    - conducted interviews to verify that the procedures were correctly applied;
    - performed tests of detail based on sampling, consisting in verifying the calculations made and reconciling the data with the supporting documents.

    The sample thus selected represents on average 29% of the workforce and 66% of the quantitative environmental information tested.

  Concerning the qualitative consolidated information that we deemed to be the most important, we consulted source documents and conducted interviews to corroborate this information and assess its fairness. With respect to fair trade practices, the interviews were carried out only at the level of the consolidating entity.
- As regards the other consolidated information published, we assessed its fairness and consistency in relation to our knowledge of the Company and, where applicable, through interviews or the consultation of documentary sources.
- We assessed the relevance of the explanations relating, where necessary, to the absence of certain information.
- During our assessments we referred back to work done for the LVMH group in respect of the fiscal year ended December 31, 2012.

Our work was performed from May 1 to September 30, 2013.

Because sampling techniques were used, and in light of the other functional limitations inherent in any internal control and information system, it is impossible to completely rule out the non-detection of a material anomaly in the CSR Information.

**Conclusion**

Based on the work we performed, we have not identified any material anomaly likely to call into question the fact that the CSR Information, as a whole, has been presented fairly in accordance with the Guidelines.

**Remarks**

Without qualifying the conclusion expressed above, we draw your attention to the following:

- For the exceptional two-month fiscal year ended June 30, 2013:
  - most of the quantitative workforce and social information from the fiscal year ended April 30, 2013 was recycled;
  - Quantitative environmental information was extrapolated from information for the fiscal year ended April 30, 2013. The methodology used to prepare these estimates is described in the introduction to the section of the Management Report entitled "Effects of operations on the environment".
- With respect to workforce information:
  - The Guidelines are not systematically applied in a uniform manner by all reporting participants, particularly for indicators relating to training ("Number of individuals trained" and "Number of training hours") as well as health and safety ("Number of lost-time accidents" and "Number of days lost").
- With respect to environmental information:
  - The implementation over the past several fiscal years of internal control procedures regarding the reporting of quantitative environmental information has been globally efficient, but remains heterogeneous within the Houses.

Paris-La Défense, October 5, 2013

The Independent Verifier
**ERNST & YOUNG et Associés**

Sustainable Development Department
**Éric MUGNIER**

*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 users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

# 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 October 3, 2013.

Its purpose is 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 truthfulness and reliability 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.

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 web site: www.afep.com.

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

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

The Charter of the Board of Directors and the internal rules governing the two Committees are communicated to all candidates for appointment as Director and to all permanent representatives of a legal entity before assuming their duties. These documents are presented in the "Other information – Governance" section of the Annual Report.

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 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 along with 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. MEMBERSHIP AND MISSIONS

- The Board of Directors consists of eleven members: Mrs. Delphine Arnault, Mrs. Hélène Desmarais and Mrs. Ségolène Gallienne, and Messrs. Bernard Arnault, Denis Dalibot, Renaud Donnedieu de Vabres, Pierre Godé, Eric Guerlain, Christian de Labriffe, Jaime de Marichalar y Sáenz de Tejada and Sidney Toledano. Six of these Directors – Mrs. Hélène Desmarais, Mrs. Ségolène Gallienne and Messrs. Renaud Donnedieu de Vabres, Eric Guerlain, Christian de Labriffe and Jaime de Marichalar y Sáenz de Tejada – are considered as independent and as holding no interests in the Company.

  Directors are appointed for a term of three years, as specified in the Bylaws. In order to allow a renewal of Directors' terms which is as equally distributed as possible and in any case complete for each period of three years, the Board of Directors has determined the order of retirement of the Directors since 2010.

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

- During the fiscal year commencing May 1, 2013 and ended June 30, 2013, the Board of Directors did not meet.

- During its meeting of July 25, 2013, the Board of Directors reviewed its composition, organization and modus operandi. The Board came to the conclusion that its composition is balanced with regard to its percentage of external Directors, considering the breakdown of share capital, and with regard to the diversity and complementarity of the skills and experience of its members.

  The Board noted that:

  - 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, financial statements, budget and the three-year plan;
  - the fact that more than one-fourth of the members of the Board of Directors are not French nationals ensures a wide range of visions and various sensitivities essential to a Group with a worldwide dimension;
  - the fact that more than one-fourth of the members of the Board of Directors are women, thus exceeding the required ratio of 20%, ensures a wide range of visions and various sensitivities essential to a Group with a worldwide dimension;
  - the Directors consider that the Board is fulfilling its role with respect to its objectives of increasing the Company's value and protecting its interests;
  - the Directors have no observations on the Board's Charter, 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.

The Board of Directors also:

- reviewed the Group's policy to protect against the impact of unfavorable economic and financial developments;
- amended its Charter to permit its members to take part in meetings by videoconference or other means of telecommunication.

• Finally, the Board of Directors decided to submit:

- a proposal to the Shareholders' Meeting of October 18, 2013 to renew the appointments of Mrs. Ségolène Gallienne and Messrs. Renaud Donnedieu de Vabres, Eric Guerlain and Christian de Labriffe as Directors;
- a proposal to the Shareholders' Meeting of December 19, 2013 to renew the appointments of the Principal Statutory Auditors and one Alternate Statutory Auditor, and to appoint a new Alternate Statutory Auditor.

## 1.3. EXECUTIVE MANAGEMENT

The Board of Directors decided to combine the roles of Chairman and Chief Executive Officer. Upon the recommendation of the Chairman and Chief Executive Officer, the Board of Directors appointed a Group Managing Director, Mr. Sidney Toledano, who was granted the same powers as the Chairman and Chief Executive Officer.

It did not limit the powers vested in the Chairman and Chief Executive Officer or the Group Managing Director.

## 1.4. 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 External Auditors and ensures their independence.

It currently consists of three members, all independent, appointed by the Board of Directors. The current members of the Performance Audit Committee are Messrs. Eric Guerlain (Chairman), Renaud Donnedieu de Vabres and Christian de Labriffe.

The Performance Audit Committee did not meet during the fiscal year commencing May 1, 2013 and ended June 30, 2013. During the meetings held in July and October 2013, 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 examination of the parent company and consolidated accounts at April 30, 2013 and for the May 1 to June 30, 2013 fiscal year; a review of the consolidated financial statements and reports on the Group's operations for the period from January 1, 2013 to June 30, 2013; and an assessment of the Group's exposure to risk, risk management procedures and off-balance sheet commitments. The Committee also verified the independence of Statutory Auditors and monitored the legal audit of Christian Dior's parent company and consolidated financial statements, on the basis of presentations and summary reports by the Statutory Auditors. It also made a recommendation on the reappointment of Statutory Auditors.

## 1.5. NOMINATIONS AND COMPENSATION COMMITTEE

The main responsibilities of the Nominations and Compensation Committee are to issue:

- proposals on compensation, benefits in kind, bonus shares 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 allocation 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.

It currently consists of three members, all independent, appointed by the Board of Directors. The current members of the Nominations and Compensation Committee are Messrs. Eric Guerlain (Chairman), Christian de Labriffe and Mrs. Hélène Desmarais.

The Committee did not meet during the fiscal year commencing May 1, 2013 and ended June 30, 2013.

Prior to the Board meeting of July 25, 2013, the Committee issued an opinion on the reappointments of Directors to be put to a vote at the Shareholders' Meeting of October 18, 2013.

## 1.6. ADVISORY BOARD

Advisors 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 upon the recommendation of the Board of Directors.

There are currently no Advisory Board members.

## 1.7. 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).

## 1.8. 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" section of the Annual Report.

## 1.9. COMPENSATION POLICY FOR COMPANY OFFICERS

### *Directors' fees paid to the members of the Board of Directors*

The Shareholders' Meeting shall set the total amount of directors' fees to be paid to the members of the Board of Directors.

This amount is divided among the members of the Board of Directors, 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;

(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 allocated to be paid as directors' fees by the total number of units to be distributed.

A portion of 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 meetings by Committee to which the Director in question participates which he or she does not attend.

In respect of the fiscal year commencing May 1, 2013 and ended June 30, 2013, Christian Dior granted a total gross amount of 7,182 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 code of corporate governance for listed companies.

Compensation and benefits awarded to company 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 Group Managing Director, 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, with each of these items representing one-third of the total determination. The variable portion is capped at 120% of the fixed portion for the Group Managing Director.

The breakdown of compensation and benefits awarded to the Chairman and Chief Executive Officer, and the Group Managing Director, is presented in the "Management report of the Board of Directors – Christian Dior parent company" section of the Annual Report.

A non-competition indemnity, 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 Mr. 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, an indemnity equivalent to the gross average monthly salary received over the previous twelve months. Mr. 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, Mr. Sidney Toledano was appointed Chief Executive Officer of Christian Dior, but did not sign an employment contract with the latter company. Moreover, Article 22 of the AFEP-MEDEF code, which recommends terminating the employment contract of an employee who becomes a senior executive officer, does not apply to the position of Group Managing Director occupied by Mr. Sidney Toledano since December 20, 2012.

Notwithstanding this clause, no other senior executive officer of the Company currently benefits from provisions granting them a specific compensation payment should they leave the Company or derogations from the rules governing the exercise of share purchase options or the definitive allocation 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" section of the Annual Report.

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 supplemental pension payment corresponds to a specific percentage of the beneficiary's salary, to which a ceiling is applied on the basis of the reference salary determined by the French social security scheme. The increase in provisions for these supplemental retirement benefits as of June 30, 2013 is included in the amount shown for post-employment benefits under Note 32.3 of 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 of this compensation 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 controls, directly or indirectly, two main assets: a 40.9% equity stake in LVMH, and a 100% equity stake in Christian Dior Couture. LVMH is a listed company, whose Chairman is also Chairman and Chief Executive Officer of Christian Dior, with several Directors serving at both companies. Christian Dior Couture has a Board of Directors whose composition is similar to that of Christian Dior. This section of the Report of the Chairman of the Board of Directors deals first with procedures relating to LVMH, followed by those relating to Christian Dior Couture, and then those relating to the holding company, Christian Dior. As they have not changed since December 31, 2012, the risk management and internal control procedures implemented by LVMH and described below are the same as those presented in the "Report of the Chairman of the Board of Directors" included in LVMH's 2012 Reference Document.

## 2.1. LVMH

This section of the report draws 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 and takes into account changes in laws and regulations introduced since 2007, in particular the Law of July 3, 2008 and the Order of December 8, 2008. In line with the measures implemented since 2008 following the publication of the first internal control reference guide, LVMH has reviewed in 2010 the extent to which its monitoring processes are consistent with this new framework and has decided to make use of the new suggested structure, for the drafting of this portion of the Report of the Chairman of the Board of Directors.

### 2.1.1. Scope, organizational and formalization principles

LVMH is comprised of five main business groups: Wines and Spirits, Fashion and Leather Goods, Perfumes and Cosmetics, Watches and Jewelry, and Selective Retailing. Other activities comprise the media division managed by Les Echos group, the yacht builder Royal Van Lent, real estate activities and holding companies. The business groups are composed of companies of varying sizes owning prestigious brands, which are the parent companies of subsidiaries operating worldwide.

This organizational structure ensures that the different brands of the Group maintain their independence, while facilitating cohesion between the companies with similar businesses. 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 parent company, LVMH SA, is responsible for its own risk management and internal control systems, and acts as leader and coordinator for all Group companies;
- the President of a brand is responsible for the risk management and internal control of all the subsidiaries that contribute to developing the brand worldwide;
- each subsidiary's President is similarly responsible for their own operations.

The internal control and risk management mechanism, which has been formally in place since 2003 to comply with the LSF (French Financial Security Act), has adopted a similar structure; it is both:

- decentralized at business group and brand level: the guidance and management of the mechanism is the responsibility of the Executive Management of the operational and legal entities;
- unified around a shared methodology and a single reference guide, both of which are coordinated centrally by the LVMH SA holding company and rolled out to all Group companies.

The main brands and business groups acknowledge their responsibility in relation to these systems each year by signing letters of representation covering risk management and internal control procedures. These letters signed by the Chairman and by the Chief Financial Officer of each subsidiary and parent company are analyzed, followed up upon, and consolidated at each superior level of the Group's organizational structure (Region, House, Business group) and then forwarded to the Finance Department and to the Audit and Internal Control Department. They are also made available to the Statutory Auditors.

These letters of representation attesting to the implementation of risk management and internal control procedures are 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 is thus extended to all of the transactions comprised within LVMH group's financial consolidation.

In 2011, a new yearly cycle starting July 1 and ending on June 30 the following year was adopted for the internal control and risk management process, so that it would be aligned more effectively with the budgeting and strategic planning cycle. The representation letters on financial reporting of December 31 are maintained at that date and constitute a major step in the process, as outlined above.

This change in the timing of the internal control and risk management cycle has been approved by our Statutory Auditors.

The Group's internal control and risk management procedures involve 127 self-assessment questionnaires, covering more than 50% of its management entities, thus nearly 83% of Group revenue. This total includes both production and services companies, the regional holding companies as well as 11 central financial functions: Finance and Treasury, Tax, Consolidation, Financial Statements Closing, Interest and Exchange Rate Monitoring, Group Information Systems, Holding Company Information Systems, Financial Communication, Insurance, Management Control, and Mergers and Acquisitions.

Lastly, in line with European directives and the Order of December 2008, after an initial pilot process in 2009, in 2010 the Group initiated a process of improving and integrating risk management and internal control systems, an approach known by the acronym ERICA, Enterprise Risk and Internal Control Assessment, which involves:

- a letter of representation that covers all strategic, operational and regulatory risks (see above);
- the availability since April 2010 of an application that centralizes all risk and internal control data and provides a framework for a structured coordination of these two fields (see §2.1.2. below);
- an approach to the formalization of procedures for the management of major risks, introduced in 2010 and widely applied in 2011 and 2012 (see §2.1.2. below).

## 2.1.2. Main risk management principles

### *Definition and objectives*

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.

Risk management is understood to apply in this very broad sense, not solely to the financial realm, but also to the support of the longevity and excellence of our brands. It is a powerful management tool requiring the involvement of all Group senior executives, in accordance with the principle of delegation and organization presented above. The objectives of risk management are to:

- protect the value, assets and reputation of the Group and its brands;
- enhance the security of decision-making and operational processes by way of a comprehensive perspective on the Group's potential threats and opportunities;
- promote consistency between the actions and the values of the brands;
- ensure that all employees embrace a shared vision of the main risks and challenges faced by our business activities.

### *Organization and components of the risk management system*

Risks relating to our brands and business activities are managed at the level of each of our business groups and Houses. 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 systematically identified and evaluated, and a formal account of the conclusions reached, included in the corresponding sections of the reports issued.

Risk mitigation (in frequency and severity) is achieved through preventive actions (industrial risks), internal control (risks associated with processes), or through the implementation of business continuity plans or operational action plans. Depending on the types of risk to which a particular brand or entity is exposed, the latter may decide, in collaboration with the Group, to transfer residual risk to the insurance market or instead to 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.).

Finally, as a complement to these processes, and in order to institute a single approach for all brands, the Group has pursued a project launched in 2010 that seeks to create a formal framework for risk management and internal control called ERICA, which is discussed below.

### *Establishment of formal procedures for the ERICA system*

After a first pilot study carried out in 2009, an approach to the formalization of procedures for the management of major risks was introduced in 2010 by the Wines and Spirits business group and Parfums Christian Dior.

This project, named ERICA, provides a structure and formal guidelines for risk management within the Group, by offering:

- a framework: each business group or major business unit included in the project determines its own roles and responsibilities with regard to a defined process and approach, as well as the eventual criticality;
- a process for the identification, analysis and handling of risks backed by a single Group-wide reference guide and methodology;
- action plan coordination and implementation with the aim of setting up or reinforcing coverage mechanisms;
- a follow-up on the effectiveness of existing control systems with a regular review of the level of exposure to the identified risks.

This project was deployed at all of the LVMH group's significant activities in 2011, using an intentionally pragmatic and gradual approach, beginning with an in-depth focus on several major risks: to date, the Management Committees of each business group and of the regional holding companies have selected six major risks among the 42 identified by LVMH.

Discussion forums have been organized by the Internal Control team for the risk categories selected on a majority basis. These forums bring together risk managers, operational staff and internal control managers and have thus helped facilitate the sharing of best practices across the Group.

### *Coordination of risk management with internal control*

Risk management and internal control systems jointly exert the necessary oversight over the Group's businesses.

The risk management system aims to identify and analyze the principal risks that could affect the Group. Risks that exceed the acceptable levels are evaluated and, if deemed necessary, are addressed through specific action plans. These plans may call for the implementation of controls, a transfer of the financial consequences (through insurance or an equivalent mechanism) or an adaptation of the entity's organization. The controls to be implemented are part of the internal control system, which also serves to guarantee their effectiveness.

For its part, the internal control system relies on the risk management system to identify the main risks and principles that need to be controlled.

This coordination between these two systems has been reflected in both:

- the new application features added to the ERICA evaluation platform;
- and the reference guide of major risks, with a presentation for each major risk of the coverage measures in the internal control reference guide.

## 2.1.3. General internal control principles

### *Definition and objectives*

The LVMH group uses an internal reference guide which is consistent with COSO principles (Committee of Sponsoring Organizations of the Treadway Commission) together with the new Reference Framework of the AMF.

Therefore, at the behest of the Board of Directors, the Performance Audit Committee, Executive Management and other senior managers of the parent companies and their subsidiaries and as specified in this reference guide, internal control implies a set of resources, behaviors, procedures and actions adapted to the individual characteristics of each Group company that:

- contributes to control over its activities, the efficiency of its operations and the efficient use of its resources;
- must enable the entity to appropriately assess significant operational, financial and compliance risks.

More specifically, this system aims to provide reasonable assurance with respect to the achievement of the following objectives:

- compliance with applicable laws and regulations;
- the implementation of instructions and directions given by the Executive Management of the Group and the Management of operational units (the Houses or brands and their subsidiaries);
- the proper functioning of entity's internal processes, especially those relating to the protection of its assets and the value of its capital;
- the reliability of financial and accounting information.

The internal control system thus comprises a range of control procedures and activities over and above those directly connected to the financial and accounting system; as it aims to ensure the control and continuity of all existing and new activities, the system must enable the management of the Houses and subsidiaries to focus fully on the strategy, development and growth of the LVMH group.

### *Limits of internal control*

No matter how well designed and applied, the internal control system cannot provide an absolute guarantee that the LVMH group's objectives will be achieved. All internal control systems have their limits, most notably because of the uncertainty of the outside world, individual judgment or malfunctions as a result of human or other errors.

The structure of the Group, which comprises a large number of subsidiaries with widely varying missions and purposes, some of which are relatively small in size, is a specific risk factor.

### *Internal control components*

The Group's internal control system includes five closely interrelated components:

- a general control environment, based on clearly defined and appropriate roles and responsibilities;
- a risk management system;

- appropriate control activities, procedures and documentation;
- an information and communication system that enables responsibilities to be exercised efficiently and effectively;
- continual monitoring of the system.

All of these elements are centrally managed and coordinated, but they are also reviewed each year by the larger entities within the Group, through the established self-assessment procedure in place.

### General control environment

The internal control mechanism, which applies to all of LVMH's operations, aims primarily to create appropriate conditions for a general internal control environment tailored to the Group's specificities. It also aims to anticipate and control the risk of errors and fraud, without however guaranteeing their complete elimination.

The LVMH group has always expressed its determination with regard to these fundamentals, which are the management's commitment to integrity and ethical behavior, the principle of honesty in relations with customers, suppliers, employees and other business partners, 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 good governance principles are included in the LVMH Code of Conduct, which has been distributed since May 2009 to all Group employees. This Code of Conduct serves as the common foundation and source of inspiration in this area for all of our brands or business lines. In particular, in the Houses, the Group recommends and oversees the implementation of codes of conduct, supplier charters, formalized procedures for declaring and monitoring conflicts of interest, and the implementation of delegation matrices that outline the responsibilities and powers of each employee.

In 2009, an Intranet website ("LVMH Mind") was launched to better communicate internally the Group's commitment to responsible corporate citizenship. On this website, specifically devoted to social and environmental responsibility, employees can find the LVMH Code of Conduct, but also the Environmental Charter first adopted in 2001 and the Supplier Charter introduced in 2008, which ensure compliance across the entire supply chain with strict guidelines.

Skills management is a significant aspect of internal control. LVMH pays special attention to matching employees' profiles with corresponding responsibilities, formalizing annual performance reviews at individual and organizational level, ensuring the development of skills through training programs custom-designed for each level of seniority and encouraging internal mobility. Personnel reports are produced monthly by the Group's Human Resources Department, presenting changes in staff and related analyses as well as vacancies and internal movements. A dedicated Intranet site, "LVMH Talents", exists for use by Group Human Resources.

In 2011, strengthening the Group's business continuity plans (BCPs) was a focus of particular attention. Progress made in 2012 was assessed by way of a questionnaire disseminated to all of the Group's significant businesses. Sustained efforts will be required to further develop and improve these procedures and ensure that they continue to meet the Group's requirements.

Furthermore, sessions for the sharing of best practices were organized in 2012 on a range of issues: delegations of authority, payment processes (approval of payments, segregation of duties, signatures and banking delegations), and the system for managing and controlling staff arrivals and departures. Discussions were also organized with a view to developing an anti-corruption program.

### Risk management

The risk management system is described in §2.1.2. "Main risk management principles".

### Control activities, procedures and documentation

Internal control practices and procedures are implemented by the companies' internal control managers under the responsibility of their Management Committees.

Through its Finance Intranet, the Group disseminates all of the regularly updated procedures contributing to accounting and financial information applicable to all the consolidated companies, covering: accounting and financial procedures and principally the accounting policies and standards, consolidation, taxation, investments, financial reporting (including budgetary procedures and strategic plans), cash flow and financing (including cash pooling, foreign exchange and interest rate hedging). The procedures available on the Finance Intranet also detail the format, content and frequency of financial reports.

The Finance Intranet is also used for the dissemination of Internal Control principles and best practices:

- a top-level guide, "The Essentials of Internal Control", describes the bases of the general environment and the salient features of the main processes: Sales, Retail Sales, Purchases, Inventory, Financial Statements Closing and Information Systems (general IT controls);
- in addition to this manual, the LVMH internal control reference guide covering a wide range of business processes has also been made available. This reference guide details, for each risk arising from a given process, the key control activities expected. This reference guide is regularly updated to take into account developments in information systems and procedures. Originally established in accordance with COSO principles, the reference guide covers most of the measures relating to the preparation of accounting and financial information that are also included in the Reference Framework of the AMF;
- best practices and implementation tools are available online via this Intranet site, covering the issues emphasized by the Group: conflicts of interest, delegations of authority, business continuity plans, IT disaster recovery plans, policies and guidelines for information system security, exception reports, the segregation of duties and resulting conflicts relating to sensitive transactions, and the control of media expenses.

The Group and its internal control managers in the Houses ensure the implementation of controls that are essential to achieving the key process internal control objectives, where necessary. The managers are asked to make a special effort in relation to the documentation of key activities in the form of a procedure, so as to ensure consistent quality over time, regardless of the person implementing them.

The activities relating to the control and remediation of internal control weaknesses are reflected, documented and tracked as part of the management process that guides all of the Group's core entities (see below, "Continuous monitoring of the internal control system").

The Group's Guidelines may also be found on the Finance Intranet, together with specially designed tools for the evaluation, prevention and coverage of risks. These materials may be accessed by all personnel involved in the application of the Group's risk management procedures.

### *Information and communication systems*

The strategic plans in terms of information and communication systems are coordinated by the Information Systems Department, which ensures the standardization of the ERP (SAP) in operation as well as business continuity. Aspects of internal control (segregation of duties and access rights) are integrated when employing new information systems and these are regularly reviewed.

The information and telecommunications systems and their associated risks (physical, technical, internal and external security, etc.) are also subject to special procedures: a Business Continuity Plan methodology tool kit has been distributed within the Group in order to define, for each significant entity, the broad outline of such a plan as well as those of an IT Disaster Recovery Plan. A Business Continuity Plan and a Disaster Recovery Plan have been developed at the level of the parent company LVMH SA and both plans are tested on an annual basis.

All significant entities have appointed a head of IT Security (RSI), who reports directly to the Director of Information Systems. The activities of the RSIs are coordinated by the Group RSI. Together they constitute a vigilance network to monitor the development of risks affecting information systems, by implementing adequate defenses depending on the likelihood of a given type of risk and its potential impact. A unified approach to the identification and management of information security risks was adopted in 2012 by a significant entity in the Selective Retailing business group and will be extended to all of the Group's significant entities.

### *Continuous monitoring of the internal control system*

There are several levels of monitoring, the main ones being:

#### Ongoing monitoring of the processes

Monitoring is organized by the operational departments in order to anticipate or detect incidents as soon as possible. Exception reports are used to determine whether corrective actions are required based on a departure from normal operating conditions, as a complement to preventive measures, such as the segregation of duties.

#### Periodic monitoring of the mechanism

Periodic monitoring is performed by management and by the Internal and External Auditors:

- by management or operational staff under the responsibility of the internal control managers. The final deliverable of this supervision is the letter of representation on risk management and internal control, signed by the Chairman and CFO or by each member of the Management Committee of each significant entity, confirming their acceptance of responsibility for internal control in connection with the relaying of information on areas of weakness and the remedies pursued (see §2.1.1.);
- by LVMH Internal Audit and by External Auditors, who provide management of the entities and the Executive Management of the Group with the results of their review work and their recommendations.

The Management of each significant entity carries out an annual self-assessment process.

Self-assessment is based on the LVMH internal control reference guide. This reference guide covers 12 key processes: Sales, Retail Sales, Purchases, Licenses, Travel and Movements, Inventory, Production, Cash Management, Fixed Assets, Human Resources, Information Systems and Financial Statements Closing. Specific processes have been developed and evaluated to reflect the particular needs 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).

In addition, at the level of the parent company LVMH SA and the Group, the eleven key processes listed in §2.1.1. are analyzed to determine the related risks, action plans are subsequently defined and followed-up, so as to remediate any weaknesses.

The self-assessment approach applied at each of the significant entities identified in 2012 (as indicated in §2.1.1.) involves a single list of 83 key controls drawn up by the Group's Internal Control team and extracted from the internal control framework described above. Each entity follows the same methodology, which has been in use since 2006:

- a review of shortcomings and a follow-up by the entity's senior managers of the measures implemented to remediate these weaknesses;
- the formal documentation of this review and assessment process as well as the resulting action plans in the internal control data modeling and guidance tool, which has also been adopted by other CAC 40 companies;
- the signing of the letter of representation by the Management of each entity.

The letters of representation are consolidated and "cascaded", from the subsidiaries to the parent companies, and from the parent companies to the Group.

#### Work and assessments performed by senior executives

These internal control formalization procedures are carried out on an internal basis. This approach maximizes the involvement of operational managers, capitalizing on their knowledge and

facilitating the process of continuous improvement of internal control over time within the Group. The Group's External Auditors are kept informed on the progress of this approach, as is the Performance Audit Committee, by means of regular reports.

## 2.1.4. Risk management and internal control stakeholders

In addition to the contribution of all Group employees to the success of these systems, the following participants fulfill specific roles with respect to internal control:

### *At Group level*

#### The Board of Directors

As part of the responsibilities described above, the Board of Directors contributes to the general control environment through its underlying professional principles: the savoir-faire and responsibility of its members, the clarity and transparency of its decisions, and the efficiency and effectiveness of its controls. The Company refers to the AFEP-MEDEF code of corporate governance for listed companies, for guidance.

The Board of Directors is kept informed on a regular basis of the specific nature of risk management and internal control systems and procedures, and ensures that major risks, which are disclosed in the "Risk factors" section of its Management Report, are properly taken into account.

Also 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 Executive Committee

The Executive Committee, comprised of executive, operational and functional directors, defines strategic objectives on the basis of the orientations decided by the Board of Directors, coordinates their implementation, ensures that the organization adapts to changes in the business environment, and oversees both the definition and the accomplishment of the responsibilities and delegations of authority of Executive Management.

#### The Performance Audit Committee

As part of its responsibilities described above, the Performance Audit Committee controls the existence and application of internal control procedures. It also examines the results of the work of Internal Audit and approves annual and midterm internal auditing orientation in terms of resources and geographic, business and risk coverage. The Committee also receives information on the management of major risks.

#### The Legal Department

The Group's Legal Department is responsible for monitoring the proper application of laws and regulations in force in each of the countries where LVMH group has operations. It also fulfills a central legal review function and provides advice on legal matters as required by each of the Group's business groups.

#### The Risk Management and Insurance Department

Apart from the operational managers, who are responsible for the risks inherent to their businesses, the Risk Management and Insurance Department ensures that Group companies have access to tools and methodologies for the identification and evaluation of risks, promotes effective loss prevention practices, and advises on risk coverage and financing strategies.

The Risk Management and Insurance Department collaborates with the Internal Audit team on the definition and implementation of evaluation methods and processes for handling certain major or large-scale risks.

#### The Audit and Internal Control Department

As of December 31, 2012, the Audit and Internal Control Department had a staff of some fifteen professionals, including two individuals specifically responsible for the coordination of internal control. Although this team's supervision is centralized, its members operate out of two offices in Paris and Hong Kong and are active throughout the Group.

Between thirty and forty audit assignments are carried out each year. As planned, nearly 70 entities were covered in 2012, divided equally between regions and business groups. Special attention was paid to Bulgari, which was audited for the first time since joining the Group, and to the activities of the holding companies.

Follow-ups on recommendations made in the context of past assignments are reinforced through systematic on-site visits to companies with the most significant issues.

The Internal Audit team applies a multi-year audit plan, which is revised each year. The multi-year audit plan allows the degree to which the internal control system has been understood and assimilated to be monitored and reinforced where necessary, and ensures the appropriate application of the procedures that are in place. 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. Internal Audit intervenes both in operational and financial matters. A review of the self-assessment process and its results is performed systematically for the significant entities involved.

The plan can be modified in response to changes in the political and economic environment or internal strategy.

Internal Audit reports on its work to management of the entity concerned and to Executive Management of the Group by way of an Executive Summary and a detailed report explaining its recommendations and setting out managers' commitment to apply them within a reasonable period of time. Internal Audit sends copies of the reports that it issues to the External Auditors and meets with them periodically to discuss current internal control issues.

The main features of the annual and multi-year audit plan, together with the main conclusions of the year under review and the follow-up to the main recommendations of previous assignments, are presented to the Performance Audit Committee and to the business groups concerned.

Moreover, since 2003, Internal Audit has coordinated the Group's compliance with LSF (French Financial Security Act) internal control measures, and has devoted a specific team to internal controls. This team monitors and anticipates regulatory changes so that the measures can be adapted.

The internal control team at the LVMH group level coordinates a network of internal controllers responsible for ensuring compliance with the Group's internal control procedures and for preparing internal controls, tailored to their businesses. These internal control managers are responsible for the various projects related to the internal control and risk management system and promote the dissemination and application of guidelines.

### *At subsidiary level*

**Management Committees**

The Management Committee within each subsidiary is responsible for implementing the procedures necessary to ensure an effective internal control mechanism for its scope of operations. The fact that operational managers are personally accountable for internal controls, in each company and in each of the key business processes, is a cornerstone of the internal control system.

The Management Committees of brands or entities are responsible for the implementation of action plans for the management of the major risks they identify and evaluate in the course of internal control self-assessment, for their scope of operations.

## 2.1.5. Risk management and internal control procedures related to financial and accounting information

### *Organization*

Risk management and internal controls of accounting and financial information are organized based on the cooperation and control of the following departments, which are all part of the Finance Team: Accounting and Consolidation, Management Control, Information Systems, Corporate Finance and Treasury, Tax and Financial Communication.

- **Accounting and Consolidation** is responsible for preparing and producing the individual company accounts of the holding companies and the consolidated financial statements, in particular the financial statements and financial documents published as of June 30 (the Interim Report) and as of December 31 (the Reference Document).

  To this end, Accounting and Consolidation defines and disseminates the Group's accounting policies, monitors and enforces their application and organizes any related training programs that may be deemed necessary. Accounting and Consolidation also ensures that an appropriate financial reporting information system is maintained, while also coordinating the work of the Group's Statutory Auditors.

- **Management Control** is responsible for coordinating the budget process and its revisions during the year as well as the five-year strategic plan. It 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 high standards of the reports it produces, Management Control is a very important participant in the internal control and financial risk management system.

- **Information Systems** designs and implements the information systems needed by the Group's central functions. It disseminates the 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 and IT server system shared by all entities across 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 Group's financial policy, efficiently managing the balance sheet and financial debt, improving the financial structure and implementing a prudent policy for managing solvency, liquidity and counterparty risks. Within this department, International Treasury focuses particularly on pooling the Group's surplus cash and forecasts the financing requirements of Group companies on the basis of quarterly updates prepared by these companies, while meeting the medium-term liquidity and financing requirements of subsidiaries. It is also responsible for applying a centralized foreign exchange risk management strategy.

  The Markets team, which is also in this department, is delegated the responsibility of implementing the policy of hedging market risks generated directly or indirectly by Group companies. In that respect, it is responsible for applying a centralized interest rate and counterparty risk management strategy, designed to limit the negative impact of interest rate fluctuations and credit risk on operations and investments.

  To this end, a management policy and strict procedures 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 Accounting Director allow for a greater segregation of duties. This organization relies on an integrated computerized system allowing real-time controls on hedging transactions. The hedging mechanism is periodically presented to the Performance Audit Committee. Hedging decisions are taken by means of a clearly established process that includes regular presentations to the Group's Executive Committee and detailed documentation.

- **The Tax team**, which coordinates the preparation of tax returns and ensures compliance with applicable tax laws and regulations, provides advice to the different business groups and companies and defines tax planning strategy based on the Group's operational requirements. It organizes appropriate training courses in response to major changes in tax law and coordinates the uniform reporting system for tax data.

- **The Financial Communication** department is responsible for coordinating all information issued to the financial community to enable it to acquire a clear, transparent and precise understanding of the Group's performance and prospects. 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 coordinates the financial aspects of the Group's internal control in its own area of activity via the finance departments of business groups, the main companies and their subsidiaries, which are in charge of similar functions in 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 controls applied to accounting and management data.

#### *Accounting and management policies*

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. Accounting and management reporting is also carried out through the same system, thus ensuring the consistency of internal and published data.

#### *Consolidation process*

The consolidation process is laid out in a detailed set of instructions and has a specially adapted data submission system designed to facilitate complete and accurate data processing, based on a consistent methodology and within suitable timeframes. The Chairman and CFO 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.

There are sub-consolidations at business unit and business group level, which also act as primary control filters and help ensure consistency.

At Group level, the teams in charge of consolidation are specialized 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 Group's consolidated entities produce a strategic plan, a complete budget and annual forecasts. 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 the LVMH 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.

The half-yearly and annual financial statements are closed out at special results presentation meetings, in the presence of the Group's financial representatives and the companies concerned, during which the Statutory Auditors present their conclusions with regard to the quality of financial and accounting information and the internal control environment of the different companies of the LVMH group, on the basis of the work that they performed during their review and audit assignments.

### 2.1.6. Conclusions

The LVMH group is pursuing its policy of constantly improving its internal controls, which it has carried out since 2003, by bolstering the self-appraisal system and its adoption by the main stakeholders.

In response to changes in regulatory requirements, the LVMH group launched the ERICA project in 2010, an approach integrating risk management and internal control, which has been extended to all of its significant businesses since 2011, in line with objectives.

## 2.2. CHRISTIAN DIOR COUTURE

Christian Dior Couture (hereafter 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 63 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:

- control over its activities and processes, the efficiency of its operations and the efficient use of its resources;
- the reliability of financial and accounting information;
- compliance with applicable laws and regulations.

This involves, therefore, 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 by its management bodies, applicable laws and regulations, and 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.

Moreover, the Company has defined as an additional objective the protection of assets (with a particular emphasis on the brand).

The Company has launched a 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, most notably because of the uncertainty of the outside world, 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.

An initial mapping of major risks was established in 2011 and is updated each year, in accordance with their intensity and the controls put in place. Controls devised for these risks are put in place in order to mitigate their impact, although their absolute elimination cannot be guaranteed.

The internal control system makes use of the mapping of risks to identify risks unable to be transferred (e.g., via insurance) that must therefore be managed in the course of the Group's operations.

The internal control system thus consists of procedures and controls designed to guarantee the continuity of business activities exposed to the identified risks.

During the fiscal year, the internal control system was reinforced with the introduction of a formal self-assessment procedure. This self-assessment procedure covers the general control environment at Group entities and includes a detailed review of the key controls identified depending on the materiality of business processes. This approach is currently being rolled out to the Group's main markets, and is due to be adopted in all markets by the end of 2014.

A reporting system has been set up to track the progress of implementation at affected subsidiaries in 2013 (and will also be set up at the remaining subsidiaries in 2014). The methodology consists of three phases:

- a review of shortcomings and the drafting of action plans by managers and executives, to monitor corrective measures;
- formal documentation of this review;
- the signing of the letter of representation by the Management of each entity attesting to the implementation of risk management and internal control procedures. This procedure was introduced in 2011 and rolled out to all subsidiaries, thus supplementing the signing of letters certifying the entity's financial disclosures.

### 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 compared with 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 IFRS and Group rules.
- 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 architects.
- Internal audit covers the following main areas:
  - 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 principles.

On completion of internal audit assignments, reports containing recommendations are presented to the Chairman and to the management of the subsidiaries. An annual review verifies the implementation of recommendations made.

- Lastly, each subsidiary's Executive 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,
  - then by central management and the Group's Internal Audit function.

These letters of representation attesting to the implementation of risk management and internal control procedures are 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 is thus extended to all of the transactions comprised within the Christian Dior Couture group's financial consolidation.

### 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*

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 reports*

Each year, all of the consolidated entities of the Christian Dior Couture group produce a three-year strategic plan, a complete budget, and annual forecasts. 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 control.

### 2.2.6. Outlook

- Completion of the roll-out of key controls at the most significant entities.
- Cross-functional review tasks, with the objective of reinforcing the standardization of processes and controls applied at the headquarters and in the subsidiaries.
- Continuation of the three-year audit plan launched in 2011, with the aim of covering the majority of the Group's most significant subsidiaries by the end of this period: the plan can be modified in response to changes in the political or economic environment or internal strategic realignments.

## 2.3. CHRISTIAN DIOR

### 2.3.1. The control environment

As noted above, Christian Dior is a holding company that controls, directly or indirectly, two main assets: a 40.9% 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 way of:
  - its presence at the Board meetings and Shareholders' Meetings of the subsidiaries,
  - the monitoring of dividends paid by the subsidiaries,
  - the control of 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 SAS.

Regarding the Group's external services, the Shareholders' Meeting of Christian Dior appointed two first-tier accounting firms as Statutory Auditors, one of which also serves in the same capacity on behalf of Christian Dior Couture and LVMH.

### 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 October 3, 2013.

# 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

To the Shareholders,

In our capacity as Statutory Auditors of Christian Dior 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 two-month fiscal year ended June 30, 2013.

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 as 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*

The 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 the 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 the accounting and financial information that we would 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 relating to the preparation and processing of the accounting and financial information contained in the report prepared by 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 prepared by 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, October 15, 2013

The Statutory Auditors

| MAZARS | ERNST & YOUNG et Autres | |
|---|---|---|
| Simon Beillevaire | Jeanne Boillet | 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 users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

# Consolidated financial statements


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# 1. Consolidated income statement

| *(EUR millions, except for earnings per share)* | *Notes* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|
| **Revenue** | *24-25* | **4,768** | **29,881** | **8,993** |
| Cost of sales | | (1,639) | (10,325) | (3,128) |
| **Gross margin** | | **3,129** | **19,556** | **5,865** |
| Marketing and selling expenses | | (1,854) | (11,162) | (3,335) |
| General and administrative expenses | | (394) | (2,304) | (721) |
| **Profit from recurring operations** | *24-25* | **881** | **6,090** | **1,809** |
| Other operating income and expenses | *26* | (21) | (119) | (80) |
| **Operating profit** | | **860** | **5,971** | **1,729** |
| Cost of net financial debt | | (34) | (166) | (71) |
| Other financial income and expense | | 3 | 37 | 64 |
| **Net financial income (expense)** | *27* | **(31)** | **(129)** | **(7)** |
| Income taxes | *28* | (264) | (1,916) | (535) |
| Income (loss) from investments in associates | *8* | 1 | 5 | 3 |
| **Net profit before minority interests** | | **566** | **3,931** | **1,190** |
| Minority interests | *18* | 350 | 2,500 | 796 |
| **Net profit, Group share** | | **216** | **1,431** | **394** |
| **Basic Group share of net profit per share** *(EUR)* | *29* | **1.21** | **8.00** | **2.20** |
| Number of shares on which the calculation is based | | 178,673,923 | 178,959,445 | 179,238,667 |
| **Diluted Group share of net profit per share** *(EUR)* | *29* | **1.20** | **7.90** | **2.16** |
| Number of shares on which the calculation is based | | 179,724,966 | 179,964,904 | 180,150,379 |

# 2. Consolidated statement of comprehensive gains and losses

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** [(a)] (12 months) | **April 30, 2012** [(a)] (4 months) |
|---|---|---|---|
| **Net profit before minority interests** | **566** | **3,931** | **1,190** |
| Translation adjustments | (78) | (79) | (62) |
| Tax impact | (5) | (3) | (16) |
| | **(83)** | **(82)** | **(78)** |
| Change in value of available for sale financial assets | (224) | (222) | 952 |
| Amounts transferred to income statement | (7) | (10) | (6) |
| Tax impact | 12 | (4) | (49) |
| | **(219)** | **(236)** | **897** |
| Change in value of hedges of future foreign currency cash flows | 11 | 195 | 58 |
| Amounts transferred to income statement | (38) | (66) | 1 |
| Tax impact | 1 | (35) | (12) |
| | **(26)** | **94** | **47** |
| **Gains and losses recognized in equity, transferable to income statement** | **(328)** | **(224)** | **866** |
| Change in value of vineyard land | - | 83 | 1 |
| Tax impact | - | (27) | (1) |
| | - | 56 | - |
| Valuation adjustments on employee benefits | 9 | (40) | (23) |
| Tax impact | (2) | 13 | 5 |
| | **7** | **(27)** | **(18)** |
| **Gains and losses recognized in equity, not transferable to income statement** | **7** | **29** | **(18)** |
| **Gains and losses recognized in equity** | **(321)** | **(195)** | **848** |
| **Comprehensive income** | **245** | **3,736** | **2,038** |
| Minority interests | 161 | 2,397 | 1,280 |
| **COMPREHENSIVE INCOME, GROUP SHARE** | **84** | **1,339** | **758** |

(a) The consolidated statements of comprehensive gains and losses as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

# 3. Consolidated balance sheet

## Assets

| *(EUR millions)* | *Notes* | June 30, 2013 (2 months) | April 30, 2013 [(a)] (12 months) | April 30, 2012 [(a)] (4 months) |
|---|---|---|---|---|
| Brands and other intangible assets | *4* | 14,174 | 14,210 | 14,127 |
| Goodwill | *5* | 8,584 | 8,998 | 7,860 |
| Property, plant and equipment | *7* | 9,354 | 9,286 | 8,432 |
| Investments in associates | *8* | 166 | 167 | 171 |
| Non-current available for sale financial assets | *9* | 6,665 | 6,853 | 6,915 |
| Other non-current assets | *10* | 491 | 497 | 567 |
| Deferred tax | *28* | 910 | 950 | 847 |
| **Non-current assets** | | **40,344** | **40,961** | **38,919** |
| Inventories and work in progress | *11* | 8,797 | 8,774 | 8,129 |
| Trade accounts receivable | *12* | 1,837 | 1,828 | 1,677 |
| Income taxes | | 241 | 214 | 129 |
| Other current assets | *13* | 1,769 | 1,910 | 1,598 |
| Cash and cash equivalents | *15* | 2,070 | 1,925 | 1,777 |
| **Current assets** | | **14,714** | **14,651** | **13,310** |
| **TOTAL ASSETS** | | **55,058** | **55,612** | **52,229** |

## Liabilities and equity

| *(EUR millions)* | *Notes* | June 30, 2013 (2 months) | April 30, 2013 [(a)] (12 months) | April 30, 2012 [(a)] (4 months) |
|---|---|---|---|---|
| Share capital | *16.1* | 363 | 363 | 363 |
| Share premium account | | 2,205 | 2,205 | 2,205 |
| Treasury shares and related derivatives | *16.2* | (252) | (263) | (152) |
| Cumulative translation adjustment | *16.4* | 82 | 114 | 153 |
| Revaluation reserves | | 1,347 | 1,446 | 1,502 |
| Other reserves | | 7,052 | 5,618 | 5,602 |
| Net profit, Group share | | 216 | 1,431 | 394 |
| **Equity, Group share** | | **11,013** | **10,914** | **10,067** |
| Minority interests | *18* | 17,093 | 16,953 | 15,837 |
| **Total equity** | | **28,106** | **27,867** | **25,904** |
| Long-term borrowings | *19* | 4,230 | 4,700 | 5,136 |
| Non-current provisions | *20* | 1,763 | 1,731 | 1,581 |
| Deferred tax | *28* | 4,784 | 4,870 | 4,838 |
| Other non-current liabilities | *21* | 5,657 | 6,024 | 4,660 |
| **Non-current liabilities** | | **16,434** | **17,325** | **16,215** |
| Short-term borrowings | *19* | 4,392 | 3,834 | 3,866 |
| Trade accounts payable | | 2,983 | 3,089 | 2,773 |
| Income taxes | | 323 | 432 | 514 |
| Current provisions | *20* | 341 | 368 | 333 |
| Other current liabilities | *22* | 2,479 | 2,697 | 2,624 |
| **Current liabilities** | | **10,518** | **10,420** | **10,110** |
| **TOTAL LIABILITIES AND EQUITY** | | **55,058** | **55,612** | **52,229** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

# 4. Consolidated statement of changes in equity

| | | | | | | Revaluation reserves | | | | | Total equity | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *(EUR millions)* | Number of shares | Share capital | Share premium account | Treasury shares and related derivatives | Cumulative translation adjustment | Available for sale financial assets | Hedges of future foreign currency cash flows | Vineyard land | Employee benefit commit-ments | Net profit and other reserves | Group share | Minority interests | Total |
| *Notes* | | *16.1* | | *16.2* | *16.4* | | | | | | | *18* | |
| **As of Dec. 31, 2011** | **181,727,048** | **363** | **2,205** | **(174)** | **174** | **830** | **(10)** | **298** | **-** | **5,947** | **9,633** | **15,309** | **24,942** |
| Impact of changes in accounting standards (See Note 1.2) | | | | | | | | | (35) | (35) | (53) | (88) | |
| **As of Dec. 31, 2011, after restatements** | **181,727,048** | **363** | **2,205** | **(174)** | **174** | **830** | **(10)** | **298** | **-** | **5,912** | **9,598** | **15,256** | **24,854** |
| Gains and losses recognized in equity | | | | | (21) | 374 | 17 | - | (6) | - | 364 | 484 | 848 |
| Net profit | | | | | | | | | | 394 | 394 | 796 | 1,190 |
| **Comprehensive income** | | | | | **(21)** | **374** | **17** | **-** | **(6)** | **394** | **758** | **1,280** | **2,038** |
| Stock option plan and similar expenses | | | | | | | | | 10 | 10 | 11 | 21 | |
| (Acquisition)/disposal of treasury shares and related derivatives | | | | 22 | | | | | | (6) | 16 | - | 16 |
| Capital increase in subsidiaries | | | | | | | | | - | - | - | - | |
| Interim and final dividends paid | | | | | | | | | | (292) | (292) | (724) | (1,016) |
| Changes in control of consolidated entities | | | | - | - | - | - | - | - | - | (11) | (11) | |
| Acquisition and disposal of minority interests' shares | | - | - | (1) | - | - | - | - | (1) | 28 | 27 | | |
| Purchase commitments for minority interests' shares | | | | | | | | (22) | (22) | (3) | (25) | | |
| **As of April 30, 2012** | **181,727,048** | **363** | **2,205** | **(152)** | **153** | **1,203** | **7** | **298** | **(6)** | **5,996** | **10,067** | **15,837** | **25,904** |
| Gains and losses recognized in equity | | | | | (39) | (99) | 37 | 18 | (9) | - | (92) | (103) | (195) |
| Net profit | | | | | | | | | | 1,431 | 1,431 | 2,500 | 3,931 |
| **Comprehensive income** | | | | | **(39)** | **(99)** | **37** | **18** | **(9)** | **1,431** | **1,339** | **2,397** | **3,736** |
| Stock option plan and similar expenses | | | | | | | | | 25 | 25 | 26 | 51 | |
| (Acquisition)/disposal of treasury shares and related derivatives | | | | (111) | | | | | | (1) | (112) | - | (112) |
| Capital increase in subsidiaries | | | | | | | | | | - | - | 8 | 8 |
| Interim and final dividends paid | | | | | | | | | | (394) | (394) | (1,135) | (1,529) |
| Changes in control of consolidated entities | | | | | | | | | | (5) | (5) | (6) | (11) |
| Acquisition and disposal of minority interests' shares | | | | - | - | (2) | - | (1) | - | (21) | (24) | (52) | (76) |
| Purchase commitments for minority interests' shares | | | | | | | | | | 18 | 18 | (122) | (104) |
| **As of April 30, 2013** | **181,727,048** | **363** | **2,205** | **(263)** | **114** | **1,102** | **44** | **315** | **(15)** | **7,049** | **10,914** | **16,953** | **27,867** |
| Gains and losses recognized in equity | | | | | (33) | (91) | (11) | - | 3 | - | (132) | (189) | (321) |
| Net profit | | | | | | | | | | 216 | 216 | 350 | 566 |
| **Comprehensive income** | | | | | **(33)** | **(91)** | **(11)** | **-** | **3** | **216** | **84** | **161** | **245** |
| Stock option plan and similar expenses | | | | | | | | | | 3 | 3 | 2 | 5 |
| (Acquisition)/disposal of treasury shares and related derivatives | | | | 11 | - | - | - | - | - | 1 | 12 | - | 12 |
| Capital increase in subsidiaries | | | | | | | | | | - | - | 2 | 2 |
| Interim and final dividends paid | | | | | | | | | | - | - | (10) | (10) |
| Changes in control of consolidated entities | | | | | | | | | | - | - | - | - |
| Acquisition and disposal of minority interests' shares | | | | | 1 | (1) | 1 | - | - | (3) | (2) | 18 | 16 |
| Purchase commitments for minority interests' shares | | | | | | | | | | 2 | 2 | (33) | (31) |
| **As of June 30, 2013** | **181,727,048** | **363** | **2,205** | **(252)** | **82** | **1,010** | **34** | **315** | **(12)** | **7,268** | **11,013** | **17,093** | **28,106** |

# 5. Consolidated cash flow statement

| *(EUR millions)* | *Notes* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|
| **I - OPERATING ACTIVITIES AND OPERATING INVESTMENTS** | | | | |
| Operating profit | | 860 | 5,971 | 1,729 |
| Net increase in depreciation, amortization and provisions | | 239 | 1,406 | 412 |
| Other computed expenses | | (29) | (50) | (45) |
| Dividends received | | 31 | 189 | 39 |
| Other adjustments | | (9) | (52) | (21) |
| **Cash from operations before changes in working capital** | | **1,092** | **7,464** | **2,114** |
| Cost of net financial debt: interest paid | | (43) | (186) | (60) |
| Income taxes paid | | (532) | (1,952) | (547) |
| **Net cash from operating activities before changes in working capital** | | **517** | **5,326** | **1,507** |
| Total change in working capital | *15.1* | (144) | (916) | (735) |
| **Net cash from operating activities** | | **373** | **4,410** | **772** |
| Operating investments | *15.2* | (333) | (1,937) | (478) |
| **Net cash from operating activities and operating investments (free cash flow)** | | **40** | **2,473** | **294** |
| **II - FINANCIAL INVESTMENTS** | | | | |
| Purchase of non-current available for sale financial assets | | (42) | (245) | (15) |
| Proceeds from sale of non-current available for sale financial assets | *9* | 17 | 25 | 15 |
| Impact of purchase and sale of consolidated investments | *2.4* | 1 | (44) | (3) |
| **Net cash from (used in) financial investments** | | **(24)** | **(264)** | **(3)** |
| **III - TRANSACTIONS RELATING TO EQUITY** | | | | |
| Capital increases of subsidiaries subscribed by minority interests | | 2 | 8 | - |
| Acquisition and disposals of treasury shares and related derivatives by the Group | | (65) | (40) | 8 |
| Interim and final dividends paid by Christian Dior SA | *16.3* | - | (395) | (292) |
| Interim and final dividends paid to minority interests in consolidated subsidiaries | | (83) | (1,066) | (719) |
| Purchase and proceeds from sale of minority interests | *2.4* | 16 | (215) | 27 |
| **Net cash from (used in) transactions relating to equity** | | **(130)** | **(1,708)** | **(976)** |
| **IV - FINANCING ACTIVITIES** | | | | |
| Proceeds from borrowings | | 855 | 1,260 | 267 |
| Repayment of borrowings | | (621) | (1,435) | (374) |
| Purchase and proceeds from sale of current available for sale financial assets | | (3) | (16) | (40) |
| **Net cash from (used in) financing activities** | | **231** | **(191)** | **(147)** |
| **V - EFFECT OF EXCHANGE RATE CHANGES** | | **22** | **29** | **(25)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV+V)** | | **139** | **339** | **(857)** |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | *15* | **1,526** | **1,187** | **2,044** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | *15* | **1,665** | **1,526** | **1,187** |
| Transactions included in the table above, generating no change in cash:<br>- acquisition of assets by means of finance leases | | - | 9 | 1 |

# Notes to the consolidated financial statements

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# 6. Notes to the consolidated financial statements

## NOTE 1 - ACCOUNTING POLICIES

### 1.1. General framework and environment

On October 26, 2012, the Company's Combined Shareholders' Meeting adopted a resolution to change the opening and closing dates of the fiscal year to July 1 and June 30 of the following civil year, respectively (Article 24 of the Bylaws), with the understanding that, on an exceptional basis, the fiscal year commencing on May 1, 2013 would end on June 30, 2013.

This modification of the Company's fiscal year dates is designed to facilitate financial reporting as well as the monitoring of business activity and results for the Christian Dior group, while preserving the optimization of dividend flows.

The consolidated financial statements for the two-month fiscal year ended June 30, 2013 were established in accordance with international accounting standards and interpretations (IAS/IFRS) adopted by the European Union and applicable on June 30, 2013.

These standards and interpretations have been applied consistently to the fiscal years presented. The consolidated financial statements for the two-month fiscal year ended June 30, 2013 were approved for publication by the Board of Directors on October 3, 2013.

### 1.2. Changes to the accounting framework in 2013

***Standards, amendments and interpretations for which application was mandatory in 2013***

The following standards, amendments and interpretations applicable to the Group, whose mandatory application date is May 1, 2013, relate to:

- amendments to IAS 19 on employee benefit commitments (pensions, reimbursement of medical costs and similar commitments) which require full and immediate recognition of the effect of actuarial differences taken directly to equity and the calculation of the expected return on plan assets on the basis of the discount rate used to value the underlying obligation rather than on the basis of market expectations for returns.

  Until its prior fiscal year ended April 30, 2013, the Group applied partial recognition in the income statement for actuarial gains and losses, using the "corridor" approach. In light of these amendments to IAS 19, the Group retroactively recognized in June 2013 an additional 131 million euro provision as of January 1, 2012, as well as an associated deferred tax asset, generating a net amount of 88 million euros. The provision, which corresponds to the balance of actuarial gains and losses not yet recognized as of January 1, 2012, was recognized as an adjustment to equity. The table below details the changes in equity brought about retroactively by this accounting policy revision:

| *(EUR millions)* | **As of Jan. 1, 2012** | **As of April 30, 2012** | **As of April 30, 2013** |
|---|---|---|---|
| Non-current provisions | (131) | (154) | (190) |
| Other non-current assets | (1) | - | (5) |
| Deferred tax assets | 44 | 49 | 62 |
| **Equity** | **(88)** | **(105)** | **(133)** |
| Of which: | | | |
| Group share | (35) | (41) | (50) |
| Minority interests | (53) | (64) | (83) |

The resulting changes in equity were recognized retroactively under comprehensive income. Net profit for the four-month fiscal year ended April 30, 2012 and the 12 month fiscal year ended April 30, 2013 has not been restated, as the effect of the change in accounting standards for these periods was less than 5 million euros.

- amendment to IAS 1 on the distinct presentation of gains and losses recognized in equity, depending on whether they can or cannot subsequently be transferred to the income statement;
- IFRS 13, which defines the measurement principles for fair value and the required disclosures on accounting methods when fair value applies. The application of this text is without material impact on the Group's consolidated financial statements.

***Standards, amendments and interpretations for which application will be mandatory after 2013***

- The main standards, amendments and interpretations applicable to the Group as from January 1, 2014 are IFRS 10, IFRS 11 and IFRS 12 as they relate to consolidation. These standards redefine the concept of the control of entities, eliminating the possibility to use proportional consolidation to consolidate jointly controlled entities which will be accounted for uniquely using the equity method, and introducing additional disclosure requirements in the notes to the consolidated financial statements.

The application of these standards will not have any material impact on the Group's consolidated financial statements, as proportionately consolidated entities represent only a small portion of the Group's financial statements. Moreover, the consolidation method of distribution subsidiaries jointly owned with the Diageo group will not be impacted. See Notes 1.5 and 1.23.

***Other changes in standards and interpretations***

- The Group is monitoring the ongoing IFRIC and IASB discussions on purchase commitments for minority interests' shares and about recognizing the impact of their remeasurement in the income statement. See Note 1.10 to the consolidated financial statements on how the Group accounts for these commitments.
- The Group is also following the development of the proposed standard on accounting for leases.

## 1.3. First-time adoption of IFRS

The first accounts prepared by the Group in accordance with IFRS were the financial statements for the year ended December 31, 2005, with a transition date of January 1, 2004. IFRS 1 allowed for exceptions to the retrospective application of IFRS at the transition date. The procedures implemented by the Group with respect to these exceptions are listed below:

- business combinations: the exemption from retrospective application was not applied. The Christian Dior group has retrospectively restated acquisitions made since 1988, the date of the initial consolidation of LVMH. IAS 36 Impairment of Assets and IAS 38 Intangible Assets were applied retrospectively as of this date;
- measurement of property, plant and equipment and intangible assets: the option to measure these assets at fair value at the date of transition was not applied with the exception of the entire real estate holdings of Christian Dior Couture;
- foreign currency translation of the financial statements of subsidiaries outside the euro zone: translation reserves relating to the consolidation of subsidiaries that prepare their accounts in foreign currency were reset to zero as of January 1, 2004 and offset against "Other reserves".

## 1.4. Use of estimates

For the purpose of preparing the consolidated financial statements, measurement of certain balance sheet and income statement items requires the use of hypotheses, estimates or other forms of judgment. This is particularly true of the valuation of intangible assets, purchase commitments for minority interests and of the determination of the amount of provisions for contingencies and losses or for impairment of inventories and, if applicable, deferred tax assets. Such hypotheses, estimates or other forms of judgment which are undertaken on the basis of the information available, or situations prevalent at the date of preparation of the accounts, may prove different from the subsequent actual events.

## 1.5. Methods of consolidation

The subsidiaries in which the Group holds a direct or indirect de facto or de jure controlling interest are fully consolidated.

Jointly controlled companies are consolidated on a proportionate basis.

For distribution subsidiaries operating in accordance with the contractual distribution arrangements with the Diageo group, only the portion of assets and liabilities and results of operations relating to the Group's activities is included in the consolidated financial statements (see Note 1.23).

Companies where the Group has significant influence but no controlling interest are accounted for using the equity method.

## 1.6. Foreign currency translation of the financial statements of entities outside the euro zone

The consolidated financial statements are stated in euros; the financial statements of entities stated in a different functional currency are translated into euros:

- at the period-end exchange rates for balance sheet items;
- at the average rates for the period for income statement items.

Translation adjustments arising from the application of these rates are recorded in equity under "Cumulative translation adjustment".

## 1.7. Foreign currency transactions and hedging of exchange rate risks

Transactions of consolidated companies denominated in a currency other than their functional currencies are translated to their functional currencies at the exchange rates prevailing at the transaction dates.

Accounts receivable, accounts payable and debts denominated in currencies other than the entities' functional currencies are translated at the applicable exchange rates at the fiscal year-end. Unrealized gains and losses resulting from this translation are recognized:

- within cost of sales in the case of commercial transactions;
- within net financial income/expense in the case of financial transactions.

Foreign exchange gains and losses arising from the translation or elimination of inter-company transactions or receivables and payables denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long-term inter-company financing transactions which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in equity under "Cumulative translation adjustment".

Derivatives which are designated as hedges of commercial transactions denominated in a currency other than the functional currency of the entity are recognized in the balance sheet at their market value at the fiscal year-end and any change in the market value of such derivatives is recognized:

- within cost of sales for the effective portion of hedges of receivables and payables recognized in the balance sheet at the end of the period;
- within equity (as "Revaluation reserves") for the effective portion of hedges of future cash flows (this part is transferred to cost of sales at the time of recognition of the hedged assets and liabilities);
- within net financial income/expense for the ineffective portion of hedges; changes in the value of discount and premium associated with forward contracts, as well as the time value component of options, are systematically considered as ineffective portions.

When derivatives are designated as hedges of subsidiaries' equity outside the euro zone (net investment hedge), any change in fair value of the derivatives is recognized within equity under "Cumulative translation adjustment" for the effective portion and within net financial income/expense for the ineffective portion.

Market value changes of derivatives not designated as hedges are recorded within net financial income/expense.

See also Note 1.19 regarding the definition of the concepts of effective and ineffective portions.

## 1.8. Brands, trade names and other intangible assets

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

Brands and goodwill are chiefly valued on the basis of the present value of forecast 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 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 between 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 required to generate a similar brand.

Costs incurred in creating a new brand or developing an existing brand are expensed.

Brands, trade names and other intangible assets with finite useful lives are amortized over their estimated useful lives. The classification of a brand or trade name as an asset of definite or indefinite useful life is generally based on the following criteria:

- the brand or trade name's positioning in its market expressed in terms of volume of activity, international presence and notoriety;
- its expected long-term profitability;
- its degree of exposure to changes in the economic environment;
- any major event within its business segment liable to compromise its future development;
- its age.

Amortizable lives of brands and trade names with definite useful lives range from 15 to 40 years, depending on their estimated period of utilization.

Any impairment expense of brands and trade names and, in some cases, amortization expense, are recognized within "Other operating income and expenses".

Impairment tests are carried out for brands, trade names and other intangible assets using the methodology described in Note 1.12.

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

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

- leasehold rights, key money: based on market conditions, generally over the lease period;
- development expenditure: three years at most;
- software: one to five years.

## 1.9. Changes in the percentage interest in consolidated entities

When the Group takes de jure or de facto control of a business, its assets, liabilities and contingent liabilities are estimated at their fair 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 fair 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".

As from January 1, 2010, for transactions occurring after that date, in accordance with IAS 27 (Revised), 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 1.12. Any impairment expense recognized is included within "Other operating income and expenses".

## 1.10. Purchase commitments for minority interests' shares

The Group has granted put options to minority shareholders of certain fully consolidated subsidiaries.

Pending specific guidance from IFRSs regarding this issue, the Group recognizes these commitments as follows:

- the value of the commitment at the fiscal year-end appears in "Other non-current liabilities" or "Other current liabilities" depending on the commitment's time to expiration;
- the corresponding minority interests are reclassified and included in "Other non-current liabilities" or "Other current liabilities" depending on the commitment's time to expiration;
- 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 reclassified minority interests is recorded in equity, under "Other reserves".

This accounting policy has no effect on the presentation of minority interests within the income statement.

## 1.11. 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 fiscal year-end. This valuation is based on official published data for recent transactions in the same region, or on independent appraisals. Any difference compared to historical cost is recognized within equity in "Revaluation reserves". If market value falls below acquisition cost the resulting impairment is charged to the income statement.

Vines for champagnes, cognacs and other wines produced by the Group, are considered as biological assets as defined in IAS 41 Agriculture. As their valuation at market value differs little from that recognized at historical cost, no revaluation is undertaken for these assets.

Investment property is measured at cost.

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.

## 1.12. Impairment testing of fixed assets

Intangible and tangible fixed assets are subject to impairment testing whenever there is any indication that an asset may be impaired, and in any event at least annually in the case of intangible assets with indefinite useful lives (mainly brands, trade names and goodwill). When the carrying amount of assets with indefinite useful lives is greater than the higher of their value in use or market value, the resulting impairment loss is recognized within "Other operating income and expenses", allocated in priority to any existing goodwill.

For the fiscal years ended June 30, 2013, April 30, 2013 and April 30, 2012, December 31 was retained as the impairment testing date in all cases. As of these dates, there were no indications that any assets had suffered impairment losses in comparison to December 31, 2012 and 2011.

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 in the perspective 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, e.g. a group of stores, may be distinguished within a particular business segment.

The forecast data required for the cash flow methods is based on budgets and 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), a 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 final value is added to the value resulting from discounted forecast cash flows which corresponds to the

capitalization in perpetuity of cash flows most often arising from the last year of the plan. When several forecast scenarios are developed, the probability of occurrence of each scenario is assessed. Forecast cash flows are discounted on the basis of the rate of return to be expected by an investor in the applicable business and include assessment of the risk factor associated with each business.

## 1.13. Available for sale financial assets

Financial assets are classified as current or non-current based on their nature.

Non-current available for sale financial assets comprise strategic and non-strategic investments whose estimated period and form of ownership justify such classification.

Current available for sale financial assets include temporary investments in shares, shares of SICAVs, FCPs and other mutual funds, excluding investments made as part of the daily cash management, which are accounted for as “Cash and cash equivalents” (see Note 1.16).

Available for sale financial assets are measured at their listed value at fiscal year-end in the case of quoted investments, and at their net realizable value at that date in the case of unquoted investments.

Positive or negative changes in value are taken to equity within “Revaluation reserves”. If an impairment loss is judged to be definitive, an impairment is recognized and charged to net financial income/expense; the impairment is only reversed through the income statement at the time of sale of the underlying available for sale financial assets.

## 1.14. 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, especially champagne, is measured at the applicable harvest market value, as if the harvested grapes 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 methods.

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

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

## 1.15. Trade accounts receivable, loans and other receivables

Trade accounts receivable 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.

## 1.16. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and highly liquid monetary investments subject to an insignificant risk of changes in value over time.

Monetary investments are measured at their market value and at the exchange rate prevailing at the fiscal year-end, with any changes in value recognized as part of net financial income/expense.

## 1.17. Provisions

A provision is recognized whenever an obligation exists towards a third party resulting in a probable disbursement for the Group, the amount of which may be reliably estimated.

When execution of its obligation is expected to be deferred by 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.

## 1.18. 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 capital amount of borrowings resulting from changes in interest rates, both the hedged amount of borrowings and the related hedges are measured at their market value at the fiscal year-end, with any changes in those values recognized within net financial income/expense. Market value of hedged borrowings is determined using similar methods as those described hereafter in Note 1.19.

In the case of hedging against fluctuations in future interest payments, the related borrowings remain measured at their amortized cost whilst any changes in value of the effective hedge portions are taken to equity as part of revaluation reserves.

Changes in value of non-hedging derivatives, and of the ineffective portions of hedges, are recognized within net financial income/expense.

Financial debt bearing embedded derivatives is measured at fair value; changes in fair value are recognized within net financial income/expense.

Net financial debt comprises short and long-term borrowings, the market value at the fiscal year-end of interest rate derivatives, less the amount at the fiscal year-end of current available for sale financial assets, cash and cash equivalents, in addition to the market value at the fiscal year-end of foreign exchange derivatives related to any of the aforementioned items.

See also Note 1.19 regarding the definition of the concepts of effective and ineffective portions.

## 1.19. Derivatives

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

IAS 39 subordinates the use of hedge accounting to demonstration and documentation of the effectiveness of hedging relationships when hedges are implemented and subsequently throughout their existence. A hedge is considered to be effective if the ratio of changes in the value of the derivative to changes in the value of the hedged underlying remains within a range of 80 to 125%.

Derivatives are recognized in the balance sheet at their fair value at the fiscal year-end. Changes in their value are accounted for as described in Note 1.7 in the case of foreign exchange hedges, and as described in Note 1.18 in the case of interest rate hedges.

Market value is based on market data and on commonly used valuation models, and may be confirmed in the case of complex instruments by reference to values quoted by independent financial institutions.

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

## 1.20. Christian Dior and LVMH treasury shares and related derivatives

### *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.

The cost of disposals of shares is determined by allocation category (see Note 16.2) using the FIFO method. Gains and losses on disposal are taken directly to equity.

### *LVMH treasury shares and related derivatives*

Purchases and sales by LVMH of its own shares, as well as LVMH SA capital increases in favor of share subscription option holders, resulting in changes in the percentage holding of Christian Dior group in LVMH, are accounted for in the consolidated financial statements of Christian Dior group as changes in percentage interest in a consolidated entity.

As from January 1, 2010, in accordance with the revised version of IFRS 3, changes in the percentage of Christian Dior group's ownership interest in LVMH have been taken to equity.

As this provision is applied prospectively, goodwill recognized as of December 31, 2009 was maintained as an asset on the balance sheet.

LVMH-share settled derivatives that are held by the Group are measured at their acquisition cost and recognized as a deduction from consolidated equity.

## 1.21. Pensions, reimbursements of medical costs and other employee commitments

When retirement indemnity plans, pensions, reimbursements of medical costs and other commitments entail the payment by the Group of contributions to third party organizations which assume the exclusive responsibility for paying the retirement indemnities, pensions or medical expense reimbursements, these contributions are expensed in the period in which they fall due with no liability recorded on the balance sheet.

When retirement indemnity plans, pensions, reimbursements of 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, and any changes in this provision are expensed within profit from recurring operations over the period, including effects of discounting.

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

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

As of May 1, 2013, in accordance with IAS 19 (revised), accumulated actuarial gains and losses are recognized in equity under “Revaluation reserves”.

## 1.22. Current and deferred tax

Deferred tax is recognized in respect of temporary differences arising between the value of assets and liabilities for purposes of consolidation and the value resulting from application of tax regulations.

Deferred tax is measured on the basis of the income tax rates enacted at the fiscal year-end; the effect of changes in rates is recognized during the periods in which changes are enacted.

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

Deferred tax assets and liabilities are not discounted.

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

## 1.23. Revenue recognition

### *Definition of revenue*

Revenue mainly comprises retail sale within the Group's store network and sales through agents and distributors. Sales made in stores owned by third parties are treated as retail transactions if the risks and rewards of ownership of the inventories are retained by the Group.

Direct sales to customers are made through retail stores for Fashion and Leather Goods, Selective Retailing and Christian Dior Couture, as well as certain Watches and Jewelry and Perfumes and Cosmetics brands. These sales are recognized at the time of purchase by retail customers.

Wholesale sales concern Wines and Spirits, as well as certain Perfumes and Cosmetics and Watches and Jewelry brands. The Group recognizes revenue when title transfers to third party customers, generally upon shipment.

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

Revenue is presented net of all forms of discount. In particular, payments made in order to have products referenced or, in accordance with agreements, to participate in advertising campaigns with the distributors, are deducted from related revenue.

### *Provisions for product returns*

Perfumes and Cosmetics and, to a lesser extent, Fashion and Leather Goods and Watches and Jewelry companies may accept the return of unsold or outdated products from their customers and distributors.

Where this practice is applied, revenue and the corresponding trade receivables are reduced by the estimated amount of such returns, and a corresponding entry is made to inventories. The estimated rate of returns is based on statistics of historical returns.

### *Businesses undertaken in partnership with Diageo*

A significant proportion of revenue for the Group's Wines and Spirits businesses is generated within the framework of distribution agreements with Diageo generally taking the form of shared entities, which sell and deliver both groups' products to customers. On the basis of the distribution agreements, which provide specific rules for allocating these entities' income statement items and assets and liabilities between the Group and Diageo, the Group only recognizes the portion of the income statement and balance sheet attributable to its own brands.

## 1.24. 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.

## 1.25. Stock option and similar plans

Share purchase and subscription option plans give rise to recognition of an expense based on the amortization of the expected benefit granted to beneficiaries calculated according to the Black & Scholes method on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted.

For bonus share plans, the expected benefit is calculated on the basis of the closing share price on the day before the Board Meeting at which the plan is instituted, less the amount of dividends expected to accrue during the vesting period.

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 benefit resulting from the change in the LVMH share price is recorded in the income statement.

## 1.26. Definitions of Profit from recurring operations and Other operating income and expenses

The Group's main business is the management and development of its brands and trade names. Profit from recurring operations is derived from these activities, whether they are recurring or non-recurring, core or incidental transactions.

Other operating income and expenses comprises income statement items which, due to their nature, amount or frequency, may not be considered as inherent to the Group's recurring operations. This caption reflects in particular the impact of changes in the scope of consolidation and the impairment of brands and goodwill, as well as any significant amount of gains or losses arising on the disposal of fixed assets, restructuring costs, costs in respect of disputes, or any other non-recurring income or expense which may otherwise distort the comparability of profit from recurring operations from one period to the next.

### 1.27. 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 subscription options during the period or any other diluting instrument. It is assumed for the purposes of this calculation that the funds received from the exercise of options, supplemented by the expense to be recognized for stock option and similar plans (see Note 1.25), 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 THE PERCENTAGE INTEREST IN CONSOLIDATED ENTITIES

### 2.1. Fiscal year 2013 (May 1, 2013 - June 30, 2013)

#### *Other activities*

In June 2013, LVMH acquired a 80% stake in Cova, a patisserie business based in Milan (Italy) which is also present in Asia through its franchisee network. This investment is recognized in the balance sheet under Non-current available for sale financial assets as of June 30, 2013 and will be consolidated with effect from July 1, 2013.

### 2.2. Fiscal year 2012-2013 (May 1, 2012 - April 30, 2013)

#### *Christian Dior Couture*

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

#### *Wines and Spirits*

In early 2013, the Group acquired an additional 30% stake in Château d'Yquem for 84 million euros, increasing its ownership interest to 95%. The difference between the acquisition price and minority interests, 33 million euros, was deducted from equity.

#### *Fashion and Leather Goods*

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

#### *Perfumes and Cosmetics*

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

### 2.3. Fiscal year 2012 (January 1, 2012 - April 30, 2012)

The Group did not carry out any significant acquisitions or disposals in the four-month fiscal year ended April 30, 2012.

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

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Purchase price of consolidated investments and of minority interests' shares | (9) | (339) | (7) |
| Positive cash balance/(net overdraft) of companies acquired | - | 1 | (1) |
| Proceeds from sale of consolidated investments | 26 | 79 | 32 |
| (Positive cash balance)/net overdraft of companies sold | - | - | - |
| **IMPACT ON CASH AND CASH EQUIVALENTS OF CHANGES IN THE PERCENTAGE INTEREST IN CONSOLIDATED ENTITIES** | **17** | **(259)** | **24** |
| Of which: | | | |
| Purchase and sale of consolidated investments | 1 | (44) | (3) |
| Purchase and sale of minority interests' shares | 16 | (215) | 27 |

- As of June 30, 2013, the impact on the Group's cash position of changes in the percentage interest in consolidated entities mainly included LVMH SA capital increases in favor of share subscription option holders.
- As of April 30, 2013, the impact on the Group's cash position of changes in the percentage interest in consolidated entities mainly included the effects of the acquisition of the 20% stake in Benefit not previously owned by the Group, the acquisition of an additional 30% stake in Château d'Yquem, LVMH SA capital increases in favor of share subscription option holders, and the acquisition of 100% stakes in Tanneries Roux and Arnys.
- As of April 30, 2012, the impact on the Group's cash position of changes in the percentage interest in consolidated entities mainly included LVMH SA capital increases in favor of share subscription option holders.

## NOTE 3 - PRO FORMA FINANCIAL REPORTING AS OF THE FISCAL YEAR-END DATE

In accordance with AMF recommendation no. 2013-01, the Group's main pro forma accounting aggregates for the 12 months to June 30, 2013 are as follows:

### Key consolidated data

| *(EUR millions)* | Pro forma June 30, 2013 (12 months) |
|---|---|
| Revenue | 30,120 |
| Profit from recurring operations | 6,087 |
| Net profit | 3,839 |
| Net profit, Group share | 1,388 |
| Cash from operations before changes in working capital [(a)] | 7,407 |
| Operating investments | 1,994 |
| Free cash flow [(b)] | 2,301 |

(a) Before tax and interest paid.
(b) Net cash from operating activities and operating investments.

## Data per share

| *(EUR millions)* | Pro forma June 30, 2013 (12 months) |
|---|---|
| **Earnings per share** | |
| Basic Group share of net profit per share | 7.75 |
| Diluted Group share of net profit per share | 7.67 |

## Information by business group

| *(EUR millions)* | Pro forma June 30, 2013 (12 months) |
|---|---|
| **Revenue by business group** | |
| Christian Dior Couture | 1,324 |
| Wines and Spirits | 4,186 |
| Fashion and Leather Goods | 9,981 |
| Perfumes and Cosmetics | 3,690 |
| Watches and Jewelry | 2,803 |
| Selective Retailing | 8,504 |
| Other activities and eliminations | (368) |
| **TOTAL** | **30,120** |
| **Profit from recurring operations by business group** | |
| Christian Dior Couture | 139 |
| Wines and Spirits | 1,306 |
| Fashion and Leather Goods | 3,245 |
| Perfumes and Cosmetics | 411 |
| Watches and Jewelry | 331 |
| Selective Retailing | 888 |
| Other activities and eliminations | (233) |
| **TOTAL** | **6,087** |

## NOTE 4 - BRANDS, TRADE NAMES AND OTHER INTANGIBLE ASSETS

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Amortization and impairment | Net | Net | Net |
| Brands | 11,940 | (520) | 11,420 | 11,444 | 11,517 |
| Trade names | 3,416 | (1,392) | 2,024 | 2,025 | 2,008 |
| License rights | 25 | (25) | - | - | 2 |
| Leasehold rights | 591 | (285) | 306 | 310 | 207 |
| Software, web sites | 810 | (611) | 199 | 203 | 180 |
| Other | 507 | (282) | 225 | 228 | 213 |
| **TOTAL** | **17,289** | **(3,115)** | **14,174** | **14,210** | **14,127** |
| Of which: | | | | | |
| Assets held under finance leases | 14 | (14) | - | - | - |

### 4.1. Movements in the fiscal year

Movements during the 2 month fiscal year ended June 30, 2013 in the net amounts of brands, trade names and other intangible assets were as follows:

| **Gross value** *(EUR millions)* | Brands | Trade names | Software, web sites | Leasehold rights | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| **As of April 30, 2013** | **11,958** | **3,418** | **802** | **589** | **533** | **17,300** |
| Acquisitions | - | - | 9 | 4 | 11 | 24 |
| Disposals and retirements | - | - | (4) | - | (6) | (10) |
| Changes in the scope of consolidation | - | - | - | - | - | - |
| Translation adjustment | (18) | (2) | (1) | (2) | (3) | (26) |
| Reclassifications | - | - | 4 | - | (3) | 1 |
| **AS OF JUNE 30, 2013** | **11,940** | **3,416** | **810** | **591** | **532** | **17,289** |

| **Accumulated amortization and impairment** *(EUR millions)* | Brands | Trade names | Software, web sites | Leasehold rights | Other intangible assets | Total |
|---|---|---|---|---|---|---|
| **As of April 30, 2013** | **(514)** | **(1,393)** | **(599)** | **(279)** | **(305)** | **(3,090)** |
| Amortization expense | (6) | - | (18) | (6) | (10) | (40) |
| Impairment expense | - | - | - | - | 1 | 1 |
| Disposals and retirements | - | - | 4 | - | 6 | 10 |
| Changes in the scope of consolidation | - | - | - | - | - | - |
| Translation adjustment | - | 1 | 2 | - | - | 3 |
| Reclassifications | - | - | - | - | 1 | 1 |
| **AS OF JUNE 30, 2013** | **(520)** | **(1,392)** | **(611)** | **(285)** | **(307)** | **(3,115)** |
| **NET CARRYING AMOUNT AS OF JUNE 30, 2013** | **11,420** | **2,024** | **199** | **306** | **225** | **14,174** |

The gross value of amortizable brands and trade names was 848 million euros as of June 30, 2013.

## 4.2. Movements in prior fiscal years

| **Net carrying amount** *(EUR millions)* | **Brands** | **Trade names** | **Software, web sites** | **Leasehold rights** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **As of December 31, 2011** | **11,512** | **2,044** | **178** | **206** | **215** | **14,155** |
| Acquisitions | - | - | 13 | 12 | 28 | 53 |
| Disposals and retirements | - | - | - | (5) | - | (5) |
| Changes in the scope of consolidation | - | - | (1) | 1 | 1 | 1 |
| Amortization expense | (8) | - | (26) | (8) | (17) | (59) |
| Impairment expense | - | - | - | - | - | - |
| Translation adjustment | 13 | (36) | (2) | (1) | 2 | (24) |
| Other movements, including transfers | - | - | 18 | 2 | (14) | 6 |
| **As of April 30, 2012** | **11,517** | **2,008** | **180** | **207** | **215** | **14,127** |
| Acquisitions | - | - | 78 | 102 | 121 | 301 |
| Disposals and retirements | - | - | - | - | (1) | (1) |
| Changes in the scope of consolidation | - | - | - | 17 | - | 17 |
| Amortization expense | (45) | (1) | (91) | (23) | (61) | (221) |
| Impairment expense | - | - | - | - | - | - |
| Translation adjustment | (28) | 18 | (1) | (1) | (2) | (14) |
| Other movements, including transfers | - | - | 37 | 8 | (44) | 1 |
| **AS OF APRIL 30, 2013** | **11,444** | **2,025** | **203** | **310** | **228** | **14,210** |

## 4.3. Brands and trade names

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

| | **June 30, 2013** (2 months) | | | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | **Gross** | **Amortization and impairment** | **Net** | **Net** | **Net** |
| Christian Dior Couture | 34 | (2) | 32 | 32 | 32 |
| Wines and Spirits | 2,980 | (66) | 2,914 | 2,922 | 2,941 |
| Fashion and Leather Goods | 3,903 | (376) | 3,527 | 3,530 | 3,549 |
| Perfumes and Cosmetics | 1,287 | (23) | 1,264 | 1,264 | 1,265 |
| Watches and Jewelry | 3,504 | (6) | 3,498 | 3,509 | 3,534 |
| Selective Retailing | 3,374 | (1,345) | 2,029 | 2,030 | 2,012 |
| Other activities | 274 | (94) | 180 | 182 | 192 |
| **BRANDS AND TRADE NAMES** | **15,356** | **(1,912)** | **13,444** | **13,469** | **13,525** |

The brands and trade names recognized are those that the Group has acquired. The principal acquired brands and trade names as of June 30, 2013 are:

- Wines and Spirits: Hennessy, Moët & Chandon, Veuve Clicquot, Krug, Château d'Yquem, Château Cheval Blanc, Belvedere, Glenmorangie, Newton Vineyards and Numanthia Termes;
- Fashion and Leather Goods: Louis Vuitton, Fendi, Donna Karan New York, Céline, Loewe, Givenchy, Kenzo, Thomas Pink, Berluti and Pucci;
- Perfumes and Cosmetics: Parfums Christian Dior, Guerlain, Parfums Givenchy, Make Up For Ever, Benefit Cosmetics, Fresh and Acqua di Parma;
- Watches and Jewelry: Bulgari, TAG Heuer, Zenith, Hublot, Chaumet and Fred;
- Selective Retailing: DFS Galleria, Sephora, Ile de Beauté and Le Bon Marché;
- Other activities: the publications of the media group Les Echos-Investir and the Royal Van Lent 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 net selling price as of the closing date for the consolidated financial statements of the Group. This is notably the case for the brands Louis Vuitton, Christian Dior Couture, Veuve Clicquot, and Parfums Christian Dior, or the trade name Sephora, with the understanding that this list must not be considered as exhaustive.

Brands developed by the Group, notably Dom Pérignon, as well as the De Beers Diamond Jewellers brand developed as a joint-venture with the De Beers group, 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 36% of total brands and trade names capitalized in the balance sheet and 53% of the Group's consolidated revenue.

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

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Impairment | Net | Net | Net |
| Goodwill arising on consolidated investments | 7,084 | (1,209) | 5,875 | 5,896 | 5,767 |
| Goodwill arising on purchase commitments for minority interests | 2,712 | (3) | 2,709 | 3,102 | 2,093 |
| **TOTAL** | **9,796** | **(1,212)** | **8,584** | **8,998** | **7,860** |

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

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Impairment | Net | Net | Net |
| **At beginning of period** | **10,205** | **(1,207)** | **8,998** | **7,860** | **7,583** |
| Changes in the scope of consolidation | 1 | - | 1 | 48 | 7 |
| Changes in purchase commitments for minority interests | (407) | - | (407) | 1,114 | 285 |
| Changes in impairment | - | (6) | (6) | (27) | (5) |
| Translation adjustment | (3) | 1 | (2) | 3 | (10) |
| Reclassifications | - | - | - | - | - |
| **AT END OF PERIOD** | **9,796** | **(1,212)** | **8,584** | **8,998** | **7,860** |

See Note 2 for changes in percentage interest over the fiscal years presented.

Please refer also to Note 21 for goodwill arising on purchase commitments for minority interests.

# 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 were subject to annual impairment testing. As of June 30, 2013, in the absence of any new available plans and events affecting the results of impairment tests carried out as of December 31, 2012, no significant additional impairment expense was recognized. As described in Note 1.12, these assets are generally valued on the basis of the present value of forecast cash flows determined in the context of multiyear business plans drawn up over the course of each fiscal year.

The main assumptions retained in 2011 and 2012 for the determination of forecast cash flows for multi-year plans are as follows:

| Business group *(as %)* | December 31, 2012 | | | December 31, 2011 | |
|---|---|---|---|---|---|
| | Post-tax discount rate | Compound annual growth rate for revenue during the plan period | Growth rate for the period after the plan | Post-tax discount rate | Growth rate for the period after the plan |
| Christian Dior Couture | 8.6 | 7.0 to 22.0 | 2.0 | 8.6 | 2.0 |
| Wines and Spirits | 7.5 to 11.2 | 6.0 to 18.0 | 2.0 | 7.5 to 11.2 | 2.0 |
| Fashion and Leather Goods | 8.0 to 13.1 | 7.0 to 22.0 | 2.0 | 8.0 to 13.3 | 2.0 |
| Perfumes and Cosmetics | 8.0 to 8.4 | 8.0 to 18.0 | 2.0 | 8.0 to 8.4 | 2.0 |
| Watches and Jewelry | 9.2 to 9.6 | 8.0 to 18.0 | 2.0 | 8.5 to 10.3 | 2.0 |
| Selective Retailing | 8.4 to 9.6 | 8.0 to 13.0 | 2.0 | 8.4 to 9.6 | 2.0 |
| Other | 6.5 to 8.2 | 2.0 to 4.0 | 2.0 | 6.5 to 8.2 | 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 case of brands for which 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 in the past four exercises, 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.

As of December 31, 2012, the rise in risk premiums was offset by lower interest rates, discount rates were similar to those used as of December 31, 2011. Annual growth rates applied for the period not covered by the plans were based on market estimates usually applied for the business groups concerned.

As of June 30, 2013, on the basis of the same assumptions applied as of December 31, 2012, adjusted to reflect the impact of exchange rate fluctuations over the period, the intangible assets with indefinite useful lives that are the most significant in terms of their net carrying amounts and the criteria used for their impairment testing are as follows:

| | Brands and trade names *(EUR millions)* | Goodwill *(EUR millions)* | Total *(EUR millions)* | Post-tax discount rate *(as %)* | Growth rate for the period after the plan *(as %)* | Period covered by the forecast cash flows |
|---|---|---|---|---|---|---|
| Louis Vuitton | 2,058 | 629 | 2,687 | 8.0 | 2.0 | 5 years |
| Fendi | 713 | 405 | 1,118 | 9.6 | 2.0 | 5 years |
| Bulgari | 2,100 | 1,523 | 3,623 | 9.2 | 2.0 | 10 years |
| TAG Heuer | 1,005 | 191 | 1,196 | 9.2 | 2.0 | 5 years |
| DFS Galleria | 1,750 | 14 | 1,764 | 9.6 | 2.0 | 5 years |
| Hennessy | 1,067 | 47 | 1,114 | 7.5 | 2.0 | 5 years |
| Sephora | 279 | 607 | 886 | 8.4 | 2.0 | 5 years |

As of December 31, 2012, for the business segments listed above, a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, compared to rates used as of December 31, 2012, 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 June 30, 2013 as well as the impairment loss that would result from a change of 0.5 points in the post-tax discount rate or in the growth rate for the period not covered by the plans, or from a reduction of 2 points in the compound annual growth rate for revenue compared to rates used as of December 31, 2012, are indicated below:

| | | Amount of impairment if: | | |
|---|---|---|---|---|
| *(EUR millions)* | **Amount of intangible assets concerned as of June 30, 2013** | **Increase of 0.5% in post-tax discount rate** | **Decrease of 0.5% in growth rate for the period after the plan** | **Decrease of 2% in compound annual growth rate for revenue** |
| Wines and Spirits | 300 | 21 | 14 | 10 |
| Fashion and Leather Goods | 210 | 27 | 13 | 48 |
| Other business groups | 459 | 18 | 10 | 9 |
| **TOTAL** | **969** | **66** | **37** | **67** |

## NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | **Gross** | **Depreciation and impairment** | **Net** | **Net** | **Net** |
| Land | 1,269 | (60) | 1,209 | 1,211 | 989 |
| Vineyard land and producing vineyards | 2,048 | (82) | 1,966 | 1,970 | 1,884 |
| Buildings | 2,815 | (1,423) | 1,392 | 1,393 | 1,576 |
| Investment property | 677 | (73) | 604 | 606 | 537 |
| Leaseholds improvements, machinery and equipment | 6,468 | (4,116) | 2,352 | 2,325 | 1,931 |
| Assets in progress | 791 | - | 791 | 744 | 561 |
| Other tangible fixed assets | 1,690 | (650) | 1,040 | 1,037 | 954 |
| **TOTAL** | **15,758** | **(6,404)** | **9,354** | **9,286** | **8,432** |
| Of which: | | | | | |
| Assets held under finance leases | 237 | (132) | 105 | 106 | 110 |
| Historical cost of vineyard land and producing vineyards | 654 | (82) | 572 | 574 | 570 |

## 7.1. Movements in the fiscal year

Movements in property, plant and equipment during the fiscal year break down as follows:

| | | | | Leaseholds 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 April 30, 2013** | **2,052** | **4,083** | **678** | **3,770** | **1,669** | **977** | **744** | **1,680** | **15,653** |
| Acquisitions | - | 27 | 1 | 81 | 20 | 13 | 112 | 19 | 273 |
| Change in the market value of vineyard land | - | - | - | - | - | - | - | - | - |
| Disposals and retirements | - | (14) | - | (44) | (18) | (6) | - | (6) | (88) |
| Changes in the scope of consolidation | - | - | - | - | - | - | - | 1 | 1 |
| Translation adjustment | (5) | (22) | (2) | (32) | (8) | (6) | (2) | (11) | (88) |
| Other movements, including transfers | 1 | 10 | - | 37 | 10 | 5 | (63) | 7 | 7 |
| **AS OF JUNE 30, 2013** | **2,048** | **4,084** | **677** | **3,812** | **1,673** | **983** | **791** | **1,690** | **15,758** |

| | | | | Leaseholds improvements, machinery and equipment | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Depreciation and impairment** *(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 April 30, 2013** | **(82)** | **(1,479)** | **(72)** | **(2,314)** | **(1,098)** | **(679)** | **-** | **(643)** | **(6,367)** |
| Depreciation expense | (1) | (24) | (1) | (80) | (18) | (18) | - | (18) | (160) |
| Impairment expense | - | - | - | - | - | - | - | - | - |
| Disposals and retirements | - | 14 | - | 45 | 17 | 6 | - | 7 | 89 |
| Changes in the scope of consolidation | - | - | - | - | - | - | - | (1) | (1) |
| Translation adjustment | 1 | 7 | - | 20 | 5 | 3 | - | 4 | 40 |
| Other movements, including transfers | - | (1) | - | (5) | (1) | 1 | - | 1 | (5) |
| **AS OF JUNE 30, 2013** | **(82)** | **(1,483)** | **(73)** | **(2,334)** | **(1,095)** | **(687)** | **-** | **(650)** | **(6,404)** |
| **NET CARRYING AMOUNT AS OF JUNE 30, 2013** | **1,966** | **2,601** | **604** | **1,478** | **578** | **296** | **791** | **1,040** | **9,354** |

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

## 7.2. Movements in prior fiscal years

| Net carrying amount (*EUR millions*) | Vineyard land and producing vineyards | Land and buildings | Investment property | Leaseholds improvements, machinery and equipment: Stores | Production, logistics | Other | Assets in progress | Other tangible fixed assets | Total |
|---|---|---|---|---|---|---|---|---|---|
| **As of December 31, 2011** | **1,867** | **2,549** | **536** | **1,274** | **516** | **193** | **519** | **917** | **8,371** |
| Acquisitions | 15 | 26 | - | 89 | 24 | 16 | 200 | 55 | 425 |
| Disposals and retirements | - | (14) | - | (2) | (1) | (3) | - | (4) | (24) |
| Depreciation expense | (2) | (43) | (1) | (129) | (35) | (24) | - | (31) | (265) |
| Impairment expense | - | (63) | - | - | - | - | - | - | (63) |
| Change in the market value of vineyard land | 1 | - | - | - | - | - | - | - | 1 |
| Changes in the scope of consolidation | - | - | - | 4 | - | - | - | 6 | 10 |
| Translation adjustment | (2) | (19) | 2 | (10) | 1 | (1) | (3) | (1) | (33) |
| Other movements, including transfers | 5 | 129 | - | (26) | 24 | 21 | (155) | 12 | 10 |
| **As of April 30, 2012** | **1,884** | **2,565** | **537** | **1,200** | **529** | **202** | **561** | **954** | **8,432** |
| Acquisitions | - | 181 | 82 | 530 | 109 | 101 | 641 | 150 | 1,794 |
| Disposals and retirements | - | (2) | - | (3) | (3) | (2) | (4) | (25) | (39) |
| Depreciation expense | (6) | (157) | (5) | (426) | (116) | (102) | - | (98) | (910) |
| Impairment expense | - | (12) | - | 1 | - | - | - | (3) | (14) |
| Change in the market value of vineyard land | 85 | - | - | - | - | - | - | - | 85 |
| Changes in the scope of consolidation | - | 6 | - | 1 | - | - | - | - | 7 |
| Translation adjustment | (2) | (56) | (3) | (15) | (4) | (4) | (1) | - | (85) |
| Other movements, including transfers | 9 | 79 | (5) | 168 | 56 | 103 | (453) | 59 | 16 |
| **AS OF APRIL 30, 2013** | **1,970** | **2,604** | **606** | **1,456** | **571** | **298** | **744** | **1,037** | **9,286** |

Purchases of property, plant and equipment for the fiscal years ended April 30, 2013 and April 30, 2012 reflected investments by Louis Vuitton, Christian Dior Couture, Sephora and DFS in their retail networks, as well as those of Parfums Christian Dior and the champagne houses in their production equipment, in addition to the effects of real estate investments dedicated to administrative, commercial or rental purposes.

## NOTE 8 - INVESTMENTS IN ASSOCIATES

| | **June 30, 2013** (2 months) | | | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | **Gross** | **Impairment** | **Net** | **Net** | **Net** |
| **Share of net assets of associates at beginning of period** | **167** | **-** | **167** | **171** | **172** |
| Share of net profit (loss) for the period | 1 | - | 1 | 5 | 3 |
| Dividends paid | (2) | - | (2) | (12) | - |
| Changes in the scope of consolidation | - | - | - | 1 | (4) |
| Translation adjustment | - | - | - | (4) | (2) |
| Other movements, including transfers | - | - | - | 6 | 2 |
| **SHARE OF NET ASSETS OF ASSOCIATES AS OF PERIOD-END** | **166** | **-** | **166** | **167** | **171** |

As of June 30, 2013, investments in associates consisted primarily of:

- a 40% equity stake in Mongoual SA, a real estate company which owns an office building in Paris (France), which is the head office of LVMH Moët Hennessy - Louis Vuitton SA;
- a 45% equity stake in PT. Sona Topas Tourism Industry Tbk (STTI), an Indonesian retail company, which notably holds duty-free sales licenses in airports.

## NOTE 9 - NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

| | **June 30, 2013** (2 months) | | | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | **Gross** | **Impairment** | **Net** | **Net** | **Net** |
| **TOTAL** | **6,816** | **(151)** | **6,665** | **6,853** | **6,915** |

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

| *(EUR millions)* | June 30, 2013 (2 months) Total | June 30, 2013 (2 months) of which Hermès | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|
| **At beginning of period** | **6,853** | **6,236** | **6,915** | **5,982** |
| Acquisitions | 42 | - | 241 | 14 |
| Disposals at net realized value | (17) | - | (25) | (15) |
| Changes in market value | (210) | (197) | (249) | 943 |
| Changes in impairment | - | - | (5) | (1) |
| Changes in the scope of consolidation | - | - | - | - |
| Translation adjustment | - | - | 3 | (5) |
| Reclassifications | (3) | - | (27) | (3) |
| **TOTAL AT END OF PERIOD** | **6,665** | **6,039** | **6,853** | **6,915** |

As of June 30, 2013, non-current available for sale assets mainly comprise an investment in Hermès International SCA (“Hermès”) with a gross and net amount of 6,039 million euros (6,236 million euros as of April 30, 2013 and 6,311 million euros as of April 30, 2012), corresponding to a 23.1% stake in the share capital. Given the legal form of Hermès, a “Société en Commandite par Actions”, the investment stake held by the Group is not accounted for under the equity method.

As of June 30, 2013, the stake in Hermès, corresponding to 24.3 million shares, represented, on the basis of the Hermès share price at that date on Paris stock exchange, an amount of 6.0 billion euros, for a total amount of 3.6 billion euros on initial recognition (2.6 billion euros in cash after deducting the gain recognized in 2010, upon the settlement of equity linked swaps covering 12.8 million shares).

As of June 30, 2013, the Hermès share price, applied for the purpose of valuing this investment, was 248.00 euros (256.10 euros as of April 30, 2013, and 267.25 euros as of April 30, 2012).

Impairment of non-current available for sale financial assets is determined in accordance with the accounting policies described in Note 1.13.

Non-current available for sale financial assets held by the Group as of June 30, 2013 include the following:

| *(EUR millions)* | Percentage interest | Net value | Revaluation reserve | Dividends received | Equity [c] | Net profit [c] |
|---|---|---|---|---|---|---|
| Hermès International SCA (France) [a] | 23.1% | 6,039 | 2,422 | 24 | 2,344 [d] | 740 [d] |
| Hengdeli Holdings Ltd (China) [a] | 6.3% | 53 | 31 | - | 664 [d] | 101 [d] |
| Tod's SpA (Italy) [a] | 3.5% | 115 | 68 | 3 | 758 [d] | 145 [d] |
| L Real Estate SCA (Luxembourg) [b] | 32.2% | 115 | 21 | - | 331 [e] | 62 [e] |
| L Capital 2 FCPR (France) [b] | 18.5% | 41 | (1) | - | 216 [e] | (4) [e] |
| Sociedad Textil Lonia SA (Spain) [b] | 25.0% | 32 | 23 | - | 126 [d] | 35 [d] |
| Other investments | | 270 | 39 | - | | |
| **TOTAL** | | **6,665** | **2,603** | **27** | | |

(a) Market value of securities as of the close of trading as of June 30, 2013.
(b) Valuation at estimated net realizable value.
(c) Figures provided reflect company information prior to June 30, 2013, as 2013 accounting data was not available at the date of preparation of the financial statements.
(d) Consolidated data.
(e) Company data.

## NOTE 10 - OTHER NON-CURRENT ASSETS

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013[a] (12 months) | April 30, 2012[a] (4 months) |
|---|---|---|---|
| Warranty deposits | 272 | 238 | 225 |
| Derivatives | 92 | 138 | 200 |
| Loans and receivables | 113 | 114 | 126 |
| Other | 14 | 7 | 16 |
| **TOTAL** | **491** | **497** | **567** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended.

## NOTE 11 - INVENTORIES AND WORK IN PROGRESS

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Impairment | Net | Net | Net |
| Wines and eaux-de-vie in the process of aging | 3,642 | (21) | 3,621 | 3,677 | 3,423 |
| Other raw materials and work in progress | 1,489 | (317) | 1,172 | 1,194 | 1,161 |
| | **5,131** | **(338)** | **4,793** | **4,871** | **4,584** |
| Goods purchased for resale | 1,391 | (125) | 1,266 | 1,258 | 801 |
| Finished products | 3,327 | (589) | 2,738 | 2,645 | 2,744 |
| | **4,718** | **(714)** | **4,004** | **3,903** | **3,545** |
| **TOTAL** | **9,849** | **(1,052)** | **8,797** | **8,774** | **8,129** |

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

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Impairment | Net | Net | Net |
| **At beginning of period** | **9,818** | **(1,044)** | **8,774** | **8,129** | **7,681** |
| Change in gross inventories[a] | 107 | - | 107 | 979 | 489 |
| Fair value adjustment for the harvest of the period | 4 | - | 4 | (27) | (2) |
| Changes in impairment | - | (29) | (29) | (239) | (31) |
| Changes in the scope of consolidation | - | - | - | 7 | 26 |
| Translation adjustment | (65) | 5 | (60) | (80) | (36) |
| Other, including reclassifications | (15) | 16 | 1 | 5 | 2 |
| **AT END OF PERIOD** | **9,849** | **(1,052)** | **8,797** | **8,774** | **8,129** |

(a) Including the impact of product returns. See Note 1.23.

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

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Fair value adjustment for the harvest of the period | 9 | 10 | 7 |
| Adjustment for inventory consumed | (5) | (37) | (9) |
| **NET EFFECT ON COST OF SALES OF THE PERIOD** | **4** | **(27)** | **(2)** |

## NOTE 12 - TRADE ACCOUNTS RECEIVABLE

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Trade accounts receivable, nominal amount | 2,066 | 2,064 | 1,909 |
| Provision for impairment | (67) | (69) | (68) |
| Provision for product returns | (162) | (167) | (164) |
| **NET AMOUNT** | **1,837** | **1,828** | **1,677** |

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

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|---|
| *(EUR millions)* | Gross | Impairment | Net | Net | Net |
| **At beginning of period** | **2,064** | **(236)** | **1,828** | **1,677** | **1,952** |
| Change in gross receivables | 36 | - | 36 | 174 | (267) |
| Changes in provision for impairment | - | 2 | 2 | (1) | 1 |
| Changes in provision for product returns | - | 3 | 3 | (5) | 12 |
| Changes in the scope of consolidation | (1) | - | (1) | (4) | 3 |
| Translation adjustment | (25) | 1 | (24) | (45) | (11) |
| Reclassifications | (8) | 1 | (7) | 32 | (13) |
| **AT END OF PERIOD** | **2,066** | **(229)** | **1,837** | **1,828** | **1,677** |

Approximately 66% of the Group's sales is generated through its own stores (64% as of April 30, 2013 and April 30, 2012). The receivable auxiliary balance is comprised primarily 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 whenever the likelihood that receivables may not be recoverable is justified on reasonable grounds.

As of June 30, 2013, the breakdown of the nominal amount of trade receivables and of provisions for impairment by age was as follows:

| *(EUR millions)* | Nominal amount of receivables | Impairment | Net amount of receivables |
|---|---|---|---|
| Not due | | | |
| less than 3 months | 1,619 | (10) | 1,609 |
| more than 3 months | 81 | (3) | 78 |
| | **1,700** | **(13)** | **1,687** |
| Overdue | | | |
| less than 3 months | 249 | (3) | 246 |
| more than 3 months | 117 | (51) | 66 |
| | **366** | **(54)** | **312** |
| **TOTAL** | **2,066** | **(67)** | **1,999** |

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

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

## NOTE 13 - OTHER CURRENT ASSETS

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Current available for sale financial assets | 187 | 201 | 154 |
| Derivatives | 370 | 426 | 192 |
| Tax accounts receivable, excluding income taxes | 400 | 370 | 442 |
| Advances and payments on account to vendors | 158 | 173 | 171 |
| Prepaid expenses | 341 | 389 | 303 |
| Other receivables | 313 | 351 | 336 |
| **TOTAL** | **1,769** | **1,910** | **1,598** |

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

Please also refer to Note 14 Current available for sale financial assets and Note 23 Financial instruments and market risk management.

## NOTE 14 - CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Unlisted securities, shares in non-money market SICAVs and funds | 12 | 13 | 16 |
| Listed securities | 175 | 188 | 138 |
| **TOTAL** | **187** | **201** | **154** |
| Of which: historical cost of current available for sale financial assets | 176 | 176 | 161 |

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

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| **At beginning of period** | **201** | **154** | **145** |
| Acquisitions | - | - | - |
| Disposals at net realized value | - | (4) | - |
| Changes in market value | (14) | 26 | 9 |
| Changes in impairment | - | 1 | (1) |
| Reclassifications (as)/from Non-current available for sale financial assets [(a)] | - | 25 | - |
| Translation adjustment | - | (1) | 1 |
| **AT END OF PERIOD** | **187** | **201** | **154** |

(a) See Note 9.

See also Note 1.13 for the method used to determine impairment losses on current available for sale financial assets.

## NOTE 15 - CASH AND CASH EQUIVALENTS

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Fixed term deposits (less than 3 months) | 421 | 338 | 307 |
| SICAV and FCP money market funds | 92 | 96 | 117 |
| Ordinary bank accounts | 1,557 | 1,491 | 1,353 |
| **CASH AND CASH EQUIVALENTS PER BALANCE SHEET** | **2,070** | **1,925** | **1,777** |

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)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Cash and cash equivalents | 2,070 | 1,925 | 1,777 |
| Bank overdrafts | (405) | (399) | (590) |
| **NET CASH AND CASH EQUIVALENTS PER CASH FLOW STATEMENT** | **1,665** | **1,526** | **1,187** |

### 15.1. Change in working capital

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

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Change in inventories and work in progress | (108) | (982) | (491) |
| Change in trade accounts receivable | (36) | (189) | 248 |
| Change in trade accounts payable | (88) | 305 | (229) |
| Change in other receivables and payables | 88 | (50) | (263) |
| **Change in working capital [(a)]** | **(144)** | **(916)** | **(735)** |

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

### 15.2. Operating investments

Operating investments comprise the following elements for the periods presented:

| *(EUR millions)* | *Notes* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|---|
| Purchase of intangible fixed assets | *4* | (24) | (301) | (53) |
| Purchase of tangible fixed assets | *7* | (273) | (1,794) | (425) |
| Changes in accounts payable related to fixed asset purchases | | (2) | 150 | (17) |
| **Net cash used in purchases of fixed assets [(a)]** | | **(299)** | **(1,945)** | **(495)** |
| Net cash from fixed assets disposals [(a)] | | 1 | 40 | 37 |
| Guarantee deposits paid and other cash flows related to operating investments [(a)] | | (35) | (32) | (20) |
| **OPERATING INVESTMENTS** | | **(333)** | **(1,937)** | **(478)** |

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

## NOTE 16 - EQUITY

### 16.1. Share capital

As of June 30, 2013, issued and fully paid-up shares totaled 181,727,048 (181,727,048 as of April 30, 2013 and April 30, 2012), with a par value of 2 euros; 123,286,894 shares with double voting rights, granted to registered shares held for more than three years (123,285,600 as of April 30, 2013, 123,110,228 as of April 30, 2012).

### 16.2. Treasury shares and related derivatives

The impact on the net assets of the Group of Christian Dior shares and LVMH-share settled derivatives held within the framework of stock option plans breaks down as follows:

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Christian Dior treasury shares [(a)] | 252 | 263 | 149 |
| Share in derivatives settled in LVMH shares attributable to Christian Dior [(b)] | - | - | 3 |
| **TREASURY SHARES AND RELATED DERIVATIVES** | **252** | **263** | **152** |

(a) As of April 30, 2013, this amount includes the recognition of a forward contract for the repurchase of shares concluded on April 26, 2013 and relating to 550,000 shares at an average purchase price of 137.71 euros, which was settled on June 11, 2013 (see Note 23).
(b) Given the short interval between the exercise of derivatives settled in LVMH shares and the delivery of the shares thus obtained to the beneficiaries of share purchase option plans, these transactions had no impact on the percentage of ownership.

The portfolio of Christian Dior shares, and their allocation, is as follows:

| | June 30, 2013 (2 months) | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|
| *(EUR millions)* | Number | Value | Value | Value |
| Share purchase option plans | 1,794,544 | 114 | 125 | 133 |
| Bonus share plans | 189,083 | 12 | 12 | 12 |
| Future plans | 48,091 | 3 | 3 | 3 |
| Other | 19,532 | 1 | 1 | 1 |
| Shares pending retirement [(a)] | 900,000 | 122 | 122 | - |
| **CHRISTIAN DIOR SHARES** | **2,951,250** | **252** | **263** | **149** |

(a) As of April 30, 2013, this included shares resulting from the forward share repurchase contract not yet settled at the fiscal year-end.

In accordance with the decision taken by the Board of Directors on December 20, 2012 under the authorization granted by the Combined Shareholders' Meeting of October 26, 2012, the Company entered into two forward contracts for the repurchase of its own shares via an authorized intermediary during the fiscal year ended April 30, 2013. The shares thus repurchased were allocated by the Company to be retired. The characteristics of the two forward share repurchase contracts were as follows:

- a first forward share repurchase contract was concluded by Christian Dior on March 5, 2013, under which the Company agreed to purchase a maximum of 350,000 shares via an authorized financial intermediary, over the course of a period starting on March 6 and ending no later than April 26, 2013. This contract was settled on April 10, 2013, for a total of 350,000 Dior shares at an average price of 131.50 euros per share;
- a second forward share repurchase contract was concluded on April 26, 2013, under which the Company agreed to purchase a maximum of 600,000 shares via an authorized financial intermediary, over the course of a period starting on April 29, 2013 and ending no later than July 19, 2013. This contract was settled on June 11, 2013, for a total of 550,000 shares at an average price of 137.71 euros per share.

As of June 30, 2013, the stock market value of other Christian Dior shares held was 2.4 million euros.

The portfolio movements of Christian Dior shares during the fiscal year ended June 30, 2013 were as follows:

| *(EUR millions)* | Number of shares | Value |
|---|---|---|
| **As of April 30, 2013** | **3,155,000** | **263** |
| Purchase of shares | - | - |
| Exercise of share purchase options | (203,750) | (11) |
| Vested bonus shares and performance shares | - | - |
| **AS OF JUNE 30, 2013** | **2,951,250** | **252** |

## 16.3. Dividends paid by the parent company Christian Dior

In accordance with French regulations, dividends are deducted from the profit for the year and reserves available for distribution of the parent company, after deducting applicable withholding tax and the value attributable to treasury shares. As of June 30, 2013, the amount available for distribution was 2,495 million euros; after taking into account the dividend distribution in respect of the fiscal year ended April 30, 2013 approved by the Shareholders' Meeting of October 18, 2013, the amount available for distribution is 2,168 million euros.

No dividend payment will be proposed to the Shareholders' Meeting of December 19, 2013 in respect of the fiscal year ended June 30, 2013.

| *(EUR millions, except for data per share in EUR)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Interim dividend for the current fiscal year (April 30, 2013: 1.10 euros; April 30, 2012: -) | - | 200 | - |
| Impact of treasury shares | - | (3) | - |
| | **-** | **197** | **-** |
| Final dividend for the previous fiscal year (April 30, 2012: 1.10 euros; December 31, 2011: 1.63 euros) | - | 200 | 296 |
| Impact of treasury shares | - | (2) | (4) |
| | **-** | **198** | **292** |
| **TOTAL GROSS AMOUNT DISBURSED DURING THE FISCAL YEAR** [(a)] | **-** | **395** | **292** |

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

The final dividend for the fiscal year ended April 30, 2013, as approved by the Shareholders' Meeting of October 18, 2013 is 1.80 euros per share, representing a total amount of 327 million euros, excluding the amount to be deducted in relation to treasury shares held at date of payment.

## 16.4. Cumulative translation adjustment

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

| *(EUR millions)* | June 30, 2013 (2 months) | Change | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|
| US dollar | (37) | (1) | (36) | (46) |
| Swiss franc | 167 | (8) | 175 | 192 |
| Japanese yen | 23 | (3) | 26 | 61 |
| Hong Kong dollar | 31 | - | 31 | 24 |
| Pound sterling | (32) | (4) | (28) | (16) |
| Other currencies | 12 | (21) | 33 | 32 |
| Foreign currency net investment hedges | (82) | 5 | (87) | (94) |
| **TOTAL, GROUP SHARE** | **82** | **(32)** | **114** | **153** |

### 16.5. Strategy relating to the Group's financial structure

The Group firmly believes that the management of its financial structure contributes, together with the development of the companies it owns and the management of its brand portfolio, to its objective of driving value creation for its shareholders. Furthermore, maintaining a suitable quality credit rating and providing security to the Group's bondholders and bank creditors are core objectives, ensuring good access to markets and favorable conditions.

The Group manages its financial structure so as to ensure substantial flexibility, allowing it both to seize opportunities and enjoy significant access to markets offering favorable conditions.

To this end, the Group monitors a certain number of financial ratios and aggregate 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.

With respect to these indicators, the Group seeks to maintain levels allowing for significant financial flexibility, at a reasonable cost.

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

## NOTE 17 - STOCK OPTION AND SIMILAR PLANS

### *Share purchase option plans*

The Shareholders' Meeting of April 5, 2012 renewed the authorization given to the Board of Directors, for a period of thirty-eight months expiring in June 2015, to grant share subscription or purchase options to Group company employees or directors, 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 is valid for ten years and the options may be exercised after a three or four year period, depending on the plan.

For all plans, one option gives the right to one share.

### *Bonus share plans*

The Shareholders' Meeting of October 26, 2012 renewed the authorization given to the Board of Directors, for a period of twenty-six months expiring in December 2014, to grant bonus shares to Company or Group company employees or senior executive officers, on one or more occasions, in an amount not to exceed 1% of the Company's share capital on the date of this authorization.

The allocation of bonus shares to beneficiaries who are French residents for tax purposes is definitive after a two-year vesting period (three years for allocations related to plans having commenced since 2011), which is followed by a two-year holding period during which the beneficiaries may not sell their shares.

The allocation of bonus shares to beneficiaries who are not French residents for tax purposes becomes definitive after a vesting period of four years and may be freely transferred at that time.

### *Performance conditions*

Since 2009, certain share purchase option plans and bonus share plans have been subject to performance conditions in proportions determined based on the hierarchical level and status of the beneficiary, that determine whether the beneficiaries are entitled to receive the definitive allocation of these plans.

## 17.1. Share purchase option plans

The main characteristics of share purchase option plans and changes having occurred during the fiscal year are as follows:

| Plan commencement date | Number of options granted | Exercise price *(EUR)* | Vesting periods of rights | Number of options exercised in the fiscal year | Number of options expired in the fiscal year | Number of options to be exercised as of June 30, 2013 |
|---|---|---|---|---|---|---|
| February 17, 2004 | 527,000 | 49.79 | 3 years | 45,000 | - | 232,000 |
| May 12, 2005 | 493,000 | 52.21 | 3 years | 50,000 | - | 265,000 |
| February 15, 2006 | 475,000 | 72.85 (a) | 3 years | 58,600 | - | 267,400 |
| September 6, 2006 | 20,000 | 74.93 | 3 years | - | - | 14,294 |
| January 31, 2007 | 480,000 | 85.00 | 4 years | 5,000 | - | 340,000 |
| May 15, 2008 | 484,000 | 73.24 (b) | 4 years | 5,000 | - | 411,000 |
| May 14, 2009 | 332,000 | 52.10 | 4 years | 40,150 | - | 264,850 |
| **TOTAL** | | | | **203,750** | **-** | **1,794,544** |

(a) Exercise price in euros for Italian residents: 77.16 euros.
(b) Exercise price in euros for Italian residents: 73.47 euros.

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

| | June 30, 2013 (2 months) | | April 30, 2013 (12 months) | | April 30, 2012 (4 months) | |
|---|---|---|---|---|---|---|
| *(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** | **1,998,294** | **65.43** | **2,123,500** | **64.84** | **2,257,500** | **64.41** |
| Allocations in the fiscal year | - | - | - | - | - | - |
| Options expired | - | - | - | - | - | - |
| Options exercised | (203,750) | 58.91 | (125,206) | 55.36 | (134,000) | 57.66 |
| **SHARE PURCHASE OPTIONS OUTSTANDING AT END OF PERIOD** | **1,794,544** | **66.17** | **1,998,294** | **65.43** | **2,123,500** | **64.84** |

Share purchase options granted under the plan dated May 14, 2009 were only exercisable if, in respect of fiscal years 2009 and 2010, (or, for senior executive officers, in respect of three of the four fiscal years from 2009 to 2012) either profit from recurring operations, net cash from operating activities and operating investments, or the Group's current operating margin rate shows a positive change compared to the 2008 fiscal year. The performance condition was met in 2009, 2010, 2011 and 2012.

### 17.2. Bonus share and performance share plans

The main characteristics of bonus/performance share plans and changes having occurred during the year are as follows:

| Plan commencement date | Number of shares allocated initially | Vesting periods of rights | Shares vested as of June 30, 2013 | Expired allocations as of June 30, 2013 | Non-vested shares as of June 30, 2013 |
|---|---|---|---|---|---|
| April 15, 2010 | 90,180 | 2 [(a)] or 4 [(b)] years | - | - | 3,780 |
| March 31, 2011 | 90,015 | 3 [(a)] or 4 [(b)] years | - | - | 90,015 |
| July 26, 2011 | 2,000 | 3 [(a)] years | - | - | 2,000 |
| April 5, 2012 | 93,288 | 3 [(a)] or 4 [(b)] years | - | - | 93,288 |
| **TOTAL** | | | | | **189,083** |

(a) Beneficiaries with tax residence in France.
(b) Beneficiaries with tax residence outside France.

The number of non-vested shares allocated changed as follows during the period:

| *(number of shares)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| **Non-vested shares at beginning of period** | **189,083** | **189,083** | **182,195** |
| Non-vested allocations during the period | - | - | 93,288 |
| Allocations vested during the period | - | - | (82,350) |
| Allocations expired during the period | - | - | (4,050) |
| **NON-VESTED SHARES AT END OF PERIOD** | **189,083** | **189,083** | **189,083** |

The plans launched on April 15, 2010, March 31 and July 26, 2011, as well as April 5, 2012 combine the allocation of bonus shares and the allocation of performance shares in proportions determined in accordance with the beneficiary's level in the hierarchy and status.

Performance shares are definitively allocated only if Christian Dior's consolidated financial statements both for the fiscal year in which the plan is set up (fiscal year "Y") and for fiscal year Y+1 show a positive change compared to fiscal year Y-1 in relation to one or more of the following indicators: profit from recurring operations, net cash from operating activities and operating investments, current operating margin. With respect to the plan set up on April 15, 2010, the performance condition was met in both 2010 and 2011 and the corresponding shares were allocated definitively as of April 15, 2012 to beneficiaries who were French residents for tax purposes as of that date. With respect to the plans set up on March 31, 2011 and July 26, 2011, the performance condition was satisfied in 2011 and 2012.

Beginning in 2012, Christian Dior's fiscal year no longer corresponds 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 plan set up on April 5, 2012, the performance condition was satisfied in 2012. It was also deemed to be satisfied in 2013 for the determination of the expense for the fiscal year ended June 30, 2013.

In the event of the vesting of their share allocations, the Chairman and Chief Executive Officer and the Group Managing Director, previously the Chairman of the Board of Directors and the Chief Executive Officer respectively, are henceforth and for all outstanding plans required to retain possession, in pure registered form and until the conclusion of their respective terms in office, of a number of shares representing one half of the notional capital gain, net of tax and social charges, calculated using the shares' opening price at that date.

## 17.3. Expense for the period

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Share purchase option and bonus share plans - Christian Dior | 1 | 8 | 3 |
| Share subscription option, purchase option and bonus share plans - LVMH | 4 | 43 | 18 |
| Cash-settled share-based compensation plans index-linked to the change in the LVMH share price | - | - | 1 |
| **EXPENSE FOR THE PERIOD** | **5** | **51** | **22** |

In the calculation presented above, for the share purchase option plans, the accounting expense is determined for each plan separately on the basis of the Black & Scholes method, as described in Note 1.25.

For bonus share plans, the expected benefit is calculated on the basis of the closing share price on the day before the Board of Directors' meeting at which the plan is instituted, less the amount of dividends expected to accrue during the vesting period, as described in Note 1.25.

***LVMH***

No plans were implemented during the fiscal year.

***Christian Dior***

No plans were implemented during the fiscal year.

## NOTE 18 - MINORITY INTERESTS

| (EUR millions) | June 30, 2013 (2 months) | April 30, 2013 [a] (12 months) | April 30, 2012 [a] (4 months) |
|---|---|---|---|
| **At beginning of period** | **16,953** | **15,837** | **15,256** |
| Minority interests' share of net profit | 350 | 2,500 | 796 |
| Dividends paid to minority interests | (10) | (1,135) | (724) |
| Changes in control of consolidated entities: | | | |
| • other movements | - | (6) | (11) |
| Acquisition and disposal of minority interests' shares: | | | |
| • acquisition of minority interests in Château d'Yquem | - | (51) | - |
| • movements in LVMH SA share capital and treasury shares | 19 | 69 | 28 |
| • other movements | (1) | (70) | - |
| **Total impact of changes in the percentage interest in consolidated entities** | **18** | **(58)** | **17** |
| Capital increases subscribed by minority interests | 2 | 8 | - |
| Minority interests' share in gains and losses recognized in equity | (189) | (103) | 484 |
| Minority interests' share in stock option plan expenses | 2 | 26 | 11 |
| Purchase commitments for minority interests' shares | (33) | (122) | (3) |
| **AT END OF PERIOD** | **17,093** | **16,953** | **15,837** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

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 | Employee benefits [a] | Total share of minority interests |
|---|---|---|---|---|---|---|
| **As of December 31, 2011** | **245** | **1,161** | **(12)** | **566** | **-** | **1,960** |
| Changes for the fiscal year | (57) | 524 | 28 | 1 | (12) | 484 |
| **As of April 30, 2012** | **188** | **1,685** | **16** | **567** | **(12)** | **2,444** |
| Changes for the fiscal year | (43) | (137) | 57 | 38 | (18) | (103) |
| Changes due to treasury shares | - | 2 | - | 1 | - | 3 |
| **As of April 30, 2013** | **145** | **1,550** | **73** | **606** | **(30)** | **2,344** |
| Changes for the fiscal year | (50) | (128) | (15) | - | 4 | (189) |
| Changes due to treasury shares | - | 1 | - | - | - | 1 |
| **AS OF JUNE 30, 2013** | **95** | **1,423** | **58** | **606** | **(26)** | **2,156** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

# NOTE 19 - BORROWINGS

## 19.1. Net financial debt

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Long-term borrowings | 4,230 | 4,700 | 5,136 |
| Short-term borrowings | 4,392 | 3,834 | 3,866 |
| **Gross borrowings** | **8,622** | **8,534** | **9,002** |
| Interest rate risk derivatives | (88) | (171) | (176) |
| **Gross borrowings after derivatives** | **8,534** | **8,363** | **8,826** |
| Current available for sale financial assets | (187) | (201) | (154) |
| Cash and cash equivalents | (2,070) | (1,925) | (1,777) |
| **NET FINANCIAL DEBT** | **6,277** | **6,237** | **6,895** |

Net financial debt does not take into consideration purchase commitments for minority interests included in "Other non-current liabilities" or "Other current liabilities" (see Note 21 and Note 22).

In May 2013, LVMH SA issued a 500 million euro bond under its EMTN program, redeemable on maturity at par value in November 2019. A portion of the bond, issued at 99.473% of par value with a coupon rate of 1.25%, was swapped on issuance, thus converting 50% of the issue's nominal value into a floating-rate euro-denominated financing arrangement.

Moreover, a portion of LVMH SA's debt relating to foreign currency denominated private placements was reimbursed during the fiscal year, for an amount of 290 million euros, after taking into account the effect of derivatives.

Christian Dior SA terminated a 535 million euro syndicated loan early and signed a new syndicated loan for 635 million euros.

Analysis of gross borrowings:

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Bonds and Euro Medium Term Notes (EMTNs) | 3,415 | 3,970 | 4,034 |
| Finance and other long-term leases | 119 | 121 | 127 |
| Bank borrowings | 696 | 609 | 975 |
| **LONG-TERM BORROWINGS** | **4,230** | **4,700** | **5,136** |
| Bonds and Euro Medium Term Notes (EMTNs) | 1,388 | 676 | 758 |
| Finance and other long-term leases | 15 | 16 | 20 |
| Bank borrowings | 523 | 636 | 306 |
| Commercial paper | 1,513 | 1,611 | 1,719 |
| Other borrowings and credit facilities | 510 | 396 | 352 |
| Bank overdrafts | 405 | 399 | 590 |
| Accrued interest | 38 | 100 | 121 |
| **SHORT-TERM BORROWINGS** | **4,392** | **3,834** | **3,866** |
| **TOTAL GROSS BORROWINGS** | **8,622** | **8,534** | **9,002** |

The market value of gross borrowings was 8,757 million euros as of June 30, 2013 (8,697 million euros as of April 30, 2013, 9,164 million euros as of April 30, 2012).

As of June 30, 2013, as well as April 30, 2013 and 2012, no amount of financial debt was recognized in accordance with the fair value option. See Note 1.18.

## 19.2. Bonds and EMTNs

| Nominal amount *(in local currency)* | Date of issuance | Maturity | Initial effective interest rate [(a)] *(as %)* | June 30, 2013 (2 months) *(EUR millions)* | April 30, 2013 (12 months) *(EUR millions)* | April 30, 2012 (4 months) *(EUR millions)* |
|---|---|---|---|---|---|---|
| EUR 500,000,000 | 2013 | 2019 | 1.25 | 490 | - | - |
| USD 850,000,000 | 2012 | 2017 | 1.75 | 652 | 657 | - |
| EUR 500,000,000 | 2011 | 2018 | 4.08 | 518 | 518 | 521 |
| EUR 500,000,000 | 2011 | 2015 | 3.47 | 520 | 524 | 525 |
| EUR 300,000,000 | 2011 | 2016 | 4.22 | 298 | 298 | 298 |
| EUR 1,000,000,000 | 2009 | 2014 | 4.52 | 1,024 | 1,029 | 1,037 |
| EUR 350,000,000 | 2009 | 2014 | 4.02 | 349 | 349 | 348 |
| CHF 200,000,000 | 2008 | 2015 | 4.04 | 162 | 164 | 167 |
| EUR 760,000,000 | 2005 and 2008 [(b)] | 2012 | 3.76 | - | - | 758 |
| CHF 300,000,000 | 2007 | 2013 | 3.46 | 248 | 249 | 253 |
| **Public bond issues** | | | | **4,261** | **3,788** | **3,907** |
| EUR 250,000,000 | 2009 | 2015 | 4.59 | 263 | 265 | 265 |
| EUR 150,000,000 | 2009 | 2017 | 4.81 | 163 | 166 | 163 |
| Private placements in foreign currencies | | | | 116 | 427 | 457 |
| **Private placements and EMTNs** | | | | **542** | **858** | **885** |
| **TOTAL BONDS AND EMTNs** | | | | **4,803** | **4,646** | **4,792** |

(a) Before impact of interest rate hedges set up at the time of, or subsequent to, each issuance.
(b) Accumulated amounts and weighted average initial effective interest rate for a 600 million euro bond issued in 2005 at an initial effective interest rate of 3.43%, which was supplemented in 2008 by an amount of 160 million euros issued at an effective rate of 4.99%.

## 19.3. 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:

| | June 30, 2013 (2 months) | | April 30, 2013 (12 months) | | April 30, 2012 (4 months) | |
|---|---|---|---|---|---|---|
| *(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 | 21 | 19 | 21 | 19 | 28 | 25 |
| One to five years | 65 | 49 | 68 | 51 | 72 | 61 |
| More than five years | 320 | 66 | 323 | 67 | 333 | 60 |
| **Total minimum future payments** | **406** | | **412** | | **433** | |
| Impact of discounting | (272) | | (275) | | (287) | |
| **TOTAL DEBT UNDER FINANCE AND OTHER LONG-TERM LEASE AGREEMENTS** | **134** | **134** | **137** | **137** | **146** | **146** |

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

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

| *(EUR millions)* | Gross borrowings | | | Effects of derivatives | | | Gross borrowings after derivatives | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fixed rate | Floating rate | Total | Fixed rate | Floating rate | Total | Fixed rate | Floating rate | Total |
| **Maturity** | | | | | | | | | |
| 2013 | 3,469 | 923 | 4,392 | (1,000) | 977 | (23) | 2,469 | 1,900 | 4,369 |
| 2014 | 1,342 | 285 | 1,627 | (731) | 690 | (41) | 611 | 975 | 1,586 |
| 2015 | 61 | 64 | 125 | 28 | (34) | (6) | 89 | 30 | 119 |
| 2016 | 1,126 | 58 | 1,184 | (800) | 782 | (18) | 326 | 840 | 1,166 |
| 2017 | 524 | - | 524 | - | (5) | (5) | 524 | (5) | 519 |
| 2018 | 5 | 266 | 271 | - | - | - | 5 | 266 | 271 |
| Thereafter | 498 | 1 | 499 | (251) | 256 | 5 | 247 | 257 | 504 |
| **TOTAL** | **7,025** | **1,597** | **8,622** | **(2,754)** | **2,666** | **(88)** | **4,271** | **4,263** | **8,534** |

See Note 23.4 regarding market value of interest rate risk derivatives.

Gross borrowings maturing before June 30, 2014 break down as follows by quarter:

| *(EUR millions)* | Maturing in 2013 |
|---|---|
| First quarter | 2,641 |
| Second quarter | 411 |
| Third quarter | 83 |
| Fourth quarter | 1,257 |
| **TOTAL** | **4,392** |

## 19.5. Analysis of gross borrowings by currency after derivatives

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Euro | 6,340 | 6,309 | 6,805 |
| US dollar | 234 | 213 | 267 |
| Swiss franc | 993 | 1,011 | 1,010 |
| Japanese yen | 334 | 237 | 369 |
| Other currencies | 633 | 593 | 375 |
| **TOTAL** | **8,534** | **8,363** | **8,826** |

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

### 19.6. Sensitivity

On the basis of debt as of June 30, 2013:

- 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 62 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 62 million euros after hedging.

These changes would have no impact on the amount of equity as of June 30, 2013, due to the absence of hedging of future interest payments.

### 19.7. Covenants

As is normal practice for syndicated loans, the Christian Dior group has signed commitments to maintain a percentage interest and voting rights for certain of its subsidiaries, and to maintain a normal financial ratio in this regard.

In connection with certain long-term credit lines, the Group has undertaken to comply with certain financial covenants (mainly based on a ratio of financial debt to assets). The current level of these ratios ensures that the Group has substantial financial flexibility with regard to these commitments.

### 19.8. Undrawn confirmed credit lines

As of June 30, 2013, unused confirmed credit lines totaled 4.1 billion euros.

### 19.9. Guarantees and collateral

As of June 30, 2013, borrowings secured by collateral were less than 200 million euros.

## NOTE 20 - PROVISIONS

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013[a] (12 months) | April 30, 2012[a] (4 months) |
|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 500 | 483 | 440 |
| Provisions for contingencies and losses | 1,247 | 1,231 | 1,117 |
| Provisions for reorganization | 16 | 17 | 24 |
| **Non-current provisions** | **1,763** | **1,731** | **1,581** |
| Provisions for pensions, medical costs and similar commitments | 2 | 12 | 11 |
| Provisions for contingencies and losses | 309 | 318 | 279 |
| Provisions for reorganization | 30 | 38 | 43 |
| **Current provisions** | **341** | **368** | **333** |
| **TOTAL** | **2,104** | **2,099** | **1,914** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

During the 2 month fiscal year ended June 30, 2013, the changes in provisions were as follows:

| *(EUR millions)* | April 30, 2013 [(a)] | Increases | Amounts used | Amounts released | Changes in the scope of consolidation | Other items (including translation adjustment) | June 30, 2013 |
|---|---|---|---|---|---|---|---|
| Provisions for pensions, medical costs and similar commitments | 495 | 24 | (17) | - | - | - | 502 |
| Provisions for contingencies and losses | 1,549 | 39 | (23) | (6) | - | (3) | 1,556 |
| Provisions for reorganization | 55 | 1 | (5) | (6) | - | 1 | 46 |
| **TOTAL** | **2,099** | **64** | **(45)** | **(12)** | **-** | **(2)** | **2,104** |
| Of which: | | | | | | | |
| Profit from recurring operations | | 53 | (39) | (4) | | | |
| Net financial income (expense) | | - | - | - | | | |
| Other | | 11 | (6) | (8) | | | |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

Provisions for contingencies and losses correspond to the estimate of the impact on assets and liabilities of risks, disputes, or actual or probable litigation arising from the Group's activities; such activities are carried out worldwide, within what is often an imprecise regulatory framework that is different for each country, changes over time, and applies to areas ranging from product composition to the tax computation.

Provisions for pensions, reimbursement of medical costs and similar commitments are analyzed in Note 30.

## NOTE 21 - OTHER NON-CURRENT LIABILITIES

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Purchase commitments for minority interests' shares | 5,220 | 5,601 | 4,336 |
| Derivatives | 53 | 42 | 1 |
| Employee profit sharing [(a)] | 80 | 79 | 77 |
| Other liabilities | 304 | 302 | 246 |
| **TOTAL** | **5,657** | **6,024** | **4,660** |

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

As of June 30, 2013 as well as April 30, 2013 and 2012, 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.

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 and Château Cheval Blanc, and excluding certain Champagne vineyards.

Purchase commitments for minority interests also include commitments relating to minority shareholders in Ile de Beauté (35%), Heng Long (39%) and distribution subsidiaries in various countries, mainly in the Middle East.

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

Derivatives are analyzed in Note 23.

## NOTE 22 - OTHER CURRENT LIABILITIES

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Derivatives | 61 | 100 | 66 |
| Employees and social institutions | 892 | 855 | 756 |
| Employee profit sharing [(a)] | 57 | 45 | 47 |
| Taxes other than income taxes | 283 | 320 | 336 |
| Advances and payments on account from customers | 134 | 121 | 175 |
| Deferred payment for tangible and financial non-current assets | 330 | 339 | 262 |
| Deferred income | 147 | 176 | 183 |
| Purchase commitments for minority interests' shares | - | - | 166 |
| Other liabilities | 575 | 741 | 633 |
| **TOTAL** | **2,479** | **2,697** | **2,624** |

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

Minority interests in Benefit exercised their put option in October 2012. See Note 2.2.

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

Derivatives are analyzed in Note 23.

## 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, are centralized at each level.

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

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

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

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

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

## 23.2. Presentation of financial assets and liabilities in the balance sheet

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

| | | June 30, 2013 (2 months) | | April 30, 2013 (12 months) | | April 30, 2012 (4 months) | |
|---|---|---|---|---|---|---|---|
| *(EUR millions)* | *Notes* | **Balance sheet value** | **Fair value** | **Balance sheet value** | **Fair value** | **Balance sheet value** | **Fair value** |
| Non-current available for sale financial assets | *9* | 6,665 | 6,665 | 6,853 | 6,853 | 6,915 | 6,915 |
| Current available for sale financial assets | *14* | 187 | 187 | 201 | 201 | 154 | 154 |
| **Available for sale financial assets (see Note 1.13)** | | **6,852** | **6,852** | **7,054** | **7,054** | **7,069** | **7,069** |
| Other non-current assets, excluding derivatives | *10* | 399 | 399 | 359 | 359 | 367 | 367 |
| Trade accounts receivable | *12* | 1,837 | 1,837 | 1,828 | 1,828 | 1,677 | 1,677 |
| Other current assets [(a)] | *13* | 871 | 871 | 894 | 894 | 949 | 949 |
| **Loans and receivables (see Note 1.15)** | | **3,107** | **3,107** | **3,081** | **3,081** | **2,993** | **2,993** |
| Cash and cash equivalents (see Note 1.16) | *15* | 2,070 | 2,070 | 1,925 | 1,925 | 1,777 | 1,777 |
| **Financial assets, excluding derivatives** | | **12,029** | **12,029** | **12,060** | **12,060** | **11,839** | **11,839** |
| Long-term borrowings | *19* | 4,230 | 4,356 | 4,700 | 4,865 | 5,136 | 5,294 |
| Short-term borrowings | *19* | 4,392 | 4,401 | 3,834 | 3,832 | 3,866 | 3,870 |
| Trade accounts payable | | 2,983 | 2,983 | 3,089 | 3,089 | 2,773 | 2,773 |
| Other non-current liabilities [(b)] | *21* | 384 | 384 | 381 | 381 | 278 | 278 |
| Other current liabilities [(c)] | *22* | 2,271 | 2,271 | 2,421 | 2,421 | 2,375 | 2,375 |
| **Financial liabilities, excluding derivatives (see Note 1.18)** | | **14,260** | **14,395** | **14,425** | **14,588** | **14,428** | **14,590** |
| **Derivatives (see Note 1.19)** | *23.3* | **348** | **348** | **422** | **422** | **325** | **325** |

(a) Excluding derivatives, available for sale financial assets and prepaid expenses.
(b) Excluding derivatives and purchase commitments for minority interests.
(c) Excluding derivatives and deferred income.

Fair value may be considered as nearly equivalent to market value, the latter being defined as the price that an informed third party acting freely would be willing to pay or receive for the asset or liability in question.

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

| (EUR millions) | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | | | April 30, 2012 (4 months) | | |
|---|---|---|---|---|---|---|---|---|---|
| | Available for sale financial assets | Derivatives | Cash and cash equivalents | Available for sale financial assets | Derivatives | Cash and cash equivalents | Available for sale financial assets | Derivatives | Cash and cash equivalents |
| Valuation [(a)] based on: | | | | | | | | | |
| Published price quotations | 6,402 | - | 2,070 | 6,623 | - | 1,925 | 6,661 | - | 1,777 |
| Formula based on market data | 137 | 462 | - | 133 | 564 | - | 114 | 392 | - |
| Private quotations | 313 | - | - | 298 | - | - | 294 | - | - |
| **ASSETS** | **6,852** | **462** | **2,070** | **7,054** | **564** | **1,925** | **7,069** | **392** | **1,777** |
| Valuation [(a)] based on: | | | | | | | | | |
| Published price quotations | | - | | | - | | | - | |
| Formula based on market data | | 114 | | | 142 | | | 67 | |
| Private quotations | | - | | | - | | | - | |
| **LIABILITIES** | | **114** | | | **142** | | | **67** | |

(a) The valuation methods used correspond to the following levels in the IFRS 7 fair value measurement hierarchy:

| | |
|---|---|
| Published price quotations | level 1 |
| Formulas based on market data | level 2 |
| Private quotations | level 3 |

The amount of financial assets valued on the basis of private quotations changed as follows in the fiscal year ended June 30, 2013:

| (EUR millions) | June 30, 2013 (2 months) |
|---|---|
| **At beginning of period** | **298** |
| Acquisitions | 37 |
| Disposals (at net realized value) | (17) |
| Gains and losses recognized in income statement | 8 |
| Gains and losses recognized in equity | (13) |
| **AT END OF PERIOD** | **313** |

## 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* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|---|---|
| **Interest rate risk** | | | | | |
| Assets: | non-current | | 74 | 117 | 124 |
| | current | | 34 | 65 | 66 |
| Liabilities: | non-current | | (12) | (1) | (1) |
| | current | | (8) | (10) | (13) |
| | | *23.4* | **88** | **171** | **176** |
| **Foreign exchange risk** | | | | | |
| Assets: | non-current | | 18 | 21 | 40 |
| | current | | 303 | 326 | 122 |
| Liabilities: | non-current | | (41) | (41) | - |
| | current | | (40) | (6) | (52) |
| | | *23.5* | **240** | **300** | **110** |
| **Other risks** | | | | | |
| Assets: | non-current | | - | - | 36 |
| | current | | 33 | 35 | 4 |
| Liabilities: | non-current | | - | - | - |
| | current | | (13) | (84) | (1) |
| | | | **20** | **(49)** | **39** |
| **TOTAL** | | | | | |
| Assets: | non-current | *10* | 92 | 138 | 200 |
| | current | *13* | 370 | 426 | 192 |
| Liabilities: | non-current | *21* | (53) | (42) | (1) |
| | current | *22* | (61) | (100) | (66) |
| | | | **348** | **422** | **325** |

## 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 effects of significant changes in interest rates.

As such, the Group uses interest rate swaps and options.

Derivatives used to manage interest rate risk outstanding as of June 30, 2013 break down as follows:

| | Nominal amounts by maturity | | | | Market value [(a)] | | |
|---|---|---|---|---|---|---|---|
| *(EUR millions)* | **One year** | **One to five years** | **Thereafter** | **Total** | **Fair value hedges** | **Not allocated** | **Total** |
| Interest rate swaps in euros: | | | | | | | |
| - fixed rate payer | - | - | - | - | - | - | - |
| - floating rate payer | 1,000 | 900 | 250 | 2,150 | 92 | - | 92 |
| - floating rate/floating rate | - | 152 | - | 152 | - | - | - |
| Foreign currency swaps | 148 | 1,622 | - | 1,770 | (1) | - | (1) |
| Other interest rate derivatives | 250 | 500 | - | 750 | - | (3) | (3) |
| **TOTAL** | | | | | **91** | **(3)** | **88** |

(a) Gain/(Loss).

## 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 inter-company cash flows. Hedging instruments are used to reduce the risks arising from the fluctuations of currencies against the exporting and importing companies' functional currencies and are allocated to either accounts receivable or accounts payable (fair value hedges) for the fiscal year, or to transactions anticipated for future periods (cash flow hedges).

Future foreign currency-denominated cash flows are broken down as part of the budget preparation process and are hedged progressively over a period not exceeding one year unless a longer period is justified by probable commitments. As such, and according to market trends, identified foreign exchange risks are hedged using forward contracts or options.

In addition, the Group may also use appropriate financial instruments to hedge the net worth of subsidiaries outside the euro zone, in order to limit the impact of foreign currency fluctuations against the euro on consolidated equity.

Derivatives used to manage foreign exchange risk outstanding as of June 30, 2013 break down as follows:

| | Nominal amounts by fiscal year of allocation | | | | Market value (a) | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(EUR millions)* | 2013 | 2014 | Thereafter | Total | Fair value hedges | Future cash flow hedges | Foreign currency net investment hedges | Not allocated | Total |
| **Options purchased** | | | | | | | | | |
| Put USD | 1 | - | - | 1 | - | - | - | - | - |
| Put JPY | - | - | - | - | - | - | - | - | - |
| Put GBP | 83 | - | - | 83 | 1 | 1 | - | - | 2 |
| | **84** | **-** | **-** | **84** | **1** | **1** | **-** | **-** | **2** |
| **Collars** | | | | | | | | | |
| Written USD | 2,470 | 2,234 | - | 4,704 | 15 | 113 | - | 2 | 130 |
| Written JPY | 45 | 171 | - | 216 | 3 | 11 | - | - | 14 |
| Written Other | 17 | - | - | 17 | - | - | - | - | - |
| | **2,532** | **2,405** | **-** | **4,937** | **18** | **124** | **-** | **2** | **144** |
| **Forward exchange contracts (b)** | | | | | | | | | |
| USD | 6 | - | - | 6 | - | - | - | - | - |
| JPY | 329 | 130 | - | 459 | 16 | 84 | - | 11 | 111 |
| GBP | 29 | - | - | 29 | - | - | - | - | - |
| Other | (36) | (140) | - | (176) | 3 | 2 | - | - | 5 |
| | **328** | **(10)** | **-** | **318** | **19** | **86** | **-** | **11** | **116** |
| **Foreign exchange swaps (b)** | | | | | | | | | |
| USD | 3,023 | 8 | - | 3,031 | (2) | - | 6 | (44) | (40) |
| CHF | 508 | - | - | 508 | - | - | 1 | (1) | - |
| GBP | 211 | - | - | 211 | - | - | - | 2 | 2 |
| JPY | 353 | - | - | 353 | 2 | - | (1) | 8 | 9 |
| Other | 269 | - | - | 269 | 1 | - | (1) | 7 | 7 |
| | **4,364** | **8** | **-** | **4,372** | **1** | **-** | **5** | **(28)** | **(22)** |
| **TOTAL** | | | | | **39** | **211** | **5** | **(15)** | **240** |

(a) Gain/(Loss).
(b) Sale/(Purchase).

The impact on income statement of gains and losses on hedges of future cash flows as well as the future cash flows hedged, using these instruments, will be recognized after June 30, 2013; the amount will depend on exchange rates at this date.

As of June 30, 2013, at Group level, forecast cash collections for 2013 in US dollars and Japanese yen are hedged to 89% and 85%, respectively.

## 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 create synthetically an economic exposure to certain assets, or to hedge cash-settled compensation plans index-linked to the LVMH share price. The carrying amount of these unlisted financial instruments corresponds to the estimate of the amount, provided by the counterparty, of the valuation at the fiscal year-end. The valuation of financial instruments thus takes into consideration market parameters such as interest rates and share prices. As of June 30, 2013, derivatives used to manage equity risk with an impact on the Group's net profit have a positive market value of 33 million euros. Considering nominal values of 20 million euros for those derivatives, a uniform 1% change in their underlying assets' share prices as of June 30, 2013 would induce a net impact on the Group's profit for an amount of less than 0.4 million euros. Most of these instruments mature in 2014.

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 June 30, 2013 have a negative market value of 13 million euros. Considering nominal values of 58 million euros for those derivatives, a uniform 1% change in their underlying assets' share prices as of June 30, 2013 would have a net impact on the Group's consolidated reserves in an amount of less than 1 million euros. These instruments mature in 2013 and 2014.

## 23.7. Liquidity risk

The Group's local liquidity risks 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, 1.5 billion euros, and (b) by comparing the amount of the short-term portion of its net financial debt before hedging (4.4 billion euros) to the amount of cash and cash equivalents (2.1 billion euros), amounting to 2.3 billion euros as of June 30, 2013. Should any of these instruments not be renewed, the Group has access to undrawn confirmed credit lines totaling 4.1 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 recognized as of June 30, 2013 (excluding derivatives), at nominal value and with interest, excluding discounting effects:

| *(EUR millions)* | **June 30, 2014** | **June 30, 2015** | **June 30, 2016** | **June 30, 2017** | **June 30, 2018** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|---|
| Bonds and EMTNs | 1,503 | 1,378 | 356 | 844 | 522 | 502 | 5,105 |
| Bank borrowings | 539 | 252 | 122 | 67 | 270 | 3 | 1,253 |
| Other borrowings and credit facilities | 513 | - | - | - | - | - | 513 |
| Finance and other long-term leases | 21 | 21 | 16 | 14 | 14 | 320 | 406 |
| Commercial paper | 1,513 | - | - | - | - | - | 1,513 |
| Bank overdrafts | 405 | - | - | - | - | - | 405 |
| **Gross borrowings** | **4,494** | **1,651** | **494** | **925** | **806** | **825** | **9,195** |
| Other liabilities, current and non-current [(a)] | 2,271 | 87 | 33 | 43 | 38 | 77 | 2,549 |
| Trade accounts payable | 2,983 | - | - | - | - | - | 2,983 |
| **Other financial liabilities** | **5,254** | **87** | **33** | **43** | **38** | **77** | **5,532** |
| **TOTAL FINANCIAL LIABILITIES** | **9,748** | **1,738** | **527** | **968** | **844** | **902** | **14,727** |

(a) Corresponds to Other current liabilities (excluding derivatives and deferred income) for 2,271 million euros and to Other non-current liabilities (excluding derivatives, purchase commitments for minority interests and deferred income in the amount of 106 million euros in June 2013) for 278 million euros. See Note 23.2.

See Note 31.3 regarding contractual maturity dates of collateral and other guarantees commitments. See Notes 23.4 and 23.5 regarding foreign exchange derivatives and Notes 19.5 and 23.4 regarding 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, Watches and Jewelry – comprise brands dealing with the same category of products that use similar production and distribution processes, in addition to a specific management team. The Selective Retailing business comprises the Group's own-label retailing activities. Other activities and holding companies comprise brands and businesses that are not associated with any of the abovementioned business groups, most often relating to the Group's new businesses and holding or real estate companies.

### 24.1. Information by business group

***June 30, 2013** (2 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 | 235 | 538 | 1,591 | 478 | 457 | 1,401 | 68 | - | 4,768 |
| Intra-group sales | 2 | 3 | 9 | 73 | 10 | 5 | 4 | (106) | - |
| **TOTAL REVENUE** | **237** | **541** | **1,600** | **551** | **467** | **1,406** | **72** | **(106)** | **4,768** |
| Profit from recurring operations | 35 | 134 | 517 | 34 | 71 | 121 | (31) | - | 881 |
| Other operating income and expenses | - | (2) | (3) | - | - | 1 | (17) | - | (21) |
| Depreciation and amortization expense | 14 | 18 | 76 | 20 | 25 | 41 | 6 | - | 200 |
| Impairment expense | - | 1 | 2 | (1) | - | 1 | 2 | - | 5 |
| Intangible assets and goodwill [b] | 69 | 6,083 | 4,678 | 1,695 | 5,405 | 2,920 | 1,178 | - | 22,028 |
| Property, plant and equipment | 442 | 1,955 | 1,836 | 334 | 386 | 1,273 | 3,128 | - | 9,354 |
| Inventories | 215 | 4,268 | 1,231 | 378 | 1,246 | 1,524 | 117 | (182) | 8,797 |
| Other operating assets | 197 | 879 | 840 | 612 | 773 | 601 | 474 | 10,503 [c] | 14,879 |
| **TOTAL ASSETS** | **923** | **13,185** | **8,585** | **3,019** | **7,810** | **6,318** | **4,897** | **10,321** | **55,058** |
| Equity | - | - | - | - | - | - | - | 28,106 | 28,106 |
| Liabilities | 327 | 1,049 | 1,783 | 1,015 | 712 | 1,572 | 660 | 19,834 [d] | 26,952 |
| **TOTAL LIABILITIES AND EQUITY** | **327** | **1,049** | **1,783** | **1,015** | **712** | **1,572** | **660** | **47,940** | **55,058** |
| Operating investments [e] | (25) | (33) | (92) | (31) | (30) | (71) | (51) | - | (333) |

***April 30, 2013** (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 | Eliminations and not allocated [a] | Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales outside the Group | 1,280 | 4,183 | 9,880 | 3,215 | 2,750 | 8,272 | 301 | - | 29,881 |
| Intra-group sales | 9 | 25 | 56 | 463 | 76 | 31 | 22 | (682) | - |
| **TOTAL REVENUE** | **1,289** | **4,208** | **9,936** | **3,678** | **2,826** | **8,303** | **323** | **(682)** | **29,881** |
| Profit from recurring operations | 131 | 1,330 | 3,220 | 414 | 335 | 877 | (194) | (23) | 6,090 |
| Other operating income and expenses | 1 | (5) | (55) | (7) | (5) | (22) | (26) | - | (119) |
| Depreciation and amortization expense | 78 | 105 | 433 | 116 | 127 | 240 | 32 | - | 1,131 |
| Impairment expense | - | - | 20 | 1 | - | 3 | 17 | - | 41 |
| Intangible assets and goodwill [b] | 69 | 6,478 | 4,686 | 1,697 | 5,421 | 2,931 | 1,185 | - | 22,467 |
| Property, plant and equipment | 437 | 1,949 | 1,816 | 326 | 380 | 1,257 | 3,121 | - | 9,286 |
| Inventories | 198 | 4,293 | 1,204 | 366 | 1,253 | 1,521 | 115 | (176) | 8,774 |
| Other operating assets | 190 | 919 | 804 | 738 | 765 | 623 | 403 | 10,643 [c] | 15,085 |
| **TOTAL ASSETS [f]** | **894** | **13,639** | **8,510** | **3,127** | **7,819** | **6,332** | **4,824** | **10,467** | **55,612** |
| Equity | - | - | - | - | - | - | - | 27,867 | 27,867 |
| Liabilities | 306 | 1,279 | 1,781 | 1,076 | 758 | 1,541 | 881 | 20,123 [d] | 27,745 |
| **TOTAL LIABILITIES AND EQUITY [f]** | **306** | **1,279** | **1,781** | **1,076** | **758** | **1,541** | **881** | **47,990** | **55,612** |
| Operating investments [e] | (160) | (172) | (644) | (200) | (176) | (340) | (245) | - | (1,937) |

***April 30, 2012** (4 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 | 367 | 1,191 | 3,085 | 1,035 | 835 | 2,377 | 103 | - | 8,993 |
| Intra-group sales | 4 | 5 | 16 | 153 | 18 | 8 | 6 | (210) | - |
| **TOTAL REVENUE** | **371** | **1,196** | **3,101** | **1,188** | **853** | **2,385** | **109** | **(210)** | **8,993** |
| Profit from recurring operations | 22 | 338 | 1,023 | 159 | 85 | 263 | (46) | (35) | 1,809 |
| Other operating income and expenses | - | (4) | (67) | - | - | (2) | (7) | - | (80) |
| Depreciation and amortization expense | 15 | 30 | 122 | 34 | 39 | 71 | 13 | - | 324 |
| Impairment expense | - | - | 63 | - | - | 1 | 4 | - | 68 |
| Intangible assets and goodwill (b) | 67 | 5,339 | 4,759 | 1,644 | 5,449 | 2,895 | 1,234 | - | 21,387 |
| Property, plant and equipment | 363 | 1,824 | 1,582 | 252 | 349 | 1,123 | 2,939 | - | 8,432 |
| Inventories | 179 | 4,013 | 1,101 | 357 | 1,274 | 1,287 | 78 | (160) | 8,129 |
| Other operating assets | 192 | 792 | 729 | 632 | 690 | 544 | 373 | 10,329 (c) | 14,281 |
| **TOTAL ASSETS (f)** | **801** | **11,968** | **8,171** | **2,885** | **7,762** | **5,849** | **4,624** | **10,169** | **52,229** |
| Equity | - | - | - | - | - | - | - | 25,904 | 25,904 |
| Liabilities | 265 | 1,167 | 1,637 | 974 | 668 | 1,356 | 599 | 19,659 (d) | 26,325 |
| **TOTAL LIABILITIES AND EQUITY (f)** | **265** | **1,167** | **1,637** | **974** | **668** | **1,356** | **599** | **45,563** | **52,229** |
| Operating investments (e) | (58) | (56) | (136) | (53) | (28) | (98) | (49) | - | (478) |

(a) Eliminations correspond to sales between business groups; these generally consist of sales from business groups other than Selective Retailing to Selective Retailing. Selling prices between the different business groups correspond to the prices applied in the normal course of business for sales transactions to wholesalers or distributors outside the Group.
(b) Brands, trade names, licenses, and goodwill correspond to the net carrying amounts shown under Notes 4 and 5.
(c) Assets not allocated include investments in associates, available for sale financial assets, other financial assets, and income tax receivables. As of June 30, 2013, they include the 23.1% shareholding in Hermès International, representing an amount of 6,039 million euros; see Note 9 (6,236 million euros as of April 30, 2013 and 6,311 million euros as of April 30, 2012).
(d) Liabilities not allocated include financial debt and both current and deferred tax liabilities.
(e) Increase/(Decrease) in cash and cash equivalents.
(f) The balance sheets as of April 30, 2013 and April 30, 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

## 24.2. Information by geographic region

Revenue by geographic region of delivery breaks down as follows:

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| France | 553 | 3,318 | 957 |
| Europe (excluding France) | 889 | 5,782 | 1,664 |
| United States | 1,101 | 6,601 | 1,952 |
| Japan | 343 | 2,392 | 756 |
| Asia (excluding Japan) | 1,379 | 8,683 | 2,752 |
| Other countries | 503 | 3,105 | 912 |
| **REVENUE** | **4,768** | **29,881** | **8,993** |

Operating investments by geographic region are as follows:

| (EUR millions) | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| France | 95 | 681 | 171 |
| Europe (excluding France) | 64 | 364 | 73 |
| United States | 43 | 313 | 49 |
| Japan | 41 | 69 | 36 |
| Asia (excluding Japan) | 73 | 379 | 118 |
| Other countries | 17 | 131 | 31 |
| **OPERATING INVESTMENTS** | **333** | **1,937** | **478** |

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 sales by business group break down as follows:

| (EUR millions) | Christian Dior Couture | Wines and Spirits | Fashion and Leather Goods | Perfumes and Cosmetics | Watches and Jewelry | Selective Retailing | Other and holding companies | Eliminations | Total |
|---|---|---|---|---|---|---|---|---|---|
| Period from May 1 to June 30, 2013 | 237 | 541 | 1,600 | 551 | 467 | 1,406 | 72 | (106) | 4,768 |
| **TOTAL AS OF JUNE 30, 2013** | **237** | **541** | **1,600** | **551** | **467** | **1,406** | **72** | **(106)** | **4,768** |
| Period from May 1 to July 31, 2012 | 323 | 843 | 2,413 | 805 | 733 | 1,834 | 97 | (146) | 6,902 |
| Period from August 1 to October 31, 2012 | 309 | 1,177 | 2,463 | 1,000 | 714 | 1,880 | 71 | (173) | 7,441 |
| Period from November 1, 2012 to January 31, 2013 | 339 | 1,324 | 2,760 | 951 | 724 | 2,477 | 78 | (189) | 8,464 |
| Period from February 1 to April 30, 2013 | 318 | 864 | 2,300 | 922 | 655 | 2,112 | 77 | (174) | 7,074 |
| **TOTAL AS OF APRIL 30, 2013** | **1,289** | **4,208** | **9,936** | **3,678** | **2,826** | **8,303** | **323** | **(682)** | **29,881** |
| Period from January 1 to March 31, 2012 | 284 | 926 | 2,374 | 899 | 630 | 1,823 | 84 | (160) | 6,860 |
| **TOTAL AS OF APRIL 30, 2012** | **371** | **1,196** | **3,101** | **1,188** | **853** | **2,385** | **109** | **(210)** | **8,993** |

## NOTE 25 - REVENUE AND EXPENSES BY NATURE

### 25.1. Analysis of revenue

Revenue consists of the following:

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Revenue generated by brands and trade names | 4,697 | 29,421 | 8,836 |
| Royalties and license revenue | 28 | 183 | 66 |
| Income from investment property | 6 | 20 | 15 |
| Other revenue | 37 | 257 | 76 |
| **TOTAL** | **4,768** | **29,881** | **8,993** |

### 25.2. Expenses by nature

Profit from recurring operations includes the following expenses:

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Advertising and promotion expenses | 545 | 3,537 | 1,081 |
| Commercial lease expenses | 438 | 2,308 | 650 |
| Personnel costs | 889 | 5,170 | 1,614 |
| Research and development expenses | 13 | 70 | 22 |

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 June 30, 2013, a total of 3,465 stores were operated by the Group worldwide (3,448 as of April 30, 2013, 3,263 as of April 30, 2012), particularly by Christian Dior Couture, Fashion and Leather Goods and Selective Retailing.

In certain countries, leases for stores are contingent on the payment of minimum amounts in addition to a variable amount, especially for stores with lease payments indexed to revenue. The total lease expense for the Group's stores breaks down as follows:

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Fixed or minimum lease payments | 189 | 1,010 | 293 |
| Variable portion of indexed leases | 86 | 519 | 150 |
| Airport concession fees - fixed portion or minimum amount | 23 | 379 | 82 |
| Airport concession fees - variable portion | 140 | 400 | 125 |
| **COMMERCIAL LEASE EXPENSES** | **438** | **2,308** | **650** |

Personnel costs consist of the following elements:

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Salaries and social charges | 866 | 5,035 | 1,566 |
| Pensions, medical costs and similar expenses in respect of defined benefit plans | 18 | 84 | 26 |
| Stock option plan and related expenses | 5 | 51 | 22 |
| **PERSONNEL COSTS** | **889** | **5,170** | **1,614** |

## NOTE 26 - OTHER OPERATING INCOME AND EXPENSES

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Net gains (losses) on disposals of fixed assets | (5) | (2) | - |
| Restructuring costs | 4 | (31) | (2) |
| Remeasurement of shares purchased prior to their initial consolidation | - | - | - |
| Transaction costs relating to the acquisition of consolidated companies | - | (2) | (1) |
| Impairment or amortization of brands, trade names, goodwill and other property | (11) | (84) | (76) |
| Other items, net | (9) | - | (1) |
| **OTHER OPERATING INCOME AND EXPENSES** | **(21)** | **(119)** | **(80)** |

Amounts booked as impairment or amortization for the fiscal year ended June 30, 2013 relate to brands and goodwill.

Amounts booked as impairment or amortization for the fiscal year ended April 30, 2013 included an impairment loss of 11 million euros related to fixed property assets (63 million euros for the four-month period ended April 30, 2012), with the balance comprised of amortization or impairment charges for brands and goodwill.

## NOTE 27 - NET FINANCIAL INCOME (EXPENSE)

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Borrowing costs | (29) | (193) | (81) |
| Income from cash, cash equivalents and current available for sale financial assets | 4 | 24 | 11 |
| Fair value adjustment of borrowings and interest rate hedges | (9) | 3 | (1) |
| **Cost of net financial debt** | **(34)** | **(166)** | **(71)** |
| Dividends received from non-current available for sale financial assets | 27 | 177 | 36 |
| Ineffective portion of foreign exchange derivatives | (25) | (121) | 12 |
| Net gain/(loss) related to available for sale financial assets and other financial instruments | 6 | 13 | 26 |
| Other items, net | (5) | (32) | (10) |
| **Other financial income and expense** | **3** | **37** | **64** |
| **NET FINANCIAL INCOME (EXPENSE)** | **(31)** | **(129)** | **(7)** |

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

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Income from cash and cash equivalents | 1 | 15 | 7 |
| Interest from current available for sale financial assets | 3 | 9 | 4 |
| **INCOME FROM CASH, CASH EQUIVALENTS AND CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS** | **4** | **24** | **11** |

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

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Hedged financial debt | 28 | 4 | (11) |
| Hedging instruments | (34) | (5) | 9 |
| Unallocated derivatives | (3) | 4 | 1 |
| **EFFECTS OF REVALUATION OF FINANCIAL DEBT AND RATE INSTRUMENTS** | **(9)** | **3** | **(1)** |

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

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Financial cost of commercial foreign exchange hedges | (22) | (121) | 16 |
| Financial cost of foreign-currency denominated net investment hedges | (1) | 7 | 2 |
| Change in the fair value of unallocated derivatives | (2) | (7) | (6) |
| **INEFFECTIVE PORTION OF FOREIGN EXCHANGE DERIVATIVES** | **(25)** | **(121)** | **12** |

As of April 30, 2013, dividends received in respect of non-current available for sale financial assets included an exceptional dividend from Hermès International SCA in the amount of 120 million euros (5 euros per share).

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 changes in market performance and the recognition of impairment losses on current and non-current available for sale financial assets.

# NOTE 28 - INCOME TAXES

## 28.1. Analysis of the income tax expense

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Current income taxes for the fiscal year | (297) | (2,064) | (611) |
| Current income taxes relating to previous fiscal years | (2) | 14 | 4 |
| **Current income taxes** | **(299)** | **(2,050)** | **(607)** |
| Change in deferred tax | 35 | 134 | 72 |
| Impact of changes in tax rates on deferred tax | - | - | - |
| **Deferred tax** | **35** | **134** | **72** |
| **TOTAL TAX EXPENSE PER INCOME STATEMENT** | **(264)** | **(1,916)** | **(535)** |
| **TAX ON ITEMS RECOGNIZED IN EQUITY** [(a)] | **6** | **(56)** | **(73)** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

The effective tax rate is as follows:

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Profit before tax | 829 | 5,842 | 1,722 |
| Total income tax expense | (264) | (1,916) | (535) |
| **EFFECTIVE TAX RATE** | **31.9%** | **32.8%** | **31.1%** |

## 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)* | June 30, 2013 (2 months) | April 30, 2013 [(a)] (12 months) | April 30, 2012 [(a)] (4 months) |
|---|---|---|---|
| Deferred tax assets | 910 | 950 | 847 |
| Deferred tax liabilities | (4,784) | (4,870) | (4,838) |
| **NET DEFERRED TAX ASSET (LIABILITY)** | **(3,874)** | **(3,920)** | **(3,991)** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

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

The theoretical income tax rate, defined as the rate applicable in law to the Group's French companies, may be reconciled as follows to the effective income tax rate disclosed in the consolidated financial statements:

| *(as % of income before tax)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| **French statutory tax rate** | **34.4** | **34.4** | **34.4** |
| Changes in tax rates | - | - | - |
| Differences in tax rates for foreign companies | (6.8) | (6.0) | (8.9) |
| Tax losses and tax loss carryforwards | 1.5 | 0.6 | 6.4 |
| Difference between consolidated and taxable income, and income taxable at reduced rates | 2.6 | 3.6 | (1.0) |
| Withholding taxes | 0.2 | 0.2 | 0.2 |
| **EFFECTIVE TAX RATE OF THE GROUP** | **31.9** | **32.8** | **31.1** |

Since 2000, French companies have been subject to additional income tax, at a rate of 3.3% for the fiscal years ended April 30, 2012, April 30, 2013 and June 30, 2013 bringing the theoretical tax rate to 34.4% in each fiscal year.

## 28.4. Sources of deferred taxes

### *In the income statement*

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Valuation of brands | (1) | 9 | - |
| Other revaluation adjustments | (3) | 6 | 3 |
| Gains and losses on available for sale financial assets | (1) | (1) | - |
| Gains and losses on hedges of future foreign currency cash flows | (2) | (4) | (10) |
| Intercompany margin included in inventories | 25 | 101 | 58 |
| Other consolidation adjustments [(a)] | 20 | 40 | 42 |
| Losses carried forward | (3) | (17) | (21) |
| **TOTAL** | **35** | **134** | **72** |

(a) Mainly tax-driven provisions, accelerated tax depreciation and finance leases.

### *In equity*

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 [(a)] (12 months) | April 30, 2012 [(a)] (4 months) |
|---|---|---|---|
| Fair value adjustment of vineyard land | - | (27) | (1) |
| Gains and losses on available for sale financial assets | 12 | (2) | (50) |
| Gains and losses on hedges of future foreign currency cash flows | 1 | (36) | (12) |
| Actuarial gains and losses arising on employee benefit commitments | (2) | 13 | 5 |
| **TOTAL** | **11** | **(52)** | **(58)** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

***In the balance sheet***

| (EUR millions) | June 30, 2013 (2 months) | April 30, 2013 [c] (12 months) | April 30, 2012 [c] (4 months) |
|---|---|---|---|
| Valuation of brands | (4,096) | (4,096) | (4,111) |
| Fair value adjustment of vineyard land | (607) | (607) | (579) |
| Other revaluation adjustments | (362) | (360) | (362) |
| Gains and losses on available for sale financial assets | (185) | (196) | (193) |
| Gains and losses on hedges of future foreign currency cash flows | (26) | (25) | 10 |
| Intercompany margin included in inventories | 629 | 605 | 480 |
| Other consolidation adjustments [a] | 710 | 693 | 690 |
| Losses carried forward | 63 | 66 | 74 |
| **TOTAL [b]** | **(3,874)** | **(3,920)** | **(3,991)** |

(a) Mainly tax-driven provisions, accelerated tax depreciation and finance leases.
(b) Asset/(Liability).
(c) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

## 28.5. Losses carried forward

As of June 30, 2013, at the level of the tax group whose lead company is LVMH SA, unused tax loss carryforwards and tax credits, for which no deferred tax assets were recognized, had a potential positive impact on the future tax expense estimated at 286 million euros (290 million euros as of April 30, 2013, 285 million euros as of April 30, 2012).

For the fiscal year ended June 30, 2013, at the level of the tax group whose lead company is Christian Dior, unused tax loss carryforwards of 165 million euros were allocated to the Christian Dior parent company. Unused tax loss carryforwards totaled 165 million euros as of April 30, 2013 and 198 million euros as of April 30, 2012.

## 28.6. Tax consolidation

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

  This tax consolidation agreement led to a decrease in the current tax expense for the Group of 6 million euros in the fiscal year ended June 30, 2013, including 3 million euros for LVMH and 3 million euros for Christian Dior (103 million euros as of April 30, 2013; 17 million euros for the first four months of 2012 for the Group).

- The application of other tax consolidation agreements, notably in the United States, led to current tax savings of 1 million euros in the fiscal year ended June 30, 2013 (24 million euros as of April 30, 2013 and 10 million euros for the first four months of 2012).

## NOTE 29 - EARNINGS PER SHARE

| | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| **Net profit, Group share** *(EUR millions)* | **216** | **1,431** | **394** |
| Impact of diluting instruments on the subsidiaries *(EUR millions)* | (1) | (10) | (4) |
| **NET PROFIT, DILUTED GROUP SHARE** *(EUR millions)* | **215** | **1,421** | **390** |
| Average number of shares in circulation during the fiscal year | 181,727,048 | 181,727,048 | 181,727,048 |
| Average number of Christian Dior treasury shares owned during the fiscal year | (3,053,125) | (2,767,603) | (2,488,381) |
| **Average number of shares in circulation on which the calculation before dilution is based** | **178,673,923** | **178,959,445** | **179,238,667** |
| **BASIC GROUP SHARE OF NET PROFIT PER SHARE** *(EUR)* | **1.21** | **8.00** | **2.20** |
| Average number of shares in circulation on which the above calculation is based | 178,673,923 | 178,959,445 | 179,238,667 |
| Dilution effect of stock option plans | 1,051,043 | 1,005,459 | 911,712 |
| **AVERAGE NUMBER OF SHARES IN CIRCULATION AFTER DILUTION** | **179,724,966** | **179,964,904** | **180,150,379** |
| **DILUTED GROUP SHARE OF NET PROFIT PER SHARE** *(EUR)* | **1.20** | **7.90** | **2.16** |

As of June 30, 2013, 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.

For information on programs under which the Company repurchases its own shares to be retired, see Note 16.2.

## NOTE 30 - PROVISIONS FOR PENSIONS, REIMBURSEMENT OF MEDICAL COSTS AND SIMILAR COMMITMENTS

### 30.1. Expense for the fiscal year

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Service cost | 13 | 68 | 22 |
| Impact of discounting | 7 | 35 | 12 |
| Expected return on plan assets | (2) | (23) | (8) |
| Amortization of actuarial gains and losses | - | 5 | - |
| Past service cost | - | 1 | - |
| Changes in regimes | - | (2) | - |
| **TOTAL EXPENSE FOR THE PERIOD FOR DEFINED BENEFIT PLANS** | **18** | **84** | **26** |
| **EFFECTIVE RETURN ON/(COST OF) PLAN ASSETS** | **2** | **60** | **(33)** |

### 30.2. Net recognized commitment

| (EUR millions) | June 30, 2013 (2 months) | April 30, 2013 [a] (12 months) | April 30, 2012 [a] (4 months) |
|---|---|---|---|
| Benefits covered by plan assets | 997 | 1,026 | 876 |
| Benefits not covered by plan assets | 157 | 150 | 166 |
| **Defined benefit obligation** | **1,154** | **1,176** | **1,042** |
| **Market value of plan assets** | **(666)** | **(688)** | **(607)** |
| **NET RECOGNIZED COMMITMENT** | **488** | **488** | **435** |
| Of which: | | | |
| Non-current provisions | 500 | 483 | 440 |
| Current provisions | 2 | 12 | 11 |
| Other assets | (14) | (7) | (16) |
| **TOTAL** | **488** | **488** | **435** |

(a) The balance sheets as of April 30, 2013 and 2012 have been restated to reflect the retrospective application as of January 1, 2012 of IAS 19 Employee Benefits as amended. See Note 1.2.

### 30.3. Breakdown of the change in net recognized commitment

| (EUR millions) | Defined benefit obligation | Market value of plan assets | Unrecognized items | Net recognized commitment |
|---|---|---|---|---|
| **As of April 30, 2013** | **1,176** | **(689)** | **(194)** | **293** |
| Impact of the application of IAS 19, see Note 1.2. | - | 1 | 194 | 195 |
| **As of April 30, 2013, after restatements** | **1,176** | **(688)** | **-** | **488** |
| Expense for the period | 20 | (2) | - | 18 |
| Payments to beneficiaries | (29) | 26 | - | (3) |
| Contributions to plan assets | - | (9) | - | (9) |
| Contributions of employees | 1 | (1) | - | - |
| Changes in scope and reclassifications | - | - | - | - |
| Changes in regimes | - | - | - | - |
| Actuarial gains and losses: experience adjustments [a] | - | - | - | - |
| Actuarial gains and losses: changes in assumptions [a] | (9) | - | - | (9) |
| Translation adjustment | (5) | 8 | - | 3 |
| **AS OF JUNE 30, 2013** | **1,154** | **(666)** | **-** | **488** |

(a) Gains/(Losses).

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

| *(EUR millions)* | Dec. 31, 2010 | Dec. 31, 2011 | April 30, 2012 | April 30, 2013 |
|---|---|---|---|---|
| Experience adjustments on the defined benefit obligation | (14) | 9 | - | 13 |
| Experience adjustments on the market value of plan assets | (4) | 34 | (25) | (37) |
| **ACTUARIAL GAINS AND LOSSES RESULTING FROM EXPERIENCE ADJUSTMENTS** [(a)] | **(18)** | **43** | **(25)** | **(24)** |

(a) Gains/(Losses).

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

| | June 30, 2013 (2 months) | | | | | April 30, 2013 (12 months) | | | | | April 30, 2012 (4 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)] | 3.0 | 3.7 | 4.3 | 1.5 | 2.0 | 3.0 | 3.2 | 4.3 | 1.5 | 2.0 | 4.15 | 4.4 | 4.2 | 1.25 | 1.75 |
| Future rate of increase of salaries | 3.0 | 4.0 | 3.8 | 2.0 | 2.5 | 3.0 | 4.0 | 3.8 | 2.0 | 2.5 | 3.0 | 4.0 | 3.8 | 2.0 | 2.5 |

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

The assumed rate of increase for medical expenses in the United States is 10.4% for 2013, then it is assumed to decline progressively as of 2014 to reach a rate of 4.5% in 2029.

A rise of 0.5% in the discount rate would result in a reduction of 69 million euros in the amount of the defined benefit obligation as of June 30, 2013; a decrease of 0.5% in the discount rate would result in a rise of approximately 70 million euros.

## 30.4. Analysis of benefits

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

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Retirement and other indemnities | 200 | 200 | 170 |
| Medical costs of retirees | 50 | 44 | 48 |
| Jubilee awards | 20 | 23 | 13 |
| Supplementary pensions | 881 | 907 | 793 |
| Early retirement indemnities | - | - | 2 |
| Other | 3 | 2 | 16 |
| **DEFINED BENEFIT OBLIGATION** | **1,154** | **1,176** | **1,042** |

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

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| France | 374 | 387 | 330 |
| Europe (excluding France) | 437 | 435 | 405 |
| United States | 207 | 218 | 188 |
| Japan | 96 | 98 | 105 |
| Asia (excluding Japan) | 36 | 35 | 14 |
| Other countries | 4 | 3 | - |
| **DEFINED BENEFIT OBLIGATION** | **1,154** | **1,176** | **1,042** |

The main components of the Group's net commitment for retirement and other benefit obligations as of June 30, 2013 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 their three highest amounts of annual remuneration; they also include retirement indemnities and jubilee awards, the payment of which is determined by French law and collective bargaining agreements, respectively upon retirement or after a certain number of years of service;
- in Europe (excluding France), the main commitments concern pension plans, set up in the United Kingdom by certain Group companies, in Switzerland, participation by Group companies in the mandatory Swiss occupational pension plan, the LPP (Loi pour la prévoyance professionnelle), as well as 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 market value of plan assets by type of investment is as follows:

| *(as %)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Shares | 35 | 35 | 35 |
| Bonds | | | |
| - private issues | 29 | 29 | 30 |
| - public issues | 15 | 15 | 27 |
| Real estate, cash and other assets | 21 | 21 | 8 |
| **TOTAL** | **100** | **100** | **100** |

These assets do not include any real estate assets belonging to the Group nor any LVMH or Christian Dior shares for significant amounts.

The additional sums that will be paid into the funds to build up these assets in 2013-2014 are estimated at 77 million euros.

## NOTE 31 - OFF-BALANCE SHEET COMMITMENTS

### 31.1. Purchase commitments

| *(EUR millions)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Grapes, wines and eaux-de-vie | 1,128 | 1,104 | 1,052 |
| Other purchase commitments for raw materials | 72 | 83 | 91 |
| Industrial and commercial fixed assets | 374 | 215 | 136 |
| Investments in joint venture shares and non-current available for sale financial assets | 74 | 40 | 55 |

Some Wines and Spirits companies have contractual purchase arrangements with various local producers for the future supply of grapes, still wines and eaux-de-vie. These commitments are valued, depending on the nature of the purchases, on the basis of the contractual terms or known fiscal year-end prices and estimated production yields.

As of June 30, 2013, 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 | 632 | 436 | 60 | 1,128 |
| Other purchase commitments for raw materials | 56 | 16 | - | 72 |
| Industrial and commercial fixed assets | 123 | 251 | - | 374 |
| Investments in joint venture shares and non-current available for sale financial assets | 38 | 17 | 19 | 74 |

## 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 portion of commitments in respect of the irrevocable period of operating lease or concession contracts were as follows as of June 30, 2013:

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Less than one year | 1,380 | 1,347 | 1,148 |
| One to five years | 3,642 | 3,352 | 3,522 |
| More than five years | 1,719 | 1,585 | 1,021 |
| **COMMITMENTS GIVEN FOR OPERATING LEASES AND CONCESSION FEES** | **6,741** | **6,284** | **5,691** |
| Less than one year | 13 | 11 | 15 |
| One to five years | 19 | 19 | 25 |
| More than five years | - | - | - |
| **COMMITMENTS RECEIVED FOR SUB-LEASES** | **32** | **30** | **40** |

In addition, the Group may enter into operating leases or concession contracts including variable payment amounts. For example, in June 2012, DFS was granted three additional five-year concessions at Hong Kong International Airport. The concession agreement provides for the payment of variable concession fees, calculated in particular on the basis of the number of passengers passing through the airport. On the basis of an estimate of this number of passengers at the signing date of the agreement, the total amount of these fees in respect of a calendar year would be about 300 million euros.

## 31.3. Collateral and other guarantees

As of June 30, 2013, these commitments break down as follows:

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Securities and deposits | 61 | 62 | 49 |
| Other guarantees | 68 | 70 | 134 |
| **GUARANTEES GIVEN** | **129** | **132** | **183** |
| **GUARANTEES RECEIVED** | **15** | **11** | **28** |

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 | 5 | 43 | 13 | **61** |
| Other guarantees | 42 | 19 | 7 | **68** |
| **GUARANTEES GIVEN** | **47** | **62** | **20** | **129** |
| **GUARANTEES RECEIVED** | **6** | **6** | **3** | **15** |

### 31.4. Contingent liabilities and outstanding litigation

As part of its day-to-day management, the Group is party to various legal proceedings concerning brand rights, the protection of intellectual property rights, the set-up of selective retailing networks, licensing agreements, employee relations, tax audits and other areas relating to its business. The Group believes that the provisions recorded in the balance sheet in respect of these risks, litigation or disputes, known or outstanding at fiscal year-end, are sufficient to avoid its consolidated financial net worth being materially impacted in the event of an unfavorable outcome.

### 31.5. Other commitments

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

## NOTE 32 - RELATED PARTY TRANSACTIONS

### 32.1. 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 SAS.

***Relations of the Christian Dior group with Groupe Arnault***

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

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

Transactions between the Christian Dior group and Groupe Arnault may be summarized as follows:

| *(EUR millions)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| • Purchases by Christian Dior group from Groupe Arnault | (2) | (10) | (4) |
| Amount payable outstanding at end of period | (2) | (1) | (3) |
| • Sales by Christian Dior group to Groupe Arnault | - | 2 | 1 |
| Amount receivable outstanding at end of period | - | - | - |

***Relations of the Christian Dior group with the Financière Agache group***

As of June 30, 2013, transactions between the Christian Dior group and the Financière Agache group were not significant.

## 32.2. Relations of the Christian Dior group with Diageo

Moët Hennessy SNC and Moët Hennessy International SAS (hereafter referred to as "Moët Hennessy") are the holding companies for LVMH's Wines and Spirits businesses, with the exception of Château d'Yquem, Château Cheval Blanc and certain Champagne vineyards. Diageo holds a 34% stake in Moët Hennessy. In 1994, at the time when Diageo acquired this 34% stake, an agreement was concluded between Diageo and LVMH for the apportionment of holding company expenses between Moët Hennessy and the other holding companies of the LVMH group.

Under this agreement, Moët Hennessy assumed 16% of shared expenses as of June 30, 2013 (19% for the fiscal year ended April 30, 2013, 18% for the four-month fiscal year ended April 30, 2012), representing an amount of 3 million euros as of June 30, 2013 (15 million euros for the fiscal year ended April 30, 2013, 3 million euros for the four-month fiscal year ended April 30, 2012).

## 32.3. 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)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Gross compensation, employers' charges and benefits in kind | 2 | 12 | 10 |
| Post-employment benefits | - | 2 | - |
| Other long-term benefits | 1 | 9 | 2 |
| End of contract indemnities | - | - | - |
| Stock option and similar plans | 1 | 9 | 5 |
| **TOTAL** | **4** | **32** | **17** |

The commitment recognized as of June 30, 2013 for post-employment benefits, net of related financial assets was 11 million euros (7 million euros as of April 30, 2013, 3 million euros as of April 30, 2012).

# NOTE 33 - SUBSEQUENT EVENTS

In July 2013 LVMH signed a memorandum of understanding for the acquisition of an 80% stake in Italian company Loro Piana, which makes and sells luxury fabrics, clothing, and accessories. The acquisition should become final by the end of 2013, after approval by appropriate competition authorities particularly in Europe and the United States. The remaining 20% stake is covered by reciprocal undertakings to buy and sell, exercisable within three years of the date on which the aforementioned transaction is completed. Under the memorandum of understanding, the parties have agreed on an enterprise value for Loro Piana of 2.7 billion euros.

No other significant subsequent events occurred between June 30, 2013 and October 3, 2013, the date on which the financial statements were approved for publication by the Board of Directors.

## Consolidated companies

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| Christian Dior SA | Paris, France | Parent company | |
| Financière Jean Goujon SAS | Paris, France | FC | 100% |
| Sadifa SA | Paris, France | FC | 100% |
| Lakenbleker BV | Amsterdam, Netherlands | FC | 100% |
| Grandville SA | Luxembourg, Luxembourg | FC | 100% |
| **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 Ltd | London, United Kingdom | FC | 100% |
| Christian Dior Suisse SA | Geneva, Switzerland | FC | 100% |
| Mardi SpA | Badia a Settimo-Scandicci, Italy | FC | 100% |
| Ateliers AS | Pierre Bénite, France | EM | 25% |
| Christian Dior Far East Ltd | 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, Republic of Singapore | FC | 100% |
| Christian Dior Saipan Ltd | Saipan, Saipan | 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 K.K. (Kabushiki Kaisha) | Tokyo, Japan | FC | 100% |
| Christian Dior Couture Korea Ltd | Seoul, South Korea | FC | 100% |
| Christian Dior Guam Ltd | Tumon Bay Guam, Guam | FC | 100% |
| Christian Dior Española SL | Madrid, Spain | FC | 100% |
| Christian Dior do Brasil Ltda | Sao 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 | 70% |
| Christian Dior Puerto Banus SL | Marbella-Puerto Banus, Spain | FC | 75% |
| Lucilla Srl | Sieci-Pontassieve, Italy | FC | 51% |
| Christian Dior Couture CZ s.r.o. | Prague, Czech Republic | FC | 100% |
| Christian Dior Couture Maroc SA | Casablanca, Morocco | FC | 51% |
| 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 RL de CV | Lomas, Mexico | FC | 100% |
| Christian Dior Commercial (Shanghai) Co.Ltd | Shanghai, China | FC | 100% |
| Ateliers Modèles SAS | Paris, France | FC | 100% |
| Baby Siam Couture Company Ltd | Bangkok, Thailand | FC | 100% |
| CDC Abu-Dhabi LLC | Abu-Dhabi, United Arab Emirates | [b] | [b] |
| CDCH SA | Luxembourg, Luxembourg | FC | 75% |
| Dior Grèce SA | Athens, Greece | FC | 51% |
| Christian Dior Couture RUS LLC | Moscow, Russia | FC | 100% |
| Christian Dior Couture Stoleshnikov LLC | Moscow, Russia | FC | 100% |
| Calto Srl | Milan, Italy | FC | 100% |
| CDC General Trading LLC | Dubai, United Arab Emirates | [b] | [b] |
| Christian Dior Istanbul Magazacilik Anonim Sirketi | Maslak-Istanbul, Turkey | FC | 51% |
| Christian Dior Trading India Private Limited | Mumbai, India | FC | 51% |
| Manifatturauno Srl | Fosso (Venice), Italy | FC | 100% |
| John Galliano SA | Paris, France | FC | 100% |
| Les Ateliers Horlogers Dior SA | La Chaux-de-Fonds, Switzerland [c] | FC | 71% |
| Dior Montres SARL | Paris, France [c] | FC | 71% |
| Christian Dior Couture Qatar LLC | Doha, Qatar | [b] | [b] |
| Christian Dior Couture Ukraine SARL | Kiev, Ukraine | FC | 100% |
| CDCG FZCO | Dubai, United Arab Emirates | [b] | [b] |
| PT Fashion Indonesia Trading Company | Jakarta, Indonesia | FC | 100% |
| Christian Dior Couture Bahrain W.L.L. | Manama, Bahrain | [b] | [b] |
| COU.BO. Srl | Arzano, Italy | FC | 70% |
| Christian Dior Vietnam LLC | Hanoi, Vietnam | FC | 100% |
| Vermont S.A.S | Paris, France | FC | 100% |
| Christian Dior Couture Kazakhstan LLP | Almaty, Kazakhstan | FC | 100% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| Christian Dior Austria Gmbh | Vienna, Austria | FC | 100% |
| Christian Dior Netherlands BV | Amsterdam, Netherlands | 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% |
| STM Vignes SAS | Épernay, France | FC | 26% |
| GIE MHIS | Épernay, France | FC | 27% |
| Moët Hennessy Entreprise Adaptée | Épernay, France | FC | 27% |
| Champagne Bernard Breuzon SAS | Colombe le Sec, France | FC | 27% |
| Champagne de Mansin SAS | Gye sur Seine, France | FC | 27% |
| Pressoir MHCS Srl | Reims, France | FC | 27% |
| Société Civile des Crus de Champagne SA | Reims, France | FC | 27% |
| Moët Hennessy Italia Spa | 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, SA 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 Sro | Prague, Czech Republic | FC | 27% |
| Moët Hennessy Sverige AB | Stockholm, Sweden | FC | 27% |
| Moët Hennessy România Srl | Bucharest, Romania | FC | 27% |
| Moët Hennessy Norge AS | Hoevik, Norway | FC | 27% |
| Moët Hennessy Danmark A/S | Copenhagen, Denmark | FC | 27% |
| Moët Hennessy Nederland BV | Baarn, Netherlands | FC | 27% |
| Moët Hennessy USA Inc. | New York, USA | FC | 27% |
| MHD Moët Hennessy Diageo SAS | Courbevoie, France [a] | FC | 27% |
| Clicquot Inc. | New York, USA (*) | FC | 27% |
| Cheval des Andes SA | Buenos Aires, Argentina | PC | 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 | Sao 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 | 24% |
| Domaine Chandon (Ningxia) Moët Hennessy Co., Ltd | Yinchuan, China | FC | 27% |
| Moët Hennessy Chandon (Ningxia) Vineyards Co., Ltd | Yinchuan, China | FC | 17% |
| Château d'Yquem SA | Sauternes, France | FC | 39% |
| Château d'Yquem SC | Sauternes, France | FC | 40% |
| Société Civile Cheval Blanc (SCCB) | Saint-Émilion, France | PC | 21% |
| MH Shangri.La (Deqin) Winery Company Ltd | Deqin, China | FC | 18% |
| 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, 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% |
| Moët Hennessy Ukraine | Kiev, Ukraine | FC | 27% |
| MH Services UK Ltd | London, United Kingdom | FC | 27% |
| MH Services Singapore Limited Pte | 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% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| 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% |
| MHWH Limited | Limassol, Cyprus | 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% |
| 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% |
| Millennium Import LLC | Minnesota, USA | 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% |
| Wenjun Spirits Company Ltd | Chengdu, China | FC | 15% |
| Wenjun Spirits Sales Company Ltd | Chengdu, China | FC | 15% |

### FASHION AND LEATHER GOODS

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| Louis Vuitton Malletier SA | Paris, France | FC | 42% |
| Manufacture de Souliers Louis Vuitton Srl | Fiesso d'Artico, Italy | FC | 42% |
| Louis Vuitton South Europe Srl | Milan, Italy | FC | 42% |
| Louis Vuitton Saint Barthélemy SNC | Saint Bartholomew, French Antilles | FC | 42% |
| Louis Vuitton Cantacilik Ticaret AS | Istanbul, Turkey | FC | 42% |
| Louis Vuitton Editeur SAS | Paris, France | FC | 42% |
| Louis Vuitton International SNC | Paris, France | FC | 42% |
| Louis Vuitton India Holding Private Ltd | Bangalore, India | FC | 42% |
| Société des Ateliers Louis Vuitton SNC | Paris, France | FC | 42% |
| Les Tanneries de la Comète SA | Estaimpuis, Belgium | FC | 25% |
| Manufacture des accessoires Louis Vuitton Srl | Milan, Italy | FC | 42% |
| Louis Vuitton Bahrain WLL | Manama, Bahrain | [b] | [b] |
| Société Louis Vuitton Services SNC | Paris, France | FC | 42% |
| Louis Vuitton Qatar LLC | Doha, Qatar | [b] | [b] |
| Société des Magasins Louis Vuitton France SNC | Paris, France | FC | 42% |
| Belle Jardinière SA | Paris, France | FC | 42% |
| Belle Jardinière Immo SAS | Paris, France | FC | 42% |
| Les Ateliers Horlogers Louis Vuitton SA | La Chaux-de-Fonds, Switzerland | FC | 42% |
| Les Ateliers Joailliers Louis Vuitton SAS | Paris, France | FC | 42% |
| Léman Cadrans SA | Satigny, Switzerland | FC | 42% |
| Operadora Louis Vuitton Mexico SRLCV | Mexico City, Mexico | FC | 42% |
| Louis Vuitton Monaco SA | Monaco, Principality of Monaco | FC | 42% |
| ELV SNC | Paris, France | FC | 42% |
| Louis Vuitton Services Europe Sprl | Brussels, Belgium | FC | 42% |
| Louis Vuitton UK Ltd | London, United Kingdom | FC | 42% |
| Finnina Srl | Stra, Italy | FC | 42% |
| Louis Vuitton Ireland Ltd | Dublin, Ireland | FC | 42% |
| Louis Vuitton Deutschland GmbH | Dusseldorf, Germany | FC | 42% |
| Louis Vuitton Ukraine LLC | Kiev, Ukraine | FC | 42% |
| Catalana Talleres Artesanos Louis Vuitton SA | Barcelona, Spain | FC | 42% |
| Sociedad de Talleres de Accesorios en Cuero LV SL | Barcelona, Spain | FC | 42% |
| Atepeli – Ateliers de Ponte de Lima SA | Ponte de Lima, Portugal | FC | 42% |
| La Fabrique de Maroquinerie Louis Vuitton | Paris, France | FC | 42% |
| ATECB – Les Ateliers de Cabeceiras de Basto SA | Lameiros, Portugal | FC | 42% |
| Louis Vuitton BV | Amsterdam, Netherlands | FC | 42% |
| Louis Vuitton Belgium SA | Brussels, Belgium | FC | 42% |
| Louis Vuitton Luxembourg SARL | Luxembourg, Luxembourg | FC | 42% |
| Louis Vuitton Hellas SA | Athens, Greece | FC | 42% |
| Louis Vuitton Cyprus Limited | Nicosia, Cyprus | FC | 42% |
| Louis Vuitton Portugal Maleiro, Ltda. | Lisbon, Portugal | FC | 42% |
| Louis Vuitton Ltd | Tel Aviv, Israel | FC | 42% |
| Louis Vuitton Danmark A/S | Copenhagen, Denmark | FC | 42% |
| Louis Vuitton Aktiebolag SA | Stockholm, Sweden | FC | 42% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| Louis Vuitton Suisse SA | Geneva, Switzerland | FC | 42% |
| Louis Vuitton Polska sp. zoo. | Warsaw, Poland | FC | 42% |
| Louis Vuitton Ceska s.r.o. | Prague, Czech Republic | FC | 42% |
| Louis Vuitton Osterreich GmbH | Vienna, Austria | FC | 42% |
| Louis Vuitton Kazakhstan LLP | Almaty, Kazakhstan | FC | 42% |
| LV US Manufacturing, Inc. | New York, USA | FC | 42% |
| Somarest SARL | Sibiu, Romania | FC | 42% |
| Louis Vuitton Hawaii Inc. | Honolulu, USA | FC | 42% |
| Atlantic Luggage Company Ltd | Hamilton, Bermuda | FC | 17% |
| Louis Vuitton Guam Inc. | Guam | FC | 42% |
| Louis Vuitton Saipan Inc. | Saipan, Mariana Islands | FC | 42% |
| Louis Vuitton Norge AS | Oslo, Norway | FC | 42% |
| San Dimas Luggage Company | New York, USA | FC | 42% |
| Louis Vuitton North America Inc. | New York, USA (*) | FC | 42% |
| Louis Vuitton USA Inc. | New York, USA (*) | FC | 42% |
| Louis Vuitton Liban retail SAL | Beirut, Lebanon | FC | 42% |
| Louis Vuitton Liban Holding SAL | Beirut, Lebanon | FC | 42% |
| Louis Vuitton Vietnam Company Ltd | Hanoi, Vietnam | FC | 42% |
| Louis Vuitton Suomy Oy | Helsinki, Finland | FC | 42% |
| Louis Vuitton România Srl | Bucharest, Romania | FC | 42% |
| LVMH FG Brasil Ltda | Sao Paulo, Brazil | FC | 42% |
| Louis Vuitton Panama Inc. | Panama City, Panama | FC | 42% |
| Louis Vuitton Mexico S de RL de CV | Mexico City, Mexico | FC | 42% |
| Louis Vuitton Uruguay SA | Montevideo, Uruguay | FC | 42% |
| Louis Vuitton Chile Ltda | Santiago de Chile, Chile | FC | 42% |
| Louis Vuitton (Aruba) N.V | Oranjestad, Aruba | FC | 42% |
| Louis Vuitton Republica Dominica Srl | Santo Domingo, Dominican Republic | FC | 42% |
| LVMH Fashion Group Pacific Ltd | Hong Kong, China | FC | 42% |
| Louis Vuitton Trading Hong Kong Ltd | Hong Kong, China | FC | 42% |
| Louis Vuitton Hong Kong Ltd | Hong Kong, China | FC | 42% |
| Louis Vuitton (Philippines) Inc. | Makati, Philippines | FC | 42% |
| LVMH Fashion (Singapore) Pte Ltd | Singapore | FC | 42% |
| LV IOS Private Ltd | Singapore | FC | 42% |
| Heng Long International Holding Pte Ltd | Singapore | FC | 25% |
| Heng Long International Ltd | Singapore | FC | 25% |
| Heng Long Leather Co. (Pte) Ltd | Singapore | FC | 25% |
| Heng Long Leather (Guangzhou) Co. Ltd | Guangzhou, China | FC | 25% |
| PT Louis Vuitton Indonesia LLC | Jakarta, Indonesia | FC | 41% |
| Louis Vuitton (Malaysia) SDN BHD | Kuala Lumpur, Malaysia | FC | 42% |
| Louis Vuitton (Thailand) SA | Bangkok, Thailand | FC | 42% |
| Louis Vuitton Taiwan Ltd | Taipei, Taiwan | FC | 41% |
| Louis Vuitton Australia PTY Ltd | Sydney, Australia | FC | 42% |
| Louis Vuitton (China) Co. Ltd | Shanghai, China | FC | 42% |
| Louis Vuitton Mongolia LLC | Ulaan Baatar, Mongolia | FC | 42% |
| Louis Vuitton New Zealand Limited | Auckland, New Zealand | FC | 42% |
| Louis Vuitton Trading India Private Ltd | New Delhi, India | FC | 21% |
| Louis Vuitton EAU LLC | Dubai, United Arab Emirates | [b] | [b] |
| Louis Vuitton Middle East | Dubai, United Arab Emirates | FC | 27% |
| Louis Vuitton FZCO | Dubai, United Arab Emirates | FC | 27% |
| Louis Vuitton – Jordan PCLS | Amman, Jordan | FC | 42% |
| Louis Vuitton Orient FZ LLC | Emirate of Ras Khaime, United Arab Emirates | FC | 27% |
| Louis Vuitton Korea Ltd | Seoul, South Korea | FC | 42% |
| LVMH Fashion Group Trading Korea Ltd | Seoul, South Korea | FC | 42% |
| Louis Vuitton Hungaria SARL | Budapest, Hungary | FC | 42% |
| Louis Vuitton Argentina SA | Buenos Aires, Argentina | FC | 42% |
| Louis Vuitton Vostock LLC | Moscow, Russia | FC | 42% |
| LV Colombia SA | Santafe de Bogota, Colombia | FC | 42% |
| Louis Vuitton Maroc SARL | Casablanca, Morocco | FC | 42% |
| Louis Vuitton South Africa Ltd | Johannesburg, South Africa | FC | 42% |
| Louis Vuitton Macau Company Ltd | Macao, China | FC | 42% |
| LVMH Fashion (Shanghai) Trading Co., Ltd | Shanghai, China | FC | 42% |
| LVJ Group KK | Tokyo, Japan | FC | 41% |
| Louis Vuitton Services KK | Tokyo, Japan | FC | 41% |
| Louis Vuitton Canada Inc. | Toronto, Canada | FC | 42% |
| Louis Vuitton (Barbados) Ltd | Saint Michael, Barbados | FC | 42% |
| FG Industries | Paris, France | FC | 42% |
| Les tanneries Roux SA | Romans sur Isère, France | FC | 42% |
| Perida Financière SA | Romans sur Isère, France | FC | 42% |
| Marc Jacobs International LLC | New York, USA (*) | FC | 40% |
| Marc Jacobs International (UK) Ltd | London, United Kingdom | FC | 40% |
| Marc Jacobs Trademark LLC | New York, USA (*) | FC | 14% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| Marc Jacobs Japan KK | Tokyo, Japan | FC | 20% |
| Marc Jacobs International Italia Srl | Milan, Italy | FC | 40% |
| Marc Jacobs International France SAS | Paris, France | FC | 40% |
| Marc Jacobs Commercial & Trading (Shanghai) | Shanghai, China | FC | 40% |
| Marc Jacobs Hong Kong Ltd | Hong Kong, China | FC | 40% |
| Loewe SA | Madrid, Spain | FC | 42% |
| Loewe Hermanos SA | Madrid, Spain | FC | 42% |
| Manufacturas Loewe SL | Madrid, Spain | FC | 42% |
| LVMH Fashion Group France SNC | Paris, France | FC | 42% |
| Loewe Hermanos UK Ltd | London, United Kingdom | FC | 42% |
| Loewe Guam Inc. | Guam, Mariana Islands | FC | 42% |
| Loewe Hong Kong Ltd | Hong Kong, China | FC | 42% |
| Loewe Commercial & Trading (Shanghai) Co. Ltd | Shanghai, China | FC | 42% |
| Loewe Fashion Pte Ltd | Singapore | FC | 42% |
| Loewe Fashion (M) SDN BHD | Johor Bahru, Malaysia | FC | 42% |
| Loewe Taiwan Ltd | Taipei, Taiwan | FC | 41% |
| Loewe Korea Ltd | Seoul, South Korea | FC | 42% |
| Loewe Macao Ltd | Macao, China | FC | 42% |
| Loewe Italy Spa | Milan, Italy | FC | 42% |
| Loewe Alemania Gmbh | Frankfurt, Germany | FC | 42% |
| Berluti SA | Paris, France | FC | 42% |
| Manufattura Ferrarese Srl | Ferrare, Italy | FC | 42% |
| Berluti LLC | New York, USA | FC | 42% |
| Berluti UK Ltd | London, United Kingdom | FC | 42% |
| Berluti Macau Company Ltd | Macao, China | FC | 42% |
| Berluti (Shanghai) Company Ltd | Shanghai, China | FC | 42% |
| Berluti Hong Kong Company Ltd | Hong Kong, China | FC | 42% |
| Berluti Singapore Private Ltd | Singapore | FC | 42% |
| Berluti Orient FZ LLC | Raz Al-Kamah, United Arab Emirates | FC | 27% |
| Berluti UAE LLC | Dubai, United Arab Emirates | FC | 27% |
| Rossimoda Spa | Vigonza, Italy | FC | 42% |
| Rossimoda USA Ltd | New York, USA | FC | 42% |
| Rossimoda France SARL | Paris, France | FC | 42% |
| Brenta Suole Srl | Vigonza, Italy | FC | 27% |
| LVMH Fashion Group Services SAS | Paris, France | FC | 42% |
| Montaigne KK | Tokyo, Japan | FC | 41% |
| Interlux Company Ltd | Hong Kong, China | FC | 42% |
| Céline SA | Paris, France | FC | 42% |
| Avenue M International SCA | Paris, France | FC | 42% |
| Enilec Gestion SARL | Paris, France | FC | 42% |
| Céline Montaigne SA | Paris, France | FC | 42% |
| Céline Monte-Carlo SA | Monaco, Principality of Monaco | FC | 42% |
| Celine Germany GmbH | Berlin, Germany | FC | 42% |
| Céline Production Srl | Florence, Italy | FC | 42% |
| Céline Suisse SA | Geneva, Switzerland | FC | 42% |
| Céline UK Ltd | London, United Kingdom | FC | 42% |
| Céline Inc. | New York, USA (*) | FC | 42% |
| Céline Hong Kong Ltd | Hong Kong, China | FC | 42% |
| Céline Commercial & Trading (Shanghai) Co. Ltd | Shanghai, China | FC | 42% |
| Céline Taiwan Ltd | Taipei, Taiwan | FC | 41% |
| CPC International Ltd | Hong Kong, China | FC | 42% |
| CPC Macau Ltd | Macao, China | FC | 42% |
| LVMH FG Services UK Ltd | London, United Kingdom | FC | 42% |
| Kenzo SA | Paris, France | FC | 42% |
| Kenzo Belgique SA | Brussels, Belgium | FC | 42% |
| Kenzo UK Ltd | London, United Kingdom | FC | 42% |
| Kenzo Japan KK | Tokyo, Japan | FC | 42% |
| Kenzo Accessories Srl | Lentate Sul Seveso, Italy | FC | 42% |
| Kenzo Seta Srl | Grandate, Italy | FC | 21% |
| Givenchy SA | Paris, France | FC | 42% |
| Givenchy Corporation | New York, USA | FC | 42% |
| Givenchy China Co. Ltd | Hong Kong, China | FC | 42% |
| Ltd Givenchy Shanghai Commercial and Trading Co. Ltd | Shanghai, China | FC | 42% |
| GCCL Macau Co. Ltd | Macao, China | FC | 42% |
| Givenchy Italia Srl | Florence, Italy | FC | 42% |
| Gabrielle Studio Inc. | New York, USA | FC | 42% |
| Donna Karan International Inc. | New York, USA (*) | FC | 42% |
| The Donna Karan Company LLC | New York, USA | FC | 42% |
| Donna Karan Service Company BV | Oldenzaal, Netherlands | FC | 42% |
| Donna Karan Company Store Ireland Ltd | Dublin, Ireland | FC | 42% |
| Donna Karan Studio LLC | New York, USA | FC | 42% |
| The Donna Karan Company Store LLC | New York, USA | FC | 42% |
| Donna Karan International (Canada) Inc. | Vancouver, Canada | FC | 42% |
| Donna Karan Company Store UK Holdings Ltd | London, United Kingdom | FC | 42% |
| Donna Karan Management Company UK Ltd | London, United Kingdom | FC | 42% |
| Donna Karan Company Stores UK Retail Ltd | London, United Kingdom | FC | 42% |
| Donna Karan Company Store (UK) Ltd | London, United Kingdom | FC | 42% |
| Donna Karan H. K. Ltd | Hong Kong, China | FC | 42% |
| Donna Karan (Italy) Srl | Milan, Italy | FC | 42% |
| Donna Karan (Italy) ProductionServices Srl | Milan, Italy | FC | 42% |
| Fendi International BV | Baarn, Netherlands | FC | 42% |
| Fun Fashion Bari Srl | Bari, Italy | FC | 42% |
| Fendi Prague S.r.o. | Prague, Czech Republic | FC | 42% |
| Luxury Kuwait for Ready Wear Company WLL | Kuwait City, Kuwait | (b) | (b) |
| Fun Fashion Qatar LLC | Doha, Qatar | (b) | (b) |
| Fendi International SA | Paris, France | FC | 42% |
| Fun Fashion Emirates LLC | Dubai, United Arab Emirates | (b) | (b) |
| Fendi SA | Luxembourg | FC | 42% |
| Fun Fashion Bahrain WLL | Manama, Bahrain | (b) | (b) |
| Fendi Srl | Rome, Italy | FC | 42% |
| Fendi Dis Ticaret LSi | Istanbul, Turkey | FC | 42% |
| Fendi Adele Srl | Rome, Italy | FC | 42% |
| Fendi Italia Srl | Rome, Italy | FC | 42% |
| Fendi UK Ltd | London, United Kingdom | FC | 42% |
| Fendi France SAS | Paris, France | FC | 42% |
| Fendi North America Inc. | New York, USA (*) | FC | 42% |
| Fendi Guam Inc. | Guam, Mariana Islands | FC | 42% |
| Fendi (Thailand) Company Ltd | Bangkok, Thailand | FC | 42% |
| Fendi Asia-Pacific Ltd | Hong Kong, China | FC | 42% |
| Fendi Korea Ltd | Seoul, South Korea | FC | 42% |
| Fendi Taiwan Ltd | Taipei, Taiwan | FC | 42% |
| Fendi Hong Kong Ltd | Hong Kong, China | FC | 42% |
| Fendi China Boutiques Ltd | Hong Kong, China | FC | 42% |
| Fendi (Singapore) Pte Ltd | Singapore | FC | 42% |
| Fendi Fashion (Malaysia) Snd. Bhd. | Kuala Lumpur, Malaysia | FC | 42% |
| Fendi Switzerland SA | Geneva, Switzerland | FC | 42% |
| Fun Fashion FZCO LLC | Dubai, United Arab Emirates | FC | 30% |
| Fendi Marianas Inc. | Tumon, Guam | FC | 42% |
| Fun Fashion Kuwait Co. W.L.L. | Kuwait City, Kuwait | (b) | (b) |
| Fendi Macau Company Ltd | Macao, China | FC | 42% |
| Fendi Germany GmbH | Stuttgart, Germany | FC | 42% |
| Fendi (Shanghai) Co. Ltd | Shanghai, China | FC | 42% |
| Fun Fashion India Pte Ltd | Mumbai, India | (b) | (b) |
| Interservices & Trading SA | Lugano, Switzerland | FC | 42% |
| Fendi Silk SA | Lugano, Switzerland | FC | 21% |
| Outshine Mexico, S. de RL de CV | Mexico City, Mexico | FC | 42% |
| Maxelle SA | Neuchâtel, Switzerland | FC | 21% |
| Taramax USA Inc. | New Jersey, USA | FC | 21% |
| Primetime Inc. | New Jersey, USA | FC | 21% |
| Taramax SA | Neuchâtel, Switzerland | FC | 21% |
| Taramax Japan KK | Tokyo, Japan | FC | 21% |
| Support Retail Mexico, S. de RL de CV | Mexico City, Mexico | FC | 42% |
| Fendi Brasil – Grupo de Moda Ltda | Sao Paulo, Brazil | FC | 42% |
| Emilio Pucci Srl | Florence, Italy | FC | 42% |
| Emilio Pucci International BV | Baarn, Netherlands | FC | 28% |
| Emilio Pucci, Ltd | New York, USA | FC | 42% |
| Emilio Pucci Hong Kong Co. Ltd | Hong Kong, China | FC | 42% |
| Emilio Pucci (Shanghai) Commercial Ltd | Shanghai, China | FC | 42% |
| Emilio Pucci UK Ltd | London, United Kingdom | FC | 42% |
| Emilio Pucci (Singapore) Pte.Ltd | Singapore | FC | 42% |
| Thomas Pink Holdings Ltd | London, United Kingdom | FC | 42% |
| Thomas Pink Ltd | London, United Kingdom | FC | 42% |
| Thomas Pink BV | Rotterdam, Netherlands | FC | 42% |
| Thomas Pink Inc. | New York, USA (*) | FC | 42% |
| Thomas Pink Ireland Ltd | Dublin, Ireland | FC | 42% |
| Thomas Pink France SAS | Paris, France | FC | 42% |
| Thomas Pink Canada Inc. | Toronto, Canada | FC | 42% |
| Edun Apparel Ltd | Dublin, Ireland | EM | 20% |
| Edun Americas Inc. | North Carolina, USA | EM | 20% |
| Nowness LLC | New York, USA (*) | FC | 42% |
| Nowness SAS | Paris, France | FC | 42% |

**PERFUMES AND COSMETICS**

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| Parfums Christian Dior SA | Paris, France | FC | 42% |
| LVMH P&C Thailand Co. Ltd | Bangkok, Thailand | FC | 20% |
| LVMH Parfums & Cosmétiques do Brasil Ltda | Sao Paulo, Brazil | FC | 42% |
| France Argentine Cosmetics SA | Buenos Aires, Argentina | FC | 42% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| LVMH P&C Shanghai Co. Ltd | Shanghai, China | FC | 42% |
| Parfums Christian Dior Finland Oy | Helsinki, Finland | FC | 42% |
| LVMH P&C Inc. | New York, USA | FC | 42% |
| SNC du 33 avenue Hoche | Paris, France | FC | 42% |
| LVMH Fragrances & Cosmetics (Sinpagore) Pte Ltd | Singapore | FC | 42% |
| Parfums Christian Dior Orient Co. | Dubai, United Arab Emirates | FC | 25% |
| Parfums Christian Dior Emirates | Dubai, United Arab Emirates | FC | 13% |
| EPCD Spzoo | Warsaw, Poland | FC | 21% |
| EPCD CZ & SK SRO | Prague, Czech Republic | FC | 21% |
| EPCD RO Distribution Srl | Bucharest, Romania | FC | 21% |
| LVMH Cosmetics KK | Tokyo, Japan | FC | 42% |
| Parfums Christian Dior Arabia | Jeddah, Saudi Arabia | FC | 19% |
| Parfums Christian Dior (UK) Ltd | London, United Kingdom | FC | 42% |
| Parfums Christian Dior BV | Rotterdam, Netherlands | FC | 42% |
| Iparkos BV | Rotterdam, Netherlands | FC | 42% |
| Parfums Christian Dior SAB | Brussels, Belgium | FC | 42% |
| Parfums Christian Dior (Ireland) Ltd | Dublin, Ireland | FC | 42% |
| Parfums Christian Dior Hellas SA | Athens, Greece | FC | 42% |
| Parfums Christian Dior AG | Zurich, Switzerland | FC | 42% |
| Christian Dior Perfumes LLC | New York, USA | FC | 42% |
| Parfums Christian Dior Canada Inc. | Montreal, Canada | FC | 42% |
| LVMH P&C de Mexico SA de CV | Mexico City, Mexico | FC | 42% |
| Parfums Christian Dior Japon KK | Tokyo, Japan | FC | 42% |
| Parfums Christian Dior (Singapore) Pte Ltd | Singapore | FC | 42% |
| Inalux SA | Luxembourg, Luxembourg | FC | 42% |
| LVMH P&C Asia-Pacific Ltd | Hong Kong, China | FC | 42% |
| Parfums Christian Dior China | Shanghai, China | FC | 42% |
| LVMH P&C Korea Ltd | Seoul, South Korea | FC | 42% |
| Parfums Christian Dior Hong Kong Ltd | Hong Kong, China | FC | 42% |
| LVMH P&C Malaysia Sdn berhad Inc. | Kuala Lumpur, Malaysia | FC | 42% |
| Fa Hua Hong Kong Co. Ltd | Hong Kong, China | FC | 42% |
| Pardior SA de CV | Mexico City, Mexico | FC | 42% |
| Parfums Christian Dior A/S Ltd | Copenhagen, Denmark | FC | 42% |
| LVMH Perfumes & Cosmetics Group Pty Ltd | Sydney, Australia | FC | 42% |
| Parfums Christian Dior AS Ltd | Hoevik, Norway | FC | 42% |
| Parfums Christian Dior AB | Stockholm, Sweden | FC | 42% |
| Parfums Christian Dior (New Zealand) Ltd | Auckland, New Zealand | FC | 42% |
| Parfums Christian Dior GmbH Austria | Vienna, Austria | FC | 42% |
| L Beauty Luxury Asia Inc. | Taguig City, Philippines | FC | 21% |
| P.T L beauty Brands | Jakarta, Indonesia | FC | 21% |
| L Beauty Pte Ltd (Singapour) | Singapore | FC | 21% |
| Cosmetics of France Inc. | Miami, USA | FC | 42% |
| LVMH Recherche GIE | Saint-Jean de Braye, France | FC | 42% |
| Parfums et Cosmétiques Information Services – PCIS GIE | Levallois Perret, France | FC | 42% |
| Perfumes Loewe SA | Madrid, Spain | FC | 42% |
| Acqua di Parma Srl | Milan, Italy | FC | 42% |
| Acqua di Parma LLC | New York, USA | FC | 42% |
| Guerlain SA | Paris, France | FC | 42% |
| LVMH Parfums & Kosmetik Deutschland GmbH | Dusseldorf, Germany | FC | 42% |
| Guerlain GmbH | Vienna, Austria | FC | 42% |
| Guerlain SA (Belgique) | Fleurus, Belgium | FC | 42% |
| Guerlain Ltd | London, United Kingdom | FC | 42% |
| LVMH Perfumes e Cosmetica Lda | Lisbon, Portugal | FC | 42% |
| PC Parfums Cosmétiques SA | Zurich, Switzerland | FC | 42% |
| Guerlain Inc. | New York, USA | FC | 42% |
| Guerlain Canada Ltd | Montreal, Canada | FC | 42% |
| Guerlain De Mexico SA | Mexico City, Mexico | FC | 42% |
| Guerlain Asia-Pacific Ltd | Hong Kong, China | FC | 42% |
| Guerlain KK | Tokyo, Japan | FC | 42% |
| Guerlain KSA | Paris, France | FC | 42% |
| Guerlain Orient-JLT | Dubai, United Arab Emirates | FC | 42% |
| Guerlain Oceania Australia Pty Ltd | Melbourne, Australia | FC | 42% |
| Montecristo Élysées SAS | Paris, France | FC | 42% |
| Make Up For Ever SA | Paris, France | FC | 42% |
| SCI Edison | Paris, France | FC | 42% |
| Make Up For Ever LLC | New York, USA (*) | FC | 42% |
| Make Up For Ever Canada Ltd | Montreal, Canada | FC | 42% |
| LVMH Fragrance Brands SA | Levallois Perret, France | FC | 42% |
| LVMH Fragrance Brands Ltd | London, United Kingdom | FC | 42% |
| LVMH Fragrance Brands LLC | New York, USA (*) | FC | 42% |
| LVMH Fragrance Brands Ltd | Toronto, Canada | FC | 42% |
| LVMH Fragrance Brands KK | Tokyo, Japan | FC | 42% |
| LVMH Fragrance Brands WHD Inc. | New York, USA (*) | FC | 42% |
| LVMH P&K GmbH | Dusseldorf, Germany | FC | 42% |
| LVMH Fragrance Brands Singapore Pte Ltd | Singapore | FC | 42% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| Benefit Cosmetics LLC | San Francisco, USA | FC | 42% |
| Benefit Cosmetics Ireland Ltd | Dublin, Ireland | FC | 42% |
| Benefit Cosmetics UK Ltd | Chelmsford, United Kingdom | FC | 42% |
| Benefit Cosmetics Services Canada Inc. | Toronto, Canada | FC | 42% |
| Benefit Cosmetics Korea | Seoul, South Korea | FC | 42% |
| Benefit Cosmetics SAS | Boulogne-Billancourt, France | FC | 42% |
| Benefit Cosmetics Hong Kong Limited | Hong Kong, China | FC | 42% |
| Benefit Cosmetics Malaysia Sdn Bhn | Kuala Lumpur, Malaysia | FC | 42% |
| L Beauty Thailand | Bangkok, Thailand | FC | 20% |
| Nude Brands Ltd | London, United Kingdom | FC | 29% |
| Nude Skincare Inc. | California, USA | FC | 29% |
| Fresh Inc. | Boston, USA | FC | 33% |
| Fresh Cosmetics Ltd | London, United Kingdom | FC | 33% |
| Fresh Hong Kong Ltd | Hong Kong, China | FC | 33% |
| Fresh Korea | Seoul, South Korea | FC | 33% |
| **WATCHES AND JEWELRY** | | | |
| TAG Heuer International SA | Luxembourg, Luxembourg | FC | 42% |
| LVMH Swiss Manufactures SA | La Chaux-de-Fonds, Switzerland | FC | 42% |
| LVMH Relojeria & Joyeria España SA | Madrid, Spain | FC | 42% |
| LVMH Montres & Joaillerie France SA | Paris, France | FC | 42% |
| LVMH Watch & Jewelry Central Europe GmbH | Bad Homburg, Germany | FC | 42% |
| LVMH Watch & Jewelry UK Ltd | Manchester, United Kingdom | FC | 42% |
| LVMH Watch & Jewelry USA Inc. | New Jersey, USA | FC | 42% |
| LVMH Watch & Jewelry Canada Ltd | Toronto, Canada | FC | 42% |
| LVMH Watch & Jewelry Far East Ltd | Hong Kong, China | FC | 42% |
| LVMH Watch & Jewelry Singapore Pte Ltd | Singapore | FC | 42% |
| LVMH Watch & Jewelry Malaysia Sdn Bhd. | Kuala Lumpur, Malaysia | FC | 42% |
| LVMH Watch & Jewelry Capital Pte Ltd | Singapore | FC | 42% |
| LVMH Watch & Jewelry Japan KK | Tokyo, Japan | FC | 42% |
| LVMH Watch & Jewelry Australia Pty Ltd | Melbourne, Australia | FC | 42% |
| LVMH Watch & Jewelry Hong Kong Ltd | Hong Kong, China | FC | 42% |
| LVMH Watch & Jewelry Taiwan Ltd | Taipei, Taiwan | FC | 42% |
| LVMH Watch & Jewelry India Pvt Ltd | New Delhi, India | FC | 42% |
| LVMH Watch & Jewelry (Shanghai) Commercial Co. Ltd | Shanghai, China | FC | 42% |
| LVMH Watch & Jewelry Russia SARL | Moscow, Russia | FC | 42% |
| Timecrown Ltd | Worsley, United Kingdom | FC | 42% |
| ArteCad SA | Tramelan, Switzerland | FC | 42% |
| Alpha Time Corp. Ltd | Hong Kong, China | FC | 42% |
| Dream Tech (Shanghai) Co. Ltd | Shanghai, China | FC | 42% |
| Dream Tech Intl Trading Co. Ltd | Shanghai, China | FC | 42% |
| Chaumet International SA | Paris, France | FC | 42% |
| Chaumet London Ltd | London, United Kingdom | FC | 42% |
| Chaumet Horlogerie SA | Bienne, Switzerland | FC | 42% |
| Chaumet Korea Chusik Hoesa | Seoul, South Korea | FC | 42% |
| Chaumet Middle East FZCO | Dubai, United Arab Emirates | FC | 25% |
| Chaumet UAE | Dubai, United Arab Emirates | FC | 25% |
| Farouk Trading | Riyadh, Saudi Arabia | FC | 25% |
| LVMH Watch & Jewelry Italy Spa | Milan, Italy | FC | 42% |
| Delano SA | La Chaux-de-Fonds, Switzerland | FC | 42% |
| Fred Paris SA | Paris, France | FC | 42% |
| Joaillerie de Monaco SA | Monte Carlo, Monaco | FC | 42% |
| Fred Inc. | Beverly Hills, USA (*) | FC | 42% |
| Fred Londres Ltd | London, United Kingdom | FC | 42% |
| Hublot SA | Nyon, Switzerland | FC | 42% |
| Bentim International SA | Luxembourg, Luxembourg | FC | 42% |
| Hublot SA Genève | Geneva, Switzerland | FC | 42% |
| Hublot of America, Inc. | Ft Lauderdale, USA | FC | 42% |
| Hublot Japan KK Ltd | Tokyo, Japan | FC | 42% |
| Profusion SARL | Gland, Switzerland | FC | 42% |
| Nyon LLC | Florida, USA | FC | 21% |
| De Beers Jewellers Commercial Co., Ltd | Shanghai, China | PC | 21% |
| De Beers Diamond Jewellers Ltd Taiwan | Taipei, Taiwan | PC | 21% |
| De Beers Diamond Jewellers Ltd | London, United Kingdom | PC | 21% |
| De Beers Diamond Jewellers Trademark Ltd | London, United Kingdom | PC | 21% |
| De Beers Diamond Jewellers UK Ltd | London, United Kingdom | PC | 21% |
| De Beers Diamond Jewellers (Hong Kong) Ltd | Hong Kong, China | PC | 21% |
| De Beers Diamond Jewellers Japan KK | Tokyo, Japan | PC | 21% |
| De Beers Diamond Jewellers US, Inc. | Wilmington, USA | PC | 21% |
| Bulgari SpA | Rome, Italy | FC | 42% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| Bulgari Italia SpA | Rome, Italy | FC | 42% |
| Bulgari International Corporation (BIC) NV | Amsterdam, Netherlands | FC | 42% |
| Bulgari Corporation of America Inc. | New York, USA | FC | 42% |
| Bulgari SA | Geneva, Switzerland | FC | 42% |
| Bulgari Horlogerie SA | Neuchâtel, Switzerland | FC | 42% |
| Bulgari France SAS | Paris, France | FC | 42% |
| Bulgari Monte Carlo S.A.M. | Monte Carlo, Monaco | FC | 42% |
| Bulgari (Deutschland) GmbH | Munich, Germany | FC | 42% |
| Bulgari España SA Unipersonal | Madrid, Spain | FC | 42% |
| Bulgari South Asian Operations Pte Ltd | Singapore | FC | 42% |
| Bulgari (UK) Ltd | London, United Kingdom | FC | 42% |
| Bulgari Belgium SA | Brussels, Belgium | FC | 42% |
| Bulgari Australia Pty. Ltd | Sydney, Australia | FC | 42% |
| Bulgari (Malaysia) Sdn Bhd. | Kuala Lumpur, Malaysia | FC | 42% |
| Bulgari Global Operations SA | Neuchâtel, Switzerland | FC | 42% |
| Bulgari Asia-Pacific Ltd | Hong Kong, China | FC | 42% |
| Bulgari (Taiwan) Ltd | Taipei, Taiwan | FC | 42% |
| Bulgari Korea Ltd | Seoul, South Korea | FC | 42% |
| Bulgari Saint Barth SAS | Saint Bartholomew, French Antilles | FC | 42% |
| Bulgari Gioielli SpA | Valenza (Alessandria), Italy | FC | 42% |
| Bulgari Accessori Srl | Florence, Italy | FC | 42% |
| Bulgari Holdings (Thailand) Ltd | Bangkok, Thailand | FC | 42% |
| Bulgari (Thailand) Ltd | Bangkok, Thailand | FC | 42% |
| Bulgari Commercial (Shanghai) Co. Ltd | Shanghai, China | FC | 42% |
| Bulgari Japan Ltd | Tokyo, Japan | FC | 42% |
| Bulgari Panama Inc. | Panama City, Panama | FC | 42% |
| Bulgari Ireland Ltd | Dublin, Ireland | FC | 42% |
| Bulgari Qatar Lcc | Doha, Qatar | (b) | (b) |
| Bulgari Kuwait Wll | Kuwait City, Kuwait | (b) | (b) |
| Bulgari do Brazil Ltda | Sao Paulo, Brazil | FC | 42% |
| Bulgari Hotels and Resorts Milano Srl | Rome, Italy | PC | 27% |

**SELECTIVE RETAILING**

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| LVMH Iberia SL | Madrid, Spain | FC | 42% |
| LVMH Italia SpA | Milan, Italy | FC | 42% |
| Sephora SA | Boulogne-Billancourt, France | FC | 42% |
| Sephora Luxembourg SARL | Luxembourg, Luxembourg | FC | 42% |
| Sephora Portugal Perfumaria Lda | Lisbon, Portugal | FC | 42% |
| Sephora Pologne Spzoo | Warsaw, Poland | FC | 42% |
| Sephora Marinopoulos SA | Alimos, Greece | FC | 42% |
| Sephora Marinopulos Romania SA | Bucharest, Romania | FC | 42% |
| Sephora SRO | Prague, Czech Republic | FC | 42% |
| Sephora Monaco SAM | Monaco, Principality of Monaco | FC | 41% |
| Sephora Cosmeticos España | Madrid, Spain | PC | 21% |
| S+ | Boulogne-Billancourt, France | FC | 42% |
| Sephora Marinopoulos Bulgaria EOOD | Sofia, Bulgaria | FC | 42% |
| Sephora Marinopoulos Cyprus Ltd | Nicosia, Cyprus | FC | 42% |
| Sephora Unitim Kozmetik AS | Istanbul, Turkey | FC | 42% |
| Perfumes & Cosmeticos Gran Via SL | Madrid, Spain | PC | 19% |
| Sephora Marinopoulos DOO | Zagreb, Croatia | FC | 42% |
| Sephora Marinopoulos Cosmetics DOO | Belgrade, Serbia | FC | 42% |
| Sephora Nederland BV | Amsterdam, Netherlands | FC | 42% |
| Sephora Danmark ApS | Copenhagen, Denmark | FC | 42% |
| Sephora Moyen Orient SA | Fribourg, Switzerland | FC | 25% |
| Sephora Middle East FZE | Dubai, United Arab Emirates | FC | 25% |
| Sephora Asia Pte Ltd | Shanghai, China | FC | 42% |
| 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 | 42% |
| Sephora USA Inc. | San Francisco, USA (*) | FC | 42% |
| Sephora Cosmetics Private Ltd | New Delhi, India | FC | 42% |
| Sephora Beauty Canada, Inc. | San Francisco, USA | FC | 42% |
| Sephora Puerto Rico LLC | San Francisco, USA | FC | 42% |
| Sephora Mexico, S. De RL de CV | Lomas de Chapultepec, Mexico | FC | 21% |
| Sephora Do Brasil Participacoes SA | Rio de Janeiro, Brazil | FC | 42% |
| PT Sephora Indonesia | Jakarta, Indonesia | FC | 42% |
| Dotcom group Comercio de Presentes SA | Rio de Janeiro, Brazil | FC | 29% |
| Kendo Holdings Inc. | San Francisco, USA | FC | 42% |
| LGCS Inc. | New York, USA | FC | 42% |
| Ole Henriksen of Denmark Inc. | Los Angeles, USA | FC | 42% |
| Sephora do Brazil – Avenue Hoche | Sao Paulo, Brazil | FC | 42% |
| Galonta Holdings Limited | Nicosia, Cyprus | FC | 27% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| United Europe – Securities OJSC | Moscow, Russia | FC | 27% |
| Beauty in Motion Sdn. Bhd. | Kuala Lumpur, Malaysia | FC | 42% |
| Le Bon Marché SA | Paris, France | FC | 42% |
| SEGEP SNC | Paris, France | FC | 41% |
| Franck & Fils SA | Paris, France | FC | 42% |
| DFS Holdings Ltd | Hamilton, Bermuda | FC | 25% |
| DFS Australia Pty Ltd | Sydney, Australia | FC | 25% |
| DFS Group Ltd | Delaware, USA | FC | 25% |
| DFS China Partners Ltd | Hong Kong, China | FC | 25% |
| DFS Hong Kong Ltd | Hong Kong, China | FC | 25% |
| TRS Hong Kong Ltd | Hong Kong, China | EM | 12% |
| DFS France SAS | Paris, France | FC | 25% |
| DFS Okinawa KK | Okinawa, Japan | FC | 25% |
| TRS Okinawa | Okinawa, Japan | EM | 12% |
| JAL/DFS Co., Ltd | Chiba, Japan | EM | 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% |
| Gateshire Marketing Sdn Bhd. | Kuala Lumpur, Malaysia | FC | 25% |
| DFS Middle East LLC | Abu-Dhabi, United Arab Emirates | FC | 25% |
| DFS Venture Brasil Participacoes Ltda | Sao Paulo, Brazil | FC | 25% |
| DFS Merchandising Ltd | Delaware, USA | FC | 25% |
| DFS New Caledonia SARL | Nouméa, New Caledonia | FC | 25% |
| DFS New Zealand Ltd | Auckland, New Zealand | FC | 25% |
| TRS New Zealand Ltd | Auckland, New Zealand | EM | 12% |
| Commonwealth Investment Company Inc. | Saipan, Mariana Islands | FC | 24% |
| DFS Saipan Ltd | Saipan, Mariana Islands | FC | 25% |
| Kinkai Saipan LP | Saipan, Mariana Islands | FC | 25% |
| Saipan International Boutique Partners | Saipan, Mariana Islands | EM | 13% |
| DFS Business consulting (Shanghai) Co. Ltd | Shanghai, China | FC | 25% |
| Hainan DFS Retail Company Limited | Hainan, China | FC | 25% |
| DFS Taiwan Ltd | Taipei, Taiwan | FC | 25% |
| Tou You Duty Free Shop Co. Ltd | Taipei, Taiwan | FC | 25% |
| DFS Singapore (Pte) Ltd | Singapore | FC | 25% |
| DFS Trading Singapore (Pte) Ltd | Singapore | FC | 25% |
| DFS Venture Singapore (Pte) Ltd | Singapore | FC | 25% |
| TRS Singapore Pte Ltd | Singapore | EM | 12% |
| Singapore International Boutique Partners | Singapore | EM | 13% |
| DFS India Private Ltd | Mumbai, India | FC | 18% |
| DFS Vietnam (S) Pte Ltd | Singapore | FC | 18% |
| New Asia Wave International Pte Ltd | Singapore | FC | 18% |
| IPP Group Pte Ltd | Singapore | FC | 18% |
| L Development & Management Ltd | Hong Kong, China | EM | 10% |
| DFS Group LP | Delaware, USA | FC | 25% |
| LAX Duty Free Joint Venture 2000 | Los Angeles, USA | FC | 20% |
| Royal Hawaiian Insurance Company Ltd | Hawaii, USA | FC | 25% |
| Hawaii International Boutique Partners | Honolulu, USA | EM | 13% |
| JFK Terminal 4 Joint Venture 2001 | New York, USA | FC | 20% |
| DFS Guam LP | Tamuning, Guam | FC | 25% |
| Guam International Boutique Partners | Tamuning, Guam | EM | 13% |
| DFS Liquor Retailing Ltd | Delaware, USA | FC | 25% |
| Twenty Seven – Twenty Eight Corp. | Delaware, USA | FC | 25% |
| TRS Hawaii LLC | Honolulu, USA | EM | 12% |
| TRS Saipan Ltd | Saipan, Mariana Islands | EM | 12% |
| TRS Guam LLC | Tumon, Guam | EM | 12% |
| Tumon Entertainment LLC | Tamuning, Guam | FC | 42% |
| Comete Guam Inc. | Tamuning, Guam | FC | 42% |
| Tumon Aquarium LLC | Tamuning, Guam | FC | 40% |
| Comete Saipan Inc. | Saipan, Mariana Islands | FC | 42% |
| Tumon Games LLC | Tamuning, Guam | FC | 42% |
| DFS Vietnam LLC | Ho Chi Minh City, Vietnam | FC | 25% |
| PT Sona Topas Tourism Industry Tbk | Jakarta, Indonesia | EM | 12% |
| Cruise Line Holdings Co. | Delaware, USA | FC | 42% |
| On Board Media Inc. | Delaware, USA | FC | 42% |
| Starboard Cruise Services Inc. | Delaware, USA | FC | 42% |
| Starboard Holdings Ltd | Delaware, USA | FC | 42% |
| International Cruise Shops Ltd | Cayman Islands | FC | 42% |
| Vacation Media Ltd | Kingston, Jamaica | FC | 42% |
| STB Srl | Florence, Italy | FC | 42% |
| Parazul LLC | Delaware, USA | FC | 42% |
| Onbard.com LLC | Delaware, USA | FC | 42% |
| Y.E.S. Your Extended Services LLC | Delaware, USA | PC | 14% |

| Companies | Registered office | Method of consolidation | % interest |
|---|---|---|---|
| **OTHER ACTIVITIES** | | | |
| Groupe Les Echos SA | Paris, France | FC | 42% |
| Les Echos Services SAS | Paris, France | FC | 42% |
| Radio Classique SAS | Paris, France | FC | 42% |
| Prélude & Fugue SAS | Paris, France | EM | 20% |
| DI Régie SAS | Paris, France | FC | 42% |
| SFPA SARL | Paris, France | FC | 42% |
| La Fugue SAS | Paris, France | FC | 42% |
| Les Echos SAS | Paris, France | FC | 42% |
| Hera SAS | Paris, France | FC | 42% |
| Percier Publications SNC | Paris, France | FC | 42% |
| Investir Publications SAS | Paris, France | FC | 42% |
| SID Développement SAS | Paris, France | FC | 42% |
| SID Presse SAS | Paris, France | FC | 42% |
| Magasins de La Samaritaine SA | Paris, France | FC | 41% |
| Société Financière de La Samaritaine SA | Paris, France | FC | 41% |
| DMB Gestion SARL | Paris, France | FC | 41% |
| Mongoual SA | Paris, France | EM | 17% |
| RVL Holding BV | Kaag, Netherlands | FC | 38% |
| Royal Van Lent Shipyard BV | Kaag, Netherlands | FC | 38% |
| Le Jardin d'Acclimatation SA | Paris, France | FC | 41% |
| Tower Holding BV | Kaag, Netherlands | FC | 38% |
| Green Bell BV | Kaag, Netherlands | FC | 38% |
| Gebroeders Olie Beheer BV | Waddinxveen, Netherlands | FC | 38% |
| Van der Loo Yachtinteriors BV | Waddinxveen, Netherlands | FC | 38% |
| Red Bell BV | Kaag, Netherlands | FC | 38% |
| De Voogt Naval Architects BV | Haarlem, Netherlands | EM | 19% |
| Feadship Holland BV | Amsterdam, Netherlands | EM | 19% |
| Feadship America Inc. | Fort Lauderdale, USA | EM | 19% |
| OGMNL BV | Nieuw-Lekkerland, Netherlands | EM | 19% |
| Probinvest SAS | Paris, France | FC | 42% |
| Ufipar SAS | Paris, France | FC | 42% |
| L Capital Management SAS | Paris, France | FC | 42% |
| Sofidiv SAS | Paris, France | FC | 42% |
| GIE LVMH Services | Paris, France | FC | 35% |
| Moët Hennessy SNC | Paris, France | FC | 27% |
| LVMH Services Ltd | London, United Kingdom | FC | 42% |
| UFIP (Ireland) PRU | Dublin, Ireland | FC | 42% |
| Moët Hennessy Investissements SA | Paris, France | FC | 27% |
| LVMH Fashion Group SA | Paris, France | FC | 42% |
| Moët Hennessy International SAS | Paris, France | FC | 27% |
| Creare SA | Luxembourg, Luxembourg | FC | 36% |
| Creare Pte Ltd | Singapore | FC | 36% |
| Société Montaigne Jean Goujon SAS | Paris, France | FC | 42% |
| Delphine SAS | Paris, France | FC | 42% |
| LVMH Finance SA | Paris, France | FC | 42% |
| Primae SAS | Paris, France | FC | 42% |
| Eutrope SAS | Paris, France | FC | 42% |
| Flavius Investissements SA | Paris, France | FC | 42% |
| LBD Holding SA | Paris, France | FC | 42% |
| Eley Finance SA | Paris, France | FC | 42% |
| Ashbury Finance SA | Paris, France | FC | 42% |
| Ivelford Business SA | Paris, France | FC | 42% |
| Bratton Service SA | Paris, France | FC | 42% |
| LVMH Hotel Management SAS | Paris, France | FC | 42% |
| Ufinvest SAS | Paris, France | FC | 42% |
| Delta | Paris, France | FC | 42% |
| Hôtel Les Tovets | Courchevel, France | FC | 42% |
| Société Immobilière Paris Savoie Les Tovets | Courchevel, France | FC | 42% |
| Altair Holding LLC | New York, USA (*) | FC | 42% |
| Moët Hennessy Inc. | New York, USA (*) | FC | 27% |
| One East 57th Street LLC | New York, USA (*) | FC | 42% |
| LVMH Moët Hennessy Louis Vuitton Inc. | New York, USA (*) | FC | 42% |
| Moët Hennessy Acquisition Sub Inc. | New York, USA (*) | FC | 27% |
| Sofidiv Art Trading LLC | New York, USA (*) | FC | 42% |
| Sofidiv Inc. | New York, USA (*) | FC | 42% |
| 598 Madison Leasing Corp | New York, USA (*) | FC | 42% |
| 1896 Corp | New York, USA (*) | FC | 42% |
| 319-323 N.Rodeo LLC | New York, USA (*) | FC | 42% |
| LVMH Participations BV | Naarden, Netherlands | FC | 42% |
| LVMH Moët Hennessy Louis Vuitton BV | Naarden, Netherlands | FC | 42% |
| LVP Holding BV | Naarden, Netherlands | FC | 42% |
| LVMH Services BV | Baarn, Netherlands | FC | 42% |
| LVMH Finance Belgique SA | Brussels, Belgium | FC | 42% |
| Hannibal SA | Luxembourg, Luxembourg | FC | 42% |
| L Real Estate SA | Luxembourg, Luxembourg | EM | 20% |
| Ufilug SA | Luxembourg, Luxembourg | FC | 42% |
| Delphilug SA | Luxembourg, Luxembourg | FC | 42% |
| Glacea SA | Luxembourg, Luxembourg | FC | 42% |
| Naxara SA | Luxembourg, Luxembourg | FC | 42% |
| Pronos SA | Luxembourg, Luxembourg | FC | 42% |
| Hanninvest SA | Brussels, Belgium | FC | 42% |
| LVMH Publica SA | Brussels, Belgium | FC | 42% |
| Sofidiv UK Ltd | London, United Kingdom | FC | 42% |
| LVMH Moët Hennessy Louis Vuitton KK | Tokyo, Japan | FC | 42% |
| Osaka Fudosan Company Ltd | Tokyo, Japan | FC | 42% |
| LVMH Asia-Pacific Ltd | Hong Kong, China | FC | 42% |
| LVMH Shanghai Management and Consultancy Co., Ltd | Shanghai, China | FC | 42% |
| L Capital Asia Advisors PLC | Port Louis, Mauritius | FC | 42% |
| LVMH South & South East Asia Pte Ltd | Singapore | FC | 42% |
| LVMH Moët Hennessy Louis Vuitton SA | Paris, France | FC | 42% |

(*) The address given corresponds to the company's administrative headquarters; the corporate registered office is located in the state of Delaware.
(a) Joint venture companies with Diageo: only the Moët Hennessy activity is consolidated.
(b) The Group's percentages of control and interest are not disclosed, the result of these companies being consolidated on the basis of the Group's contractual share in their business.
(c) Joint venture companies with LVMH.
FC Full consolidation
PC Proportionate consolidation
EM Equity method

# 7. Statutory Auditors' report

## STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your Shareholders' Meeting, we hereby report to you for the two-month fiscal year ended June 30, 2013 on:
- the audit of the accompanying consolidated financial statements of the company Christian Dior;
- the justification of our assessments;
- the specific verification required by law.

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

### I. Opinion on the consolidated financial statements

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

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

Without qualifying our opinion, we draw your attention to Note 1.2 to the consolidated financial statements, detailing the impacts of the implementation, as of May 1, 2013, of amendments to IAS 19 on employee benefit commitments.

### II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:
- The valuation of brands, trade names and goodwill has been tested under the method described in Note 1.12 under Note 1 (Accounting policies) to the consolidated financial statements. Based on the aforementioned, we have assessed the appropriateness of the methodology applied based on certain estimates and have reviewed the data and assumptions used by the Group to perform these valuations.
- We have verified that Note 1.10 to the consolidated financial statements provides an appropriate disclosure on the accounting treatment of commitments to purchase minority interests, as such treatment is not provided for by the IFRS framework as adopted by the European Union.

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

### III. Specific verification

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

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

Paris-La Défense, October 15, 2013
The Statutory Auditors

**MAZARS**
Simon Beillevaire

**ERNST & YOUNG et Autres**
Jeanne Boillet     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


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# 1. Balance sheet

## Assets

| (EUR thousands) | Notes | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|---|---|
| | | Gross | Depreciation, amortization and provisions | Net | Net | Net |
| **Intangible assets** | *2.1/2.2* | **57** | **37** | **20** | **10** | **-** |
| **Property, plant and equipment** | *2.1/2.2* | **284** | **284** | **-** | **-** | **-** |
| Subsidiaries and equity investments | *2.10* | 3,981,875 | - | 3,981,875 | 3,981,875 | 3,981,875 |
| Other long-term investments | *2.4* | 121,764 | - | 121,764 | 46,026 | - |
| Loans | | 5 | - | 5 | 5 | 5 |
| Other non-current financial assets | | - | - | - | - | - |
| **Non-current financial assets** | *2.1/2.2/2.10* | **4,103,645** | **-** | **4,103,645** | **4,027,906** | **3,981,880** |
| **NON-CURRENT ASSETS** | | **4,103,986** | **321** | **4,103,665** | **4,027,917** | **3,981,880** |
| Trade accounts receivable | | - | - | - | - | 10 |
| Financial accounts receivable | | - | - | - | - | 28 |
| Other receivables | | 29,784 | - | 29,784 | 20,928 | 4,425 |
| Short-term investments | *2.4* | 130,083 | - | 130,083 | 141,675 | 149,123 |
| Cash and cash equivalents | | 7 | - | 7 | 229 | 6 |
| **CURRENT ASSETS** | *2.3/2.9/2.10* | **159,874** | **-** | **159,874** | **162,832** | **153,592** |
| Prepaid expenses | *2.3* | 350 | - | 350 | 904 | 830 |
| Bond redemption premiums | *2.3* | 1,502 | - | 1,502 | 1,637 | 2,445 |
| **TOTAL ASSETS** | | **4,265,712** | **321** | **4,265,391** | **4,193,290** | **4,138,747** |

# Liabilities and equity

| (EUR thousands) | Notes | June 30, 2013 (2 months) Prior to appropriation | April 30, 2013 (12 months) Prior to appropriation | April 30, 2012 (4 months) Prior to appropriation |
|---|---|---|---|---|
| Share capital | | 363,454 | 363,454 | 363,454 |
| Share premium account | | 2,204,623 | 2,204,623 | 2,204,623 |
| Revaluation adjustment | | 16 | 16 | 16 |
| Legal reserve | | 36,345 | 36,345 | 36,345 |
| Regulated reserves | | - | - | - |
| Optional reserves | | 80,630 | 80,630 | 80,630 |
| Retained earnings [(a)] | | 136,106 | 136,106 | 22,019 |
| Earnings pending appropriation | | 507,456 | - | - |
| **Profit for the fiscal year** | | **18,290** | **507,456** | **311,413** |
| Interim dividends | *1.6* | (199,900) | (199,900) | - |
| **EQUITY** | *2.5* | **3,147,020** | **3,128,730** | **3,018,500** |
| **PROVISIONS FOR CONTINGENCIES AND LOSSES** | *2.6* | **25,949** | **24,398** | **13,735** |
| Bonds | *2.8* | 661,748 | 669,549 | 669,565 |
| Bank loans and borrowings | | 384,836 | 301,056 | 402,442 |
| Miscellaneous loans and borrowings | | 27,693 | 52,961 | 14,354 |
| **Borrowings** | | **1,074,277** | **1,023,567** | **1,086,361** |
| Trade accounts payable | | 6,100 | 4,410 | 1,236 |
| Tax and social security liabilities | | 89 | 131 | 17,980 |
| Other operating liabilities [(a)] | | 2,892 | 2,893 | 662 |
| **Operating liabilities** | | **9,081** | **7,434** | **19,878** |
| Other liabilities | | 9,064 | 9,162 | 273 |
| **LIABILITIES** | *2.7/2.8/2.9/2.10* | **1,092,423** | **1,040,162** | **1,106,512** |
| Prepaid income | | - | - | - |
| **TOTAL LIABILITIES AND EQUITY** | | **4,265,391** | **4,193,290** | **4,138,747** |

(a) Dividends attributable to treasury shares were reclassified under retained earnings as of April 30, 2012 and as of April 30, 2013.

# 2. Income statement

| *(EUR thousands)* | *Notes* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|
| Services provided | | - | 135 | - |
| **Net revenue** | | **-** | **135** | **-** |
| Reversals of depreciation, amortization and provisions | | - | 1,500 | - |
| Other income and expense transfers | | (68) | 3,973 | 1,114 |
| **Operating income** | | **(68)** | **5,608** | **1,114** |
| Other purchases and external expenses | | 2,531 | 12,999 | 2,611 |
| Taxes, duties and similar levies | | 40 | 935 | 102 |
| Wages and salaries | | (68) | 4,073 | 1,114 |
| Social security expenses | | 1 | 53 | 338 |
| Depreciation and amortization | | - | - | - |
| Provisions for contingencies and losses | | 1,207 | 8,707 | 3,547 |
| Other expenses | | 7 | 137 | 39 |
| **Operating expenses** | | **3,719** | **26,903** | **7,751** |
| **OPERATING PROFIT (LOSS)** | | **(3,786)** | **(21,295)** | **(6,637)** |
| **NET FINANCIAL INCOME (EXPENSE)** | *2.11* | **18,768** | **516,203** | **335,641** |
| **RECURRING PROFIT** | | **14,982** | **494,907** | **329,004** |
| **EXCEPTIONAL INCOME (EXPENSE)** | *2.12* | **411** | **(563)** | **(6,415)** |
| Income taxes | *2.13/2.14* | 2,896 | 13,112 | (11,175) |
| **NET PROFIT** | | **18,290** | **507,456** | **311,413** |

# 3. Cash flow statement

| *(EUR millions)* | | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|---|
| **I - OPERATING ACTIVITIES** | | | | |
| Net profit | | 18 | 507 | 311 |
| Net depreciation, amortization and provisions | | 2 | 11 | (1) |
| Gain (loss) on sale of fixed assets | | - | - | - |
| **Cash from operations before changes in working capital** | | **20** | **518** | **310** |
| Change in current assets | | (8) | (17) | (3) |
| Change in current liabilities | | 1 | (5) | 16 |
| **Changes in working capital** | | **(7)** | **(22)** | **13** |
| **Net cash from operating activities** | **I** | **13** | **496** | **323** |
| **II - INVESTING ACTIVITIES** | | | | |
| Purchase of tangible and intangible fixed assets | | - | - | - |
| Purchase of equity investments | | - | - | (502) |
| Purchase of other non-current investments | | (76) | (46) | - |
| Proceeds from sale of non-current financial assets | | - | - | 502 |
| **Net cash from (used in) investing activities** | **II** | **(76)** | **(46)** | **-** |
| **III - FINANCING ACTIVITIES** | | | | |
| Capital increase | | - | - | - |
| Changes in other equity | | - | - | - |
| Proceeds from financial debt | | 133 | 327 | 61 |
| Repayments in respect of financial debt | | (57) | (428) | (133) |
| Change in inter-company current accounts | | (25) | 39 | 29 |
| **Net cash from (used in) financing activities** | **III** | **51** | **(62)** | **(43)** |
| **IV - DIVIDENDS PAID DURING THE FISCAL YEAR** | **IV** | **-** | **(395)** | **(292)** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **I + II + III + IV** | **(12)** | **(7)** | **(12)** |
| **Cash and cash equivalents at beginning of fiscal year** | | **142** | **149** | **161** |
| **Cash and cash equivalents at end of fiscal year** | | **130** | **142** | **149** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(12)** | **(7)** | **(12)** |

The cash flow statement analyzes the changes in cash from one fiscal year to the next (after deducting bank overdrafts) as well as cash equivalents comprised of short-term investments, net of provisions for impairment.

# 4. Notes to the parent company financial statements

Amounts are expressed in thousands of euros unless otherwise indicated.

The Combined Shareholders' Meeting of October 26, 2012 voted to change the opening and closing dates of the fiscal year to July 1 and June 30 of the following civil year, respectively, with the understanding that, on an exceptional basis, the fiscal year commencing on May 1, 2013 would end on June 30, 2013.

The balance sheet total as of June 30, 2013 was 4,265,391 thousand euros. These parent company financial statements were approved for issue on October 3, 2013 by the Board of Directors.

As the financial statements for the fiscal year ended April 30, 2013 were not approved for issue until October 18, 2013, profit for that fiscal year appears under "Earnings pending appropriation".

## NOTE 1 - ACCOUNTING POLICIES AND METHODS

The parent company financial statements have been prepared in accordance with Regulation 99-03 dated April 29, 1999 of the Comité de la réglementation comptable (Accounting Regulations Committee).

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

The accounting items recorded have been evaluated using the historical cost method.

### 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 life:

- furniture: 10 years.

### 1.3. Non-current financial assets

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

The value in use of 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.

In the event of partial investment sale, any gains or losses are recognized within 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 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 value is greater 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 non-exercisable (market value of the Christian Dior share lower than the exercise price of the option), the calculation of the impairment, charged to net financial income/expense, is made in relation to the weighted average price of the plan in question;
- if the plan is exercisable (market value of the Christian Dior share greater than the exercise price of the option), a provision for losses is recorded on the balance sheet under liabilities 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 period over which the options are granted and is then recognized in 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 allocated on a straight-line basis over the vesting periods for the plans. It is recognized in the income statement under the heading "Wages and salaries", offset by a provision for losses recorded in 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 within exceptional income/expense, as well as under the heading "Wages and salaries" by way of the "Expense transfer" account.

### 1.6. Equity

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

### 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 recorded at the rates of exchange in euros prevailing on the dates of transactions.

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 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 May 1, 2013** | **Acquisitions, creations, contributions, transfers** | **Disposals** | **Gross value as of June 30, 2013** |
| Concessions, patents, and similar rights (software) | 37 | - | - | 37 |
| Advances and payments on account | 10 | 10 | - | 20 |
| **Intangible assets** | **47** | **10** | **-** | **57** |
| Property, plant and equipment: | | | | |
| • furniture | 284 | - | - | 284 |
| **Property, plant and equipment** | **284** | **-** | **-** | **284** |
| Subsidiaries and equity investments | 3,981,875 | - | - | 3,981,875 |
| Other long-term investments | 46,026 | 75,738 | - | 121,764 |
| Loans | 5 | - | - | 5 |
| Other non-current financial assets | - | - | - | 0 |
| **Non-current financial assets** | **4,027,906** | **75,738** | **-** | **4,103,645** |
| **TOTAL** | **4,028,238** | **75,748** | **-** | **4,103,986** |

## 2.2. Depreciation, amortization and impairment of fixed assets

| | Position and changes in the period | | | |
|---|---|---|---|---|
| *(EUR thousands)* | Depreciation, amortization and impairment as of May 1, 2013 | Increases | Decreases | Depreciation, amortization and impairment as of June 30, 2013 |
| Concessions, patents, and similar rights (software) | 37 | - | - | 37 |
| **Intangible assets** | **37** | **-** | **-** | **37** |
| Property, plant and equipment: | | | | |
| • furniture | 284 | - | - | 284 |
| **Property, plant and equipment** | **284** | **-** | **-** | **284** |
| **TOTAL** | **321** | **-** | **-** | **321** |

## 2.3. Accounts receivable by maturity

| *(EUR thousands)* | Gross amount | Up to 1 year | More than 1 year |
|---|---|---|---|
| **Current assets** | | | |
| Other receivables | 29,784 | 29,784 | - |
| Prepaid expenses | 350 | 350 | - |
| Bond redemption premiums (a) | 1,502 | 808 | 694 |
| **TOTAL** | **31,636** | **30,942** | **694** |

(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*

As of June 30, 2013, the value of treasury shares held, broken down according to the allocation of shares held, was as follows:

| | As of June 30, 2013 | | | |
|---|---|---|---|---|
| *(EUR thousands)* | Number of shares | Gross carrying amount | Impairment | Net book value |
| 277-2 Treasury shares pending retirement | 900,000 | 121,764 | - | 121,764 |
| **LONG-TERM INVESTMENTS** | **900,000** | **121,764** | **-** | **121,764** |
| 502-1 Shares available to be granted to employees and allocated to specific plans | 1,983,627 | 125,788 | - | 125,788 |
| 502-2 Shares available to be granted to employees | 67,623 | 4,295 | - | 4,295 |
| **SHORT-TERM INVESTMENTS** | **2,051,250** | **130,083** | **-** | **130,083** |

Portfolio movements over the fiscal year were as follows:

| Long-term investments (EUR thousands) | Pending retirement | |
|---|---|---|
| | Number of shares | Gross carrying amount |
| **As of May 1, 2013** | **350,000** | **46,026** |
| Purchases | 550,000 | 75,738 |
| Transfers | - | - |
| Shares retired | - | - |
| **AS OF JUNE 30, 2013** | **900,000** | **121,764** |

| Short-term investments (EUR thousands) | Purchase option plans | | Bonus share plans | | Non-allocated shares | |
|---|---|---|---|---|---|---|
| | Number of shares | Gross carrying amount | Number of shares | Gross carrying amount | Number of shares | Gross carrying amount |
| **As of May 1, 2013** | **1,998,294** | **125,238** | **189,083** | **12,142** | **67,623** | **4,295** |
| Purchases | | | | | | |
| Disposals | | | | | | |
| Transfers | | | | | | |
| Options exercised | (203,750) | (11,592) | | | | |
| Shares allocated | | | | | | |
| **AS OF JUNE 30, 2013** | **1,794,544** | **113,646** | **189,083** | **12,142** | **67,623** | **4,295** |

### *2.4.2. Stock option and similar plans*

**Share purchase option plans**

The beneficiaries of the option plans are selected in accordance with the following criteria: performance, development potential and contribution to a key position.

Seven share purchase option plans set up by Christian Dior were in force as of June 30, 2013. The exercise price of the options is calculated in accordance with legal provisions.

Each plan has a life of ten years. Options may be exercised, depending on the plan, after the end of a period of three or four years from the plan's commencement date.

For all plans, one option gives the right to one share.

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

Options granted to senior executive officers may only be exercised if, in three of the four fiscal years from 2009 to 2012, any of those three indicators shows a positive change compared to 2008. The performance condition was met with respect to the 2009, 2010, 2011 and 2012 fiscal years.

Options granted to other beneficiaries may only be exercised if, for fiscal years 2009 and 2010, any of these indicators shows a positive change compared to 2008. The performance condition was met with respect to the 2009 and 2010 fiscal years.

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

In relation to options granted under plans set up since 2007, if the Chairman and Chief Executive Officer and the Group Managing Director, previously the Chairman of the Board of Directors and Chief Executive Officer respectively, decides to exercise his options, he must retain possession, until the conclusion of his term of office, of a number of shares determined on the basis of the exercise date and with reference to a percentage of his total gross compensation.

**Allocation of bonus shares and performance shares**

Beneficiaries of bonus shares are selected among the employees of the Group's companies on the basis of their level of responsibility and their individual performance.

For French tax residents, the allocation of bonus shares to their beneficiaries is definitive after a two-year vesting period for the plan set up in 2010 and after a three-year vesting period for any plans set up since 2011. Bonus shares may be freely transferred after an additional two-year holding period, prior to any sale or transfer. The allocation of bonus shares to beneficiaries who are not French residents for tax purposes becomes definitive after a vesting period of four years and the shares may be freely transferred at that time.

Plans launched since April 15, 2010 combine the allocation of bonus shares and the allocation of performance shares in proportions determined in accordance with the beneficiary's level in the hierarchy and status.

Performance shares are definitively allocated only if Christian Dior's consolidated financial statements both for the fiscal year in which the plan is set up (fiscal year "Y") and for fiscal year Y+1 show a positive change compared to fiscal year Y-1 in relation to one or more of the following indicators: profit from recurring operations, net cash from operating activities and operating investments, current operating margin.

With respect to the plan set up on April 15, 2010, the performance condition was satisfied in 2010 and 2011 and performance shares allocated to beneficiaries who were French residents for tax purposes as of that date were fully vested as of April 15, 2012. With respect to the plans set up in 2011, this performance condition was satisfied in 2011 and 2012. Beginning in 2012, Christian Dior's fiscal year no longer corresponds 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 plan set up on April 5, 2012, the performance condition was satisfied in 2012.

In the event of the vesting of their share allocations, the Chairman and Chief Executive Officer and the Group Managing Director, previously the Chairman of the Board of Directors and the Chief Executive Officer respectively, are henceforth and for all outstanding plans required to retain possession, in pure registered form and until the conclusion of their respective terms in office, of a number of shares representing one half of the notional capital gain, net of tax and social charges, calculated using the shares' opening price at that date.

## 2.5. Equity

### *2.5.1. Share capital*

The share capital comprises 181,727,048 shares, each with a par value of 2 euros, of which 123,286,894 shares carry double voting rights.

### *2.5.2. Changes in equity*

| *(EUR thousands)* | |
|---|---|
| **Equity as of April 30, 2013 (prior to appropriation of net profit)** | **3,128,730** |
| Net profit for the fiscal year ended June 30, 2013 | 18,290 |
| **Equity as of June 30, 2013 (prior to appropriation of net profit)** | **3,147,020** |

## 2.6. Provisions for contingencies and losses

| *(EUR thousands)* | Amount as of May 1, 2013 | Provisions of period | Reversals of period | Amount as of June 30, 2013 |
|---|---|---|---|---|
| Provisions for losses [(a)] | 24,398 | 1,879 | (328) | 25,949 |
| **TOTAL** | **24,398** | **1,879** | **(328)** | **25,949** |

(a) Includes provision for losses with respect to share purchase option plans presumed to be exercisable as of June 30, 2013 (market value of the Christian Dior share greater than the exercise price of the option) as well as bonus and performance share allocation plans (see Note 1.5 Accounting policies).

## 2.7. Liabilities by maturity

| *(EUR thousands)* | Gross amount | Up to 1 year | From 1 year to 5 years | More than 5 years |
|---|---|---|---|---|
| Bonds | 661,748 | 11,748 | 650,000 | - |
| Bank loans and borrowings | 384,836 | 70,336 | 314,500 | - |
| Miscellaneous loans and borrowings | 27,693 | 27,693 | - | - |
| Trade accounts payable | 6,100 | 6,100 | - | - |
| Tax and social security liabilities | 89 | 89 | - | - |
| Other operating liabilities | 2,892 | 2,892 | - | - |
| Other liabilities | 9,064 | 9,064 | - | - |
| **TOTAL** | **1,092,423** | **127,923** | **964,500** | **-** |

Christian Dior SA terminated a 535 million euro syndicated loan early and signed a new one for 635 million euros.

## 2.8. Bonds

| Nominal amount in local currency *(EUR thousands)* | Nominal interest rate | Issuance rate *(as % of par value)* | Maturity | Nominal value as of June 30, 2013 | Accrued interest | Total |
|---|---|---|---|---|---|---|
| EUR 350,000,000 - 2009 | 3.75% | 99.290 | 2014 | 350,000 | 10,104 | 360,104 |
| EUR 300,000,000 - 2011 | 4.00% | 99.481 | 2016 | 300,000 | 1,644 | 301,644 |
| **TOTAL** | | | | **650,000** | **11,748** | **661,748** |

## 2.9. Accrued expenses and prepaid income

| *(EUR thousands)* | Accrued expenses | Prepaid income |
|---|---|---|
| **Liabilities** | | |
| Bonds | 11,748 | - |
| Bank loans and borrowings | 82 | - |
| Trade accounts payable | 5,985 | - |
| Tax and social security liabilities | 35 | - |
| Other liabilities | 6 | - |

## 2.10. Items involving related companies

### *Balance sheet items*

| | Items involving the companies | |
|---|---|---|
| *(EUR thousands)* | Related [(a)] | Connected to equity investments [(b)] |
| **Non-current assets** | | |
| Subsidiaries and equity investments | 3,981,875 | - |
| **Current assets** | | |
| Other receivables | 26,570 | - |
| **Liabilities** | | |
| Miscellaneous loans and borrowings | 27,693 | - |
| Trade accounts payable | 5,197 | - |
| Other liabilities | 9,058 | - |

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

### *Income statement items*

| *(EUR thousands)* | Income | Expense |
|---|---|---|
| Operating expenses | - | 2,191 |
| Dividends received | 25,132 | - |
| Interest and similar expenses | - | 252 |

## 2.11. Financial income and expenses

| *(EUR thousands)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| Income from subsidiaries and equity investments | 25,132 | 556,053 | 341,800 |
| Income from other short-term investments and non-current receivables | - | - | - |
| Other interest and similar income | - | 12 | 132 |
| Reversals of provisions and expenses transferred | 328 | 496 | 6,004 |
| Foreign exchange gains | - | 1 | 3 |
| Net gains on sales of short-term investments | - | - | - |
| **Financial income** | **25,460** | **556,562** | **347,939** |
| Amortization and provision charges | 807 | 4,760 | 970 |
| Interest and similar expenses | 5,885 | 35,599 | 11,326 |
| Foreign exchange losses | - | - | 2 |
| Net losses on sales of short-term investments | - | - | - |
| **Financial expenses** | **6,692** | **40,359** | **12,298** |
| **NET FINANCIAL INCOME (EXPENSE)** | **18,768** | **516,203** | **335,641** |

## 2.12. Exceptional income and expenses

| *(EUR thousands)* | June 30, 2013 (2 months) | April 30, 2013 (12 months) | April 30, 2012 (4 months) |
|---|---|---|---|
| **Income from management transactions** | **-** | **-** | **-** |
| Other exceptional capital transactions | 813 | 233 | 502,448 |
| **Income from capital transactions** | **813** | **233** | **502,448** |
| **Reversals of provisions and expenses transferred** | **-** | **-** | **-** |
| **Exceptional income** | **813** | **233** | **502,448** |
| Exceptional expenses on management transactions | - | 47 | - |
| **Expenses from management transactions** | **-** | **47** | **-** |
| Other exceptional expenses on capital transactions | 402 | 749 | 508,863 |
| **Expenses from capital transactions** | **402** | **749** | **508,863** |
| **Depreciation, amortization and provisions** | **-** | **-** | **-** |
| **Exceptional expenses** | **402** | **796** | **508,863** |
| **EXCEPTIONAL INCOME (EXPENSE)** | **411** | **(563)** | **(6,415)** |

## 2.13. Income taxes

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | | | April 30, 2012 (4 months) | | |
|---|---|---|---|---|---|---|---|---|---|
| *(EUR thousands)* | Before tax | Tax | After tax | Before tax | Tax | After tax | Before tax | Tax | After tax |
| Recurring profit | 14,982 | - | 14,982 | 494,907 | - | 494,907 | 329,004 | - | 329,004 |
| Exceptional income (expense) | 411 | 2,896 (a) | 3,307 | (563) | 13,112 | 12,549 | (6,415) | (11,175) | (17,590) |
| | **15,394** | **2,896** | **18,290** | **494,344** | **13,112** | **507,456** | **322,589** | **(11,175)** | **311,413** |

(a) Of which, income from subsidiaries under the tax consolidation agreement: 7,890 thousand euros.

## 2.14. Tax position

Christian Dior is the parent company of a tax consolidation group comprising certain of its subsidiaries.

For the fiscal year ended June 30, 2013, this tax consolidation group included Christian Dior, Financière Jean Goujon, Sadifa, CD Investissements, Christian Dior Couture and Ateliers Modèles.

The tax consolidation agreement in force for the fiscal year ended June 30, 2013 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.

In the event of a subsidiary's exit from the tax consolidation group, Christian Dior is required, under the aforementioned tax consolidation agreement, to compensate the exiting subsidiary for its share of any unused tax loss carryforwards.

The additional tax saving or expense, in the amount of the difference between the tax recognized by each of the companies and the tax resulting from the determination of the taxable profit of the Group, is recognized by Christian Dior.

Tax savings amounted to 2,896 thousand euros; the amount of these savings as of April 30, 2013 came to 13,112 thousand euros.

As of June 30, 2013, the ordinary loss of Christian Dior amounted to 165,525 thousand euros, and can be carried forward indefinitely.

# NOTE 3 - OTHER INFORMATION

## 3.1. Financial commitments

### *Hedging instruments*

Christian Dior does not use any interest-rate hedging instruments.

### *Covenants*

Under the terms of certain loan agreements or bond issues, the Company has made commitments to hold specific percentages of interest and voting rights in certain subsidiaries and to respect certain financial covenants.

## 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 June 30, 2013, the gross amount of compensation set aside for members of management bodies was 7 thousand euros.

## 3.4. Identity of the companies consolidating the accounts of Christian Dior

| Company name | Registered office |
|---|---|
| Financière Agache | 11, rue François 1er<br>75008 Paris, France |
| Groupe Arnault | 41, avenue Montaigne<br>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 Gross | Carrying amount of shares held Net | 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 from 05/01/2013 to 06/30/2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| **A. Details involving the subsidiaries and equity investments below** | | | | | | | | | | |
| **1. Subsidiaries** | | | | | | | | | | |
| • Financière Jean Goujon | 1,005,294 | 2,346,791 | 100.00% | 3,478,680 | 3,478,680 | - | - | - | 18 | 25,132 |
| • Sadifa | 81 | 1,580 | 99.66% | 836 | 836 | - | - | 10 | (7) | - |
| • Grandville | 100,000 | 401,787 | 100.00% | 502,284 | 502,284 | - | - | - | (12) | - |
| • CD Investissements | 50 | (21) | 100.00% | 75 | 75 | - | - | - | (2) | - |
| **2. Equity investments** | | | | | | | | | | |
| **B. General information involving the other subsidiaries and equity investments** | | | | | | | | | | |
| None | | | | | | | | | | |

# 6. Portfolio of subsidiaries and equity investments, other long-term and short-term investments

| | As of June 30, 2013 | |
|---|---|---|
| *(EUR thousands)* | Number of shares | Net book value |
| **French subsidiaries and equity investments** | | |
| Financière Jean Goujon shares | 62,830,900 | 3,478,680 |
| Grandville shares | 100,000,000 | 502,284 |
| Sadifa shares | 5,019 | 836 |
| CD Investissements shares | 5,000 | 75 |
| **Subsidiaries and equity investments** | | **3,981,875** |

| | As of June 30, 2013 | |
|---|---|---|
| *(EUR thousands)* | Number of shares | Net book value |
| Treasury shares pending retirement | 900,000 | 121,764 |
| **Other long-term investments** | | **121,764** |

| | As of June 30, 2013 | |
|---|---|---|
| *(EUR thousands)* | Number of shares | Net book value |
| Treasury shares | 2,051,250 | 130,083 |
| **Short-term investments** | **2,051,250** | **130,083** |
| **TOTAL PORTFOLIO OF SUBSIDIARIES AND EQUITY INVESTMENTS, OTHER LONG-TERM AND SHORT-TERM INVESTMENTS** | | **4,233,722** |

| Number of treasury shares | At beginning of period | Increase | Decrease | At end of period |
|---|---|---|---|---|
| | 2,255,000 | - | 203,750 | 2,051,250 |
| **TOTAL** | **2,255,000** | **-** | **203,750** | **2,051,250** |

# 7. Company results over the last five fiscal years

| *(EUR thousands)* | **Dec. 31, 2010** (12 months) | **Dec. 31, 2011** (12 months) | **April 30, 2012** (4 months) | **April 30, 2013** (12 months) | **June 30, 2013** (2 months) |
|---|---|---|---|---|---|
| **1. Share capital** | | | | | |
| Share capital at fiscal year-end | 363,454 | 363,454 | 363,454 | 363,454 | 363,454 |
| Number of ordinary shares outstanding | 181,727,048 | 181,727,048 | 181,727,048 | 181,727,048 | 181,727,048 |
| 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 | 57 | 52 | - | 135 | - |
| Profit before taxes, depreciation, amortization and movements in provisions | 369,247 | 391,145 | 321,101 | 505,815 | 17,079 |
| Income tax (income)/expense | (8,085) | (6,308) | 11,175 | (13,112) | (2,896) |
| Profit after taxes, depreciation, amortization and movements in provisions | 379,021 | 390,560 | 311,413 | 507,456 | 18,290 |
| Profit distributed as dividends [(a)] | 383,444 | 474,308 | 199,900 | 527,008 | - |
| **3. Earnings per share** *(EUR)* | | | | | |
| Earnings per share after taxes but before depreciation, amortization and movements in provisions | 2.08 | 2.19 | 1.71 | 2.86 | 0.11 |
| Earnings per share after taxes, depreciation, amortization and movements in provisions | 2.09 | 2.15 | 1.71 | 2.79 | 0.10 |
| **Gross dividend distributed per share [(b)]** | **2.11** | **2.61** | **1.10** | **2.90** | **-** |
| **4. Employees** | | | | | |
| Average number of employees | - | - | - | - | - |
| Total payroll [(c)] | 5,787 | 6,522 | 1,114 | 4,073 | (68) |
| Amount paid in respect of social security | 1,113 | 1,043 | 338 | 53 | 1 |

(a) Amount of the distribution resulting from the resolution of the Shareholders' Meeting, before the effect of Christian Dior treasury shares as of the date of distribution.
(b) Excludes the impact of tax regulations applicable to the beneficiaries.
(c) Including provisions, on plans presumed to be exercisable relating to purchase options and the allocation of bonus shares and performance shares, recognized under personnel expenses.

# 8. Statutory Auditors' reports

## STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

To the Shareholders,

In accordance with our appointment as Statutory Auditors by your Shareholders' Meeting, we hereby report to you for the two-month fiscal year ended June 30, 2013 on:

- the audit of the accompanying financial statements of Christian Dior;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

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

### 1. Opinion on the financial statements

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

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of June 30, 2013 and of the results of its operations for the fiscal year then ended, in accordance with French accounting regulations.

### 2. Justification of our assessments

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

Note 1.3 to the financial statements sets out the accounting principles and methods applicable to non-current financial assets. As part of our assessment of the accounting principles used by your Company, we have verified the appropriateness of the above-mentioned accounting methods and that of the disclosures in the notes to the financial statements and have ascertained that they were properly applied.

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

## 3. Specific procedures and disclosures

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

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

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remuneration and benefits granted to the company officers and any other commitments made in their favor, we have 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 remuneration and benefits in kind paid or incurred by your Company and the companies which it controls.

Pursuant to the law, we have verified that the Management Report contains the appropriate disclosures as to the identity of and percentage interests held by shareholders.

Paris-La Défense, October 15, 2013

The Statutory Auditors

| **MAZARS** | **ERNST & YOUNG et Autres** |
|---|---|
| Simon Beillevaire | Jeanne Boillet  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 RELATED PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report on certain related party agreements and commitments.

Our responsibility is to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments that have been indicated to us or that we would have identified performing our role. 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.

However, we are required to report to you the information referred to in Article R. 225-31 of the French Commercial Code concerning the implementation during the year of any related party agreements and commitments already approved by a Shareholders' Meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des Commissaires aux comptes) relating to this type of engagement. These procedures consisted in verifying that the information provided to us was consistent with the documentation from which it had been extracted.

## Authorized agreements and commitments submitted to the approval of the Shareholders' Meeting

We hereby inform you that we were not informed of any agreements or commitments concluded during the fiscal year pending the approval of the Shareholders' Meeting subject to the provisions of Article L. 225-38 of the French Commercial Code.

## Agreements and commitments already authorized by 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 approved by a Shareholders' Meeting in prior fiscal years remained current during the fiscal year under review.

## 1. Agreement entered into with Groupe Arnault SAS, a shareholder of your Company

*Nature and purpose*

Assistance agreement.

*Conditions*

A service 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 concluded between your Company and Groupe Arnault SAS. In this respect, your Company incurred an expense of 639,629.86 euros including taxes for the two-month fiscal year June 30, 2013.

## 2. Agreement entered into with LVMH SA, a subsidiary of your Company

### *Nature and purpose*

Service agreement.

### *Conditions*

This service agreement entered into with LVMH for the provision of legal services, particularly for corporate law issues and the management of your company's Securities Department, was maintained in 2013. Under this agreement, the expense incurred by your Company in respect of the two-month fiscal year ended June 30, 2013 was 9,119.50 euros including taxes.

Paris-La Défense, October 15, 2013

The Statutory Auditors

| **MAZARS** | **ERNST & YOUNG et Autres** |
|---|---|
| Simon Beillevaire | Jeanne Boillet     Benoit Schumacher |

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# Resolutions for the approval of the Ordinary Shareholders' Meeting of December 19, 2013

# Resolutions for the approval of the Ordinary Shareholders' Meeting of December 19, 2013

## First resolution

**(Approval of the parent company financial statements)**

The Shareholders' Meeting, after examining the reports of the Board of Directors, the Chairman of the Board of Directors, and the Statutory Auditors, hereby approves the parent company financial statements for the fiscal year ended June 30, 2013, 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, after examining the reports of the Board of Directors, and the Statutory Auditors, hereby approves the consolidated financial statements for the fiscal year ended June 30, 2013, 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)**

The Shareholders' Meeting, on the recommendation of the Board of Directors, decides to allocate and appropriate the distributable profit for the fiscal year ended June 30, 2013 as follows:

| **Amount available for distribution** *(EUR)* | |
|---|---|
| Net profit | 18,289,768.50 |
| Retained earnings [(a)(b)] | 116,553,252.50 |
| **DISTRIBUTABLE EARNINGS** | **134,843,021.00** |
| **Proposed appropriation** | |
| Allocated to retained earnings | 134,843,021.00 |
| TOTAL | 134,843,021.00 |

(a) Based on the following appropriation of the Company's distributable earnings in respect of the fiscal year ended April 30, 2013 by the Shareholders' Meeting of October 18, 2013:
- Retained earnings before allocation of net profit: 136,105,933.39 euros;
- Net profit 507,455,758.31 euros;
- Dividend distribution of 2.90 euros per share: 527,008,439.20 euros;
- Retained earnings after allocation of net profit: 116,553,252.50 euros.

(b) As of this dividend payment decided on October 18, 2013, should the Company hold any treasury shares under authorizations granted, the corresponding amount of unpaid dividends will be allocated to retained earnings.

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

| Fiscal year | Type | Payment date | Gross dividend [a] (EUR) | Tax deduction [b] (EUR) |
|---|---|---|---|---|
| April 30, 2013 | Interim | April 25, 2013 | 1.10 | 0.440 |
| | Final [c] | December 3, 2013 | 1.80 | 0.720 |
| | **TOTAL** | | **2.90** | **1.160** |
| April 30, 2012 | Interim | - | - | - |
| | Final | December 4, 2012 | 1.10 | 0.440 |
| | **TOTAL** | | **1.10** | **0.440** |
| December 31, 2011 | Interim | December 2, 2011 | 0.98 | 0.392 |
| | Final | April 25, 2012 | 1.63 | 0.652 |
| | **TOTAL** | | **2.61** | **1.044** |

(a) Excludes the impact of tax regulations applicable to the beneficiaries.
(b) For individuals with tax residence in France.
(c) Based on the appropriation of distributable earnings by the Shareholders' Meeting of October 18, 2013.

## Fifth resolution

**(Opinion on items of compensation due or awarded to Mr. Bernard Arnault, Chairman and Chief Executive Officer)**

The Shareholders' Meeting, after having examined the Management report of the Board of Directors, renders an opinion in favor of the items of compensation due and awarded in respect of the fiscal year ended June 30, 2013 to the Chairman and Chief Executive Officer, Mr. Bernard Arnault.

## Sixth resolution

**(Opinion on items of compensation due or awarded to Mr. Sidney Toledano, Group Managing Director)**

The Shareholders' Meeting, after having examined the Management report of the Board of Directors, renders an opinion in favor of the items of compensation due and awarded in respect of the fiscal year ended June 30, 2013 to the Group Managing Director, Mr. Sidney Toledano.

## Seventh resolution

**(Renewal of the appointment of a Principal Statutory Auditor)**

The Shareholders' Meeting, noting that the term of office of Ernst & Young et Autres as Principal Statutory Auditor expires at the end of this Shareholders' Meeting, hereby decides to renew this appointment, for a six fiscal year term that shall expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending June 30, 2019.

## Eighth resolution

**(Renewal of the appointment of an Alternate Statutory Auditor)**

The Shareholders' Meeting, noting that the term of office of Auditex as Alternate Statutory Auditor expires at the end of this Shareholders' Meeting, hereby decides to renew this appointment, for a six fiscal year term that shall expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending June 30, 2019.

## Ninth resolution

**(Renewal of the appointment of a Principal Statutory Auditor)**

The Shareholders' Meeting, noting that the term of office of Mazars as Principal Statutory Auditor expires at the end of this Shareholders' Meeting, hereby decides to renew this appointment, for a six fiscal year term that shall expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending June 30, 2019.

## Tenth resolution

**(Appointment of an Alternate Statutory Auditor)**

The Shareholders' Meeting, noting that the term of office of Mr. Guillaume Potel as Alternate Statutory Auditor expires at the end of this Shareholders' Meeting, hereby decides to appoint Mr. Gilles Rainaut as Alternate Statutory Auditor for a six fiscal year term that shall expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ending June 30, 2019.

# Other information

## GOVERNANCE


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

Pursuant to Article L. 225-102-1 of the French Commercial Code, the following are all offices and positions exercised in all companies by each company officer as well as the positions and offices they have exercised since July 1, 2008.

## Mr. Bernard ARNAULT, Chairman and Chief Executive Officer

Date of birth: March 5, 1949. French.
Business address: LVMH - 22, avenue Montaigne - 75008 Paris (France).
Date of first appointment: March 20, 1985.
Expiration of term: Annual Shareholders' Meeting held in 2014.
Number of Christian Dior shares held in a personal capacity: 69,997 shares.

Mr. 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 and Chief Executive Officer in January 1989.

**Current positions and offices**

**Christian Dior group/Groupe Arnault group**

| | | |
|---|---|---|
| France | Christian Dior SA [(a)] | Chairman and Chief Executive Officer |
| | Château Cheval Blanc SC | Director |
| | Christian Dior Couture SA | Director |
| | Financière Jean Goujon SAS | Member of the Supervisory Committee |
| | Groupe Arnault SAS | Chairman |
| | Louis Vuitton, Fondation d'Entreprise | Chairman of the Board of Directors |
| | LVMH Moët Hennessy - Louis Vuitton SA [(a)] | Chairman and Chief Executive Officer |
| International | LVMH International SA (Belgium) | Director |
| | LVMH Moët Hennessy - Louis Vuitton Inc. (United States) | Director |
| | LVMH Moët Hennessy - Louis Vuitton Japan KK (Japan) | Director |

**Other**

| | | |
|---|---|---|
| France | Carrefour SA [(a)] | Director |

**Positions and offices that have terminated since July 1, 2008**

| | | |
|---|---|---|
| France | Lagardère SCA [(a)] | Member of the Supervisory Board |
| | Métropole Télévision "M6" SA [(a)] | Member of the Supervisory Board |
| | Raspail Investissements SA | Director |

(a) Listed company.

## Mr. Sidney TOLEDANO, Group Managing Director

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.
Expiration of term: Annual Shareholders' Meeting held in 2014.
Number of Christian Dior shares held in a personal capacity: 33,700 shares.

Mr. 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 SA [(a)] | Group Managing Director and Director |
| | Christian Dior Couture SA | Chairman and Chief Executive Officer |
| | John Galliano SA | Chairman of the Board of Directors |
| | MHS SAS | Member of the Management Committee |
| International | CDCH SA (Luxembourg) | Chairman of the Board of Directors |
| | Christian Dior Australia Pty Ltd (Australia) | Director |
| | Christian Dior Belgique SA (Belgium) | Permanent Representative of Christian Dior Couture SA, Managing Director |
| | Christian Dior Commercial (Shanghai) Co. Ltd (China) | Chairman |
| | Christian Dior Couture CZ (Czech Republic) | Managing Director |
| | Christian Dior Couture Korea Ltd (South Korea) | Director |
| | Christian Dior Couture Maroc SA (Morocco) | Chairman of the Board of Directors |
| | Christian Dior Far East Ltd (Hong Kong) | Director |
| | Christian Dior Fashion (Malaysia) SdnBhd (Malaysia) | Director |
| | Christian Dior GmbH (Germany) | Managing Director |
| | Christian Dior Guam Ltd (Guam) | Director |
| | Christian Dior Hong Kong Ltd (Hong Kong) | Director |
| | Christian Dior Inc. (United States) | Chairman |
| | Christian Dior Italia Srl (Italy) | Chairman |
| | Christian Dior KK (Japan) | Director |
| | Christian Dior Macau Single Shareholder Company Limited (Macao) | Director |
| | Christian Dior New Zealand Ltd (New Zealand) | Director |
| | Christian Dior S. de RL de CV (Mexico) | Chairman |
| | Christian Dior Saipan Ltd (Saipan) | Director |
| | Christian Dior Singapore Pte Ltd (Singapore) | Director |
| | Christian Dior Taiwan Ltd (Taiwan) | Director |
| | Christian Dior Vietnam LLC | Chairman |
| | Fendi SA (Luxembourg) | Director |
| | Les Ateliers Horlogers Dior SA (Switzerland) | Director |

(a) Listed company.

**Positions and offices that have terminated since July 1, 2008**

| | | |
|---|---|---|
| France | Christian Dior SA [(a)] | Chief Executive Officer |
| | Fendi France SAS | Chairman |
| | Fendi International SA | Chairman of the Board of Directors |
| | Les Jardins d'Avron SAS | Permanent Representative of Christian Dior Couture SA, Chairman |
| International | Bopel Srl (Italy) | Chairman |
| | Cato Srl (Italy) | Chairman |
| | Christian Dior Couture Ukraine SARL (Ukraine) | Chairman |
| | Christian Dior UK Ltd (United Kingdom) | Chairman |
| | Fendi Adele Srl (Italy) | Director |
| | Fendi Asia-Pacific Limited (Hong Kong) | Director |
| | Fendi International BV (Netherlands) | Chairman |
| | Fendi Italia Srl (Italy) | Director |
| | Fendi North America Inc. (United States) | Director |
| | Fendi Srl (Italy) | Director |
| | Les Jardins d'Avron LLC (United States) | Chairman |
| | Lucilla Srl (Italy) | Chairman |
| | Manifatturauno Srl (Italy) | Chairman of the Board of Directors |
| | Mardi SpA (Italy) | Chairman and Managing Director |

## Mrs. 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.
Expiration of term: Annual Shareholders' Meeting held in 2015.
Number of Christian Dior shares held in a personal capacity: 6,750 shares.

Mrs. Delphine Arnault began her career at the international strategy consultancy firm McKinsey, where she worked as a consultant for two years. In 2001 she was appointed to the Executive Committee of Christian Dior Couture, where she served as Deputy Managing Director starting in 2008.

She has been Executive Vice President of Louis Vuitton since September 2013.

**Current positions and offices**

**Christian Dior group/Groupe Arnault group**

| | | |
|---|---|---|
| France | Christian Dior SA [(a)] | Director |
| | Céline SA | Director |
| | Château Cheval Blanc SC | Director |
| | Les Echos SAS | Member of the Supervisory Board |
| | LVMH Moët Hennessy - Louis Vuitton SA [(a)] | Director |
| International | Emilio Pucci International BV (Netherlands) | Director |
| | Emilio Pucci Srl (Italy) | Director |
| | Loewe SA (Spain) | Director |

**Other**

| | | |
|---|---|---|
| France | Havas [(a)] | Director |
| | Métropole Télévision "M6" SA [(a)] | Member of the Supervisory Board |
| International | 21st Century Fox (United States) | Director |

**Positions and offices that have terminated since July 1, 2008**

| | | |
|---|---|---|
| France | Établissement Public de Sèvres – Cité de la Céramique | Director |
| International | Cato Srl (Italy) | Chairman of the Board of Directors |
| | Manifatturauno Srl (Italy) | Chairman of the Board of Directors |

(a) Listed company.

## Mr. Denis DALIBOT

Date of birth: November 15, 1945. French.
Mailing address: avenue Mercure, 9 - “Le Chéridreux” - 1180 Brussels (Belgium).
Date of first appointment: May 17, 2000.
Expiration of term: Annual Shareholders’ Meeting held in 2015.
Number of Christian Dior shares held in a personal capacity: 70,000 shares.

Mr. 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. Denis Dalibot is currently Belgium General Delegate of Groupe Arnault SAS.

**Current positions and offices**

**Christian Dior group/Groupe Arnault group**

| | | |
|---|---|---|
| France | Christian Dior SA [(a)] | Director |
| | Agache Développement SA | Director |
| | Belle Jardinière SA | Director |
| | Christian Dior Couture SA | Director |
| | Europatweb SA | Director |
| | Financière Agache SA | Director |
| | Financière Agache Private Equity 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 SAS | Member of the Management Committee |
| | Le Jardin d’Acclimatation SA | Permanent Representative of Ufipar, Director |
| | Semyrhamis SAS | Member of the Supervisory Committee |
| International | Aurea Finance SA (Luxembourg) | Chairman |
| | Cervinia SA (Belgium) | Director |
| | Courtinvest SA (Belgium) | Director |
| | DYD Conseil (Belgium) | Managing Director |
| | Giminvest SA (Belgium) | Director |
| | GMPI SA (Belgium) | Director |
| | Le Peigné Invest SA (Belgium) | Director |
| | Le Peigné SA (Belgium) | Director |

**Positions and offices that have terminated since July 1, 2008**

| | | |
|---|---|---|
| France | Agache Développement SA | Chairman and Chief Executive Officer |
| | Ateliers AS SA | Permanent Representative of Christian Dior Couture SA, Director |
| | Europatweb SA | Chairman and Chief Executive Officer |
| | Europatweb Placements SAS | Legal Representative of Europatweb, Chairman |
| | Financière Agache SA | Group Managing Director |
| | Fusac Finances SC | Managing Director |
| | GA Placements SA | Permanent Representative of Europatweb, Director |
| | Groupement Foncier Agricole Dalibot | Managing Director |
| | Kléber Participations SARL | Managing Director |
| | Lyparis SAS | Member of the Supervisory Committee |
| | Montaigne Finance SAS | Chairman |
| | Montaigne Investissements SCI | Managing Director |
| | Montaigne Services SNC | Managing Director |
| | Raspail Investissements SA | Permanent Representative of Financière Agache, Director |
| | Sevrilux SNC | Legal Representative of Financière Agache, Managing Director |
| International | GO Invest SA (Belgium) | Chairman |

(a) Listed company.

## Mrs. 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.
Expiration of term: Annual Shareholders' Meeting held in 2015.
Number of Christian Dior shares held in a personal capacity: 200 shares.

Since it was founded in 1996, Mrs. 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. 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. Mrs. Desmarais is Chairman of the Boards of Directors of HEC Montréal (Hautes Études Commerciales de Montréal) and of 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 SA [(a)] | 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 and Chairman of Canadian Regional Committees |
| | Garda World Security Corporation | Director |
| | International Economic Forum of the Americas | Governor |
| | Hautes Études Commerciales de Montréal (HEC Montréal) | Director and Chairman of the Board of Directors |
| | Institute for Governance of Private and Public Organizations | Director |
| | Société de développement économique Ville-Marie (SDÉVM) | Founder and Chairman of the Board of Directors |

**Positions and offices that have terminated since July 1, 2008**

| | | |
|---|---|---|
| Canada | Montreal Metropolitan Chamber of Commerce Centre d'entrepreneurship | Chairman of the Board of Directors |
| | HEC/Polytechnique/Université de Montréal | Director |
| | Société de valorisation des recherches du CHUM (VAL-CHUM) | Member of the Board of Directors |

## 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.
Expiration of term: Annual Shareholders' Meeting held in 2016.
Number of Christian Dior shares held in a personal capacity: 200 shares.

After serving in the prefectoral administration as a sub-prefect, Mr. 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 SA [(a)] | Director |
| | Louis Vuitton, Fondation d'Entreprise | Director |

**Other**

| | | |
|---|---|---|
| France | FPPM l'Européenne de Marbre | Chairman of the Supervisory Committee |
| | RDDV Partner SAS | Chairman |

**Positions and offices that have terminated since July 1, 2008**

**Other**

| | | |
|---|---|---|
| France | Atout France GIE | Chairman of the Board of Directors |
| | Groupe Allard | Advisor for Strategy, Development and Culture to Mr. Alexandre Allard |
| | La Royale SAS | Chief Executive Officer |
| | European Union | Ambassador for Culture during the French presidency |

## Mrs. 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
Expiration of term: Annual Shareholders' Meeting held in 2016.
Number of Christian Dior shares held in a personal capacity: 200 shares.

Mrs. 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.

Mrs. 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 |
| | Erbé SA (Belgium) | Director |
| | Stichting Administratie Kantoor Peupleraie (Netherlands) | Chairman of the Board of Directors |

**Christian Dior group/Groupe Arnault group**

| | | |
|---|---|---|
| France | Christian Dior SA [(a)] | Director |
| | Château Cheval Blanc SC | Director |

**Other**

| | | |
|---|---|---|
| International | Pargesa Holding SA (Switzerland) | Director |

**Positions and offices that have terminated since July 1, 2008**

**Other**

| | | |
|---|---|---|
| France | Taittinger SA | Director |
| International | France Compagnie Nationale à Portefeuille SA (Belgium) | Director |

(a) Listed company.

## Mr. Pierre GODÉ

Date of birth: December 4, 1944. French.
Business addresses: LVMH - 22, avenue Montaigne - 75008 Paris (France); LVMH Italia SpA - Via Tommaso Grossi, 2 - 20121 Milan (Italy).
Date of first appointment: May 14, 2001
Expiration of term: Annual Shareholders' Meeting held in 2014.
Number of Christian Dior shares held in a personal capacity: 40,275 shares.

Mr. 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 Director delegated as Vice-Chairman of LVMH Italia.

**Current positions and offices**

**Christian Dior group/Groupe Arnault group**

| | | |
|---|---|---|
| France | Christian Dior SA [(a)] | Director |
| | LVMH Moët Hennessy-Louis Vuitton SA [(a)] | Vice-Chairman and Director |
| | Château Cheval Blanc SC | Director |
| International | Fendi Adele Srl (Italy) | Director |
| | Fendi Srl (Italy) | Director |
| | LVMH International SA (Belgium) | Director |
| | LVMH Italia SpA (Italy) | Vice-Chairman, Director Delegate |
| | LVMH Moët Hennessy - Louis Vuitton Inc. (United States) | Director |
| | LVMH Publica SA (Belgium) | Director |
| | Sofidiv UK Limited (United Kingdom) | Director |

**Other**

| | | |
|---|---|---|
| France | Redeg SARL | Managing Director |

**Positions and offices that have terminated since July 1, 2008**

| | | |
|---|---|---|
| France | Christian Dior SA [(a)] | Group Managing Director |
| | Christian Dior Couture SA | Director |
| | Financière Agache SA | Chairman and Chief Executive Officer |
| | Financière Jean Goujon SAS | Chairman |
| | Groupe Arnault SAS | Chief Executive Officer |
| | Havas SA [(a)] | Director |
| | Les Echos SAS | Member of the Supervisory Board |
| | Louis Vuitton Malletier SA | Director |
| | Raspail Investissements SAS | Chairman |
| | SA du Château d'Yquem | Director |
| | Semyrhamis SAS | Member of the Supervisory Committee |
| | Sofidiv SAS | Member of the Management Committee |
| | Sevrilux SNC | Legal Representative of Financière Agache, Managing Director |
| | Fondation Maeght | Director |

## Mr. Eric GUERLAIN, Vice-Chairman

Date of birth: May 2, 1940. French.
Mailing address: c/o Christian Dior - 30, avenue Montaigne 75008 Paris (France).
Date of first appointment: June 29, 1994.
Expiration of term: Annual Shareholders' Meeting held in 2016.
Number of Christian Dior shares held in a personal capacity: 57,836 shares.

Mr. Eric Guerlain began his career as a financial analyst and served in various roles with the Morgan Stanley group between 1968 and 1974, in New York and Paris.

In 1974, he joined J.P. Morgan as Director of the international financial affairs department. In 1979, the bank assigned him to co-lead J.P. Morgan Ltd. Investment Bank in London as Vice-Chairman. He then worked at Lazard Brothers Ltd in London as a consultant until 1989.

At the same time, since 1970 he has been a Director of Guerlain SA and, in 1990, assumed the chairmanship of the Supervisory Board of the controlling holding company of the Guerlain group. He served in that position until 1994.

(a) Listed company.

**Current positions and offices**

**Christian Dior group/Groupe Arnault group**

| | | |
|---|---|---|
| France | Christian Dior SA [(a)] | Vice-Chairman and Director |
| | Guerlain SA | Permanent Representative of LV Group, Director |

**Other**

| | | |
|---|---|---|
| France | MAAT SC | Managing Director |
| | Société Hydroélectrique d'Énergie SAS | Chairman |

**Positions and offices that have terminated since July 1, 2008**

None.

## Mr. Christian de LABRIFFE

Date of birth: March 13, 1947. French.
Business address: Tikehau/Salvepar - 134, boulevard Haussmann - 75008 Paris (France).
Date of first appointment: May 14, 1986.
Expiration of term: Annual Shareholders' Meeting held in 2016.
Number of Christian Dior shares held in a personal capacity: 204 shares.

Mr. 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 SA [(a)] | Director |
| | Christian Dior Couture SA | Director |

**Other**

| | | |
|---|---|---|
| France | Bénéteau SA [(a)] | Member of the Supervisory Board |
| | Parc Monceau SARL | Managing Director |
| | Salvepar SA [(a)] | Chairman and Chief Executive Officer |
| | TCA Partnership SAS | Chairman |

**Positions and offices that have terminated since July 1, 2008**

| | | |
|---|---|---|
| France | Delahaye Passion SC | Managing Director |
| | Financière Rabelais SAS | Chairman |
| | Rothschild Conseil International SCS | Director |
| | 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 SCS | Managing Partner |
| | Rothschild & Cie Banque SCS | Non-Partner Managing Director |
| | Transaction R SCS | Managing Partner |

(a) Listed company.

## Mr. Jaime de MARICHALAR y SÁENZ de TEJADA

Date of birth: April 7, 1963. Spanish.
Business address: Crédit Suisse – Ayala, 42 - 28001 Madrid (Spain).
Date of first appointment: May 11, 2006.
Expiration of term: Annual Shareholders' Meeting held in 2015.
Number of Christian Dior shares held in a personal capacity: 200 shares.

Mr. 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 SA [(a)] | Director |
| 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 |
| | Axa Mediterranean Holding SA, Axa Aurora Ibérica SA de Seguros y Reaseguros, y Axa Aurora Vida SA de Seguros y Reaseguros (Spain) | Director |
| | FCC Medio Ambiente (Spain) | Director |
| | Sociedad General Immobiliaria de España SA (Spain) | Director |
| | Waste Recycling Group (United Kingdom) | Director |

**Positions and offices that have terminated since July 1, 2008**

| | | |
|---|---|---|
| International | Credit Suisse (Spain) | Chief Executive Officer and Advisor |
| | Portland Valderrivas (Spain) | Director |

(a) Listed company.

# 2. Statutory Auditors

## 2.1. PRINCIPAL STATUTORY AUDITORS

| | Start date of first term | Current term | |
|---|---|---|---|
| | | Date of appointment/ renewal | End of term |
| **ERNST & YOUNG et Autres**<br>1-2, place des Saisons, 92400 Courbevoie - Paris la Défense 1<br>represented by Mrs. Jeanne BOILLET<br>and Mr. Benoit SCHUMACHER | May 14, 2009 | May 14, 2009 | Fiscal year ended June 30, 2013 |
| **MAZARS**<br>Tour Exaltis 61, rue Henri Regnault, 92400 Courbevoie<br>represented by Mr. Simon BEILLEVAIRE | May 15, 2003 | May 14, 2009 | Fiscal year ended June 30, 2013 |

## 2.2. ALTERNATE STATUTORY AUDITORS

| | | | |
|---|---|---|---|
| **AUDITEX**<br>1-2, place des Saisons, 92400 Courbevoie - Paris la Défense 1 | May 14, 2009 | May 14, 2009 | Fiscal year ended June 30, 2013 |
| **Mr. Guillaume POTEL**<br>Tour Exaltis<br>61, rue Henri Regnault, 92400 Courbevoie | May 15, 2003 | May 14, 2009 | Fiscal year ended June 30, 2013 |

## 2.3. FEES PAID AS OF JUNE 30, 2013

| | Ernst & Young et Autres | | | | Mazars | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2013 (2 months) | | April 30, 2013 (12 months) | | June 30, 2013 (2 months) | | April 30, 2013 (12 months) | |
| *(in thousands of euros, excluding VAT)* | Amount | % | Amount | % | Amount | % | Amount | % |
| **Audit** | | | | | | | | |
| Statutory audit, certification, audit of the individual company and consolidated financial statements: | | | | | | | | |
| • Christian Dior | 65 | 2 | 83 | 1 | 65 | 22 | 83 | 2 |
| • Fully consolidated subsidiaries | 1,744 | 66 | 12,695 (b) | 70 | 215 | 73 | 3,844 (b) | 96 |
| Other services relating directly to the statutory audit assignment: | | | | | | | | |
| • Christian Dior | 25 | 1 | 49 | - | 13 | 5 | 26 | 1 |
| • Fully consolidated subsidiaries | 149 | 6 | 1,003 | 6 | - | - | 40 | 1 |
| **Subtotal** | **1,983** | **75** | **13,830** | **77** | **293** | **100** | **3,993** | **100** |
| Other services provided by the firms to fully consolidated subsidiaries: | | | | | | | | |
| • Legal, tax, employee-related (a) | 567 | 22 | 3,721 | 21 | - | - | - | - |
| • Other | 88 | 3 | 462 | 2 | - | - | - | - |
| **Subtotal** | **655** | **25** | **4,183** | **23** | **-** | **-** | **-** | **-** |
| **TOTAL** | **2,638** | **100** | **18,013** | **100** | **293** | **100** | **3,993** | **100** |

(a) Mainly tax advisory services performed outside France, to ensure that the Group's subsidiaries and expatriates meet their local tax declaration obligations.
(b) Amounts as of April 30, 2013 included 2,733 thousand euros (Ernst & Young et Autres) and 431 thousand euros (Mazars) in respect of the change in fiscal year-end date for Christian Dior and some of its subsidiaries.

# 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.

The number of Directors or permanent representatives of legal entities from outside companies, in which the Chairman of the Board of Directors or any Director serving as Chief Executive Officer or Managing Director holds an office, shall be limited to two.

## 3.2. MISSIONS 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 broad strategic orientations of the Company and the Group and ensure that their implementation is monitored;
- approve the Company's annual and half-yearly financial statements;
- review the essential characteristics of the internal control and risk management systems adopted and implemented by the Group;
- ensure that major risks to which the Company is exposed are in keeping with its strategies and its objectives, and that they are taken into account in the management of the Company;
- verify the quality, reliability and fairness of the information provided to shareholders concerning the Company and the Group, in particular to ensure that the management structure and the internal control and risk management systems are able to guarantee the quality and reliability of financial information published by the Company and to give a true and fair view of the results and the financial position of the Company and the Group;
- set out the organization principles and procedures for the Performance Audit Committee;
- disseminate the collective values that guide the Company and its employees and that govern relationships with consumers and with partners and suppliers of the Company and the Group;
- promote a policy of economic development consistent with a social and citizenship policy based on concepts that include respect for human beings and the preservation of the environment in which it operates.

## 3.3. OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

The Board of Directors shall hold at least three 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 remotely participating Directors. 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 remotely located Directors in a Board meeting, these means of telecommunication shall at least 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 shall include the identities of the Directors who participated in the meeting remotely, the means of communication used and any connection problems that occurred during the meeting or disrupted it.

On the recommendation of the Board's Nominations and Compensation Committee, repeated unjustified absenteeism by a Director may cause the Board of Directors to reconsider his 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 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 stock market transactions involving the Company's shares and from any exercise of options for the duration of a period:

- beginning on the 30th calendar day preceding the publication of the Company's annual or half-yearly consolidated financial statements and ending the day after said publication;
- beginning on the 15th calendar day preceding the Company's quarterly consolidated revenue announcement and ending the day after said announcement.

The Directors agree to:

- warn the Chairman of the Board of Directors of any instance, even potential, of a conflict of interest between their duties and responsibilities to the Company and their private interests and/or other duties and responsibilities;
- abstain from voting on any issue that concerns them directly or indirectly;
- 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;
- provide details to the Chairman of the Board of Directors of any formal investigation, conviction in relation to fraudulent offenses, any official public incrimination and/or sanctions, any disqualifications from acting as a member of an administrative, management or supervisory body imposed by a court as well as of any bankruptcy, receivership or liquidation proceedings to which they have been a party.

The Chairman of the Board of Directors shall apprize the Performance Audit Committee upon receiving any information of this type.

## 3.5. COMPENSATION

The Shareholders' Meeting shall set the total amount of directors' fees to be paid to the members of the Board of Directors.

This amount shall be distributed among all members of the Board of Directors and the Advisors, if any, on the recommendation of the members of the Directors' Nominations and Compensation Committee, taking into account their specific responsibilities on the Board (e.g. 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 some Directors for any special assignment they assume. The amount of this remuneration shall be determined by the Board of Directors and reported to the Company's External Auditors.

## 3.6. SCOPE OF APPLICATION

This Charter shall apply to all members of the Board of Directors as well as all the members of the Advisory Board. A copy of this Charter must be sent to any candidate for the position of Director and to any permanent representative of a legal entity prior to the start of the latter's 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 held a position as a Managing Director or a position involving equivalent responsibilities or possess specific expertise in financial and accounting matters.

The Board of Directors shall appoint a Chairman of the Committee from among its members. The maximum term of the Chairman of the Committee is five years.

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 or 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 for preparing financial information, particularly the individual company and consolidated financial statements, and verify the quality of this information;
- monitor the statutory audit of the individual company and consolidated financial statements by the Statutory Auditors, whose conclusions and recommendations it examines;
- ensure the existence, pertinence, application and effectiveness of internal control and risk management systems, monitor the ongoing effectiveness of these systems, and make recommendations to the Chief Executive Officer concerning the priorities and general guidelines for the work of the Internal Audit team;
- examine risks to the Statutory Auditors' independence and, if necessary, identify safeguards to be put in place in order to minimize the potential of risks to compromise their independence, issue an opinion on the fees paid to the Statutory Auditors, as well as those paid to the network to which they belong, by the Company and the companies it controls or is controlled by, whether in relation to their statutory audit responsibilities or other related assignments, oversee the procedure for the selection of the Company's Statutory Auditors, and make a recommendation on the appointments to be submitted to the Shareholders' Meeting in consideration of the results of this procedure;
- analyze the exposure of the Company and the Group to risks, and in particular to those identified by the internal control and risk management systems, as well as material off-balance sheet commitments of the Company and the Group;
- 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 instances of conflict of interest that may affect a Director and recommend suitable 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 will devote the necessary time and energy to his 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.

The proceedings of each Committee meeting shall be recorded in minutes of the meeting.

## 4.4. 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.

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 Committee members and its Chairman 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 and compensation of Directors 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 Advisors. 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 or 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 Advisor, 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.

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 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 prepares 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 (i) by the Chairman of the Company's Board of Directors, its Chief Executive Officer and its Group Managing Director(s) and (ii) by Directors and Advisors 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 definitive allocation 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 Advisors who are employees of the Company or any of its subsidiaries by virtue of an employment contract.

It adopts positions on any supplemental pension schemes established by 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 relating to 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 by Christian Dior Couture to their Directors and senior executive officers. To this end, the Committee may request copies of any agreements concluded with these individuals and of 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 as well as any stock options granted 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 will devote the necessary time and energy to his duties on the Committee.

The Committee shall meet whenever necessary, either at the initiative of the Chairman of the Board of Directors, or the Director serving as Chief Executive Officer, or of two Committee members.

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 Committee members and its Chairman 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

## Part I

### *Legal form – Corporate name – Corporate purpose – Registered office – Duration*

#### Article 1 - Legal form

Christian Dior, first established in the form of a limited liability partnership under the terms of a private agreement concluded 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.

It is governed by all applicable laws as well as the regulations established hereinafter and it shall also be governed by any laws and regulations that may enter into effect in future.

#### 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 anonyme" or the initials "SA", 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 within the same French administrative district (département) or any neighboring administrative district pursuant to a decision of the Board of Directors subject to the ratification of said decision by the next Ordinary Shareholders' Meeting, and to any other place pursuant to a resolution of the 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 – Duration

The duration 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 363,454,096 euros, consisting of 181,727,048 fully paid-up shares with a par value of 2 euros each, all of which belong to the same category.

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 an incorporation 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 applied 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 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 as 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 - Composition 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 period of three years, the Board of Directors will have the option to determine the order of retirement of the Directors by the impartial selection in a Board Meeting of one-third of the Directors each year. Once the rotation has been established, renewals will take place according to seniority.

Nobody being more than eighty-five years old 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 case of death or resignation of one or more Advisors, the Board of Directors may, between two Shareholders' Meetings, make provisional appointments, 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 the 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 term of office, which cannot exceed that of his 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 term of office, his 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 is convened by its Chairman on his own initiative, or if he 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. Meetings of the Board 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(s) 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 and vote on his 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. The Board may validly act only if at least one-half of its members are present.

   Directors who participate in Board Meetings by means of videoconferencing or other telecommunication methods under the conditions defined by the internal rules and regulations 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 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 assignment and may request any documents he deems useful.

The Board of Directors distributes among its members the total amount of attendance fees voted by the Shareholders' Meeting.

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.

It may also resolve to create Committees responsible for studying such issues as it may submit thereto for examination.

### Article 14 - Remuneration of Directors

The Shareholders' Meeting may allocate to the Directors in remuneration 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 remuneration 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 - Advisors

Between one and three Advisors may be appointed. They may each be appointed for a term of no longer than three years, although they may be re-elected. Their appointment or dismissal is subject to the same rules as those applying to Directors. However, Advisors 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.

Advisors are convened to the Meetings of the Board of Directors, in which they have a consultative vote. The remuneration paid to Advisors 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 reports to the Shareholders' Meeting. He ensures the proper operation of the corporate bodies and verifies, in particular, that the Directors are capable of fulfilling their assignments.

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.

**2. Chief Executive Officer**

The Chief Executive Officer may or may not be chosen from among the Directors. The Board sets his term of office as well

as his compensation. The age limit for serving as Chief Executive Officer is seventy years. Should the Chief Executive Officer reach this age limit, his 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 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 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 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 term of office, his 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 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 remuneration 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 from the end of each fiscal year, in 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.

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 is made up of 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 name of the shareholder or intermediary authorized to act on his or her behalf as of the fourth business day preceding the Meeting at midnight, Paris time, 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 recording

or registration of bearer shares is certified by a statement delivered by the financial intermediary authorized as account holder.

Holders of shares shall not be admitted to Shareholders' Meetings with respect to the shares not paid up within a period of thirty calendar days from the notice issued by the Company. 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 having 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 seven and eight 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 seven 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 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 for which evidence of registration under the name of the same shareholder, over a period of least three years, may be demonstrated;
- 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 for which it was entitled to benefit from this right.

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. This is also the case for any transfer due to a merger or spin-off of a shareholding company.

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 video conference 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 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 such person has been appointed, the meeting elects its 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 Ordinary Shareholders' Meeting shall hear the reports prepared by the Board of Directors, its Chairman, and the Statutory Auditors. It also reviews the financial statements prepared by the Company.

The Meeting discusses, approves, amends or rejects the financial statements submitted. It decides upon the distribution and appropriation of profits.

It decides upon any amounts to be allocated to reserve funds. It also determines the amounts to be withdrawn from reserves and decides upon their distribution.

It determines the total amount of attendance fees to be allocated to the members of the Board of Directors.

It appoints, replaces, re-elects or dismisses Directors.

It ratifies any appointments of Directors made on a provisional basis by the Board of Directors.

It appoints the Statutory Auditors and examines their special report.

It hears 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 of the Ordinary Shareholders' Meeting are approved by a majority of the votes held by the shareholders present or represented.

### *Chapter III: Extraordinary Shareholders' Meetings*

#### Article 21 - Powers

The Extraordinary Shareholders' Meeting may amend the Bylaws in any of its provisions and it may also decide upon the transformation of the Company into a company having any other legal form.

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 of the Extraordinary Shareholders' Meeting shall be adopted by a two-thirds majority of the votes of the shareholders present or represented.
2. When deciding upon or authorizing the Board of Directors to effect a capital increase through the incorporation 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

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 beneficiary 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 has a duration of twelve months, commencing on the first day of July and ending on the thirtieth day of June of the following civil 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 of the Company. It is resumed when, for any 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 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 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.

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.

## 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 from the approval of the accounts showing such 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 and 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 CONCERNING THE COMPANY AND ITS CAPITAL – STOCK MARKET


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# 1. History of the Group

| | |
|---|---|
| 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 François 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 Trade 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*. |
| 1987 | The Paris Fashion Museum dedicates an exhibition to Christian Dior, on the fortieth anniversary of his first collection. |
| 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, Hedi Slimane, new creator of the *Homme* 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 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 exhibition Inspiration Dior 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. |

# 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 40.89% of LVMH.

## 2.2. GENERAL INFORMATION

The complete text of the Bylaws is presented in "Other information – Governance" in the Annual Report.

**Company name** (Article 3 of the Bylaws): Christian Dior.

**Registered office** (Article 4 of the Bylaws): 30, avenue Montaigne, 75008 Paris. Telephone: +33 (0) 1 44 13 22 22.

**Legal form** (Article 1 of the Bylaws): Société anonyme (limited liability company).

**Jurisdiction** (Article 1 of the Bylaws): the Company is governed by French law.

**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): 7010 Z.

**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 "Other information – Governance" in 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 October 26, 2012 modified the dates on which the fiscal year begins and ends, respectively, to July 1 and June 30 of the following civil year. This modification is applicable as of the fiscal year commencing July 1, 2013, with the previous fiscal year having a two-month duration from May 1 to June 30, 2013.

**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 category, 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 for which it was entitled to benefit from 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 beneficiaries 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. The same obligation applies whenever the portion of capital held increases by at least one per cent. 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 June 30, 2013, the Company's share capital was 363,454,096 euros, consisting of 181,727,048 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 181,727,048 shares, 123,286,894 shares conferred double voting rights as of June 30, 2013.

## 3.2. AUTHORIZED SHARE CAPITAL

As of June 30, 2013, the Company's authorized share capital was 443,454,096 euros, consisting of 221,727,048 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 paragraph 4.1 "Status of current delegations and authorizations" in the "Management report of the Board of Directors – Christian Dior parent company" section of the Annual Report.

## 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 June 30, 2013.

## 3.7. THREE-YEAR SUMMARY OF CHANGES IN THE COMPANY'S SHARE CAPITAL

| Type of operation | | Par value issued *(EUR)* | Issue premium *(EUR)* | Successive amounts of share capital *(EUR)* | Cumulative number of Company shares | Par value per share *(EUR)* |
|---|---|---|---|---|---|---|
| April 30, 2012 | No shares created | - | - | 363,454,096 | 181,727,048 | 2.00 |
| April 30, 2013 | No shares created | - | - | 363,454,096 | 181,727,048 | 2.00 |
| June 30, 2013 | No shares created | - | - | 363,454,096 | 181,727,048 | 2.00 |

# 4. Analysis of share capital and voting rights

## 4.1. SHARE OWNERSHIP OF THE COMPANY

As of June 30, 2013, the Company's share capital comprised 181,727,048 shares:

- 123,966,504 pure registered shares;
- 6,574,562 administered registered shares;
- 51,185,982 bearer shares.

Taking into consideration treasury shares, 178,775,798 shares carried voting rights, of which 123,286,894 shares carried double voting rights.

As of June 30, 2013, a total of 266 registered shareholders held at least 100 shares.

| Shareholders | Number of shares | Number of voting rights [(a)] | % of share capital | % of voting rights [(a)] |
|---|---|---|---|---|
| Arnault family group | 128,019,042 | 251,074,110 | 70.45 | 83.12 |
| Other shareholders | 53,708,006 | 50,988,582 | 29.55 | 16.88 |
| **TOTAL AS OF JUNE 30, 2013** | **181,727,048** | **302,062,692** | **100.00** | **100.00** |

(a) Voting rights exercisable in Shareholders' Meetings.

Save for the information set out in §4.2 below, to the best of the Company's knowledge:

- no shareholder held at least 5% of the share capital and voting rights as of June 30, 2013;
- 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 June 30, 2013, senior executives of the Company and members of the Board of Directors directly and personally held in registered form less than 0.5% of the Company's share capital and voting rights.

As of June 30, 2013, the Company held 2,951,250 of its own shares. Of these shares, 2,051,250 were recognized under short-term investments, including 2,031,718 shares held to cover share purchase options and bonus share allocation plans, and 19,532 held for the purpose of being retired. The remaining 900,000 treasury shares were recognized under other long-term investments for the purpose of being retired.

During the fiscal year ended June 30, 2013 and as of October 3, 2013, 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, at least two-thirds of the members of the Performance Audit Committee must be Independent Directors. 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

| | June 30, 2013 (2 months) | | | April 30, 2013 (12 months) | | | April 30, 2012 (4 months) | | |
|---|---|---|---|---|---|---|---|---|---|
| **Shareholders** | **Number of shares** | **% of share capital** | **% of voting rights [a]** | **Number of shares** | **% of share capital** | **% of voting rights [a]** | **Number of shares** | **% of share capital** | **% of voting rights [a]** |
| Arnault family group including: | 128,019,042 | 70.45 | 83.12 | 127,874,042 | 70.37 | 82.98 | 27,874,042 | 70.37 | 82.90 |
| *- Semyrhamis* | *108,130,125* | *59.50* | *71.55* | *107,985,125* | *59.42* | *71.42* | *107,985,125* | *59.42* | *71.41* |
| *- Arnault family and other controlled entities* | *19,888,917* | *10.95* | *11.57* | *19,888,917* | *10.95* | *11.56* | *19,888,917* | *10.95* | *11.49* |
| Treasury shares | 2,951,250 | 1.62 | - | 2,605,000 | 1.43 | - | 2,380,206 | 1.31 | - |
| Public registered | 1,600,998 | 0.88 | 0.61 | 850,959 | 0.47 | 0.35 | 541,579 | 0.30 | 0.26 |
| Public bearer | 49,155,758 | 27.05 | 16.27 | 50,397,047 | 27.73 | 16.67 | 50,931,221 | 28.02 | 16.84 |
| **TOTAL** | **181,727,048** | **100.00** | **100.00** | **181,727,048** | **100.00** | **100.00** | **81,727,048** | **100.00** | **100.00** |

(a) Voting rights exercisable in Shareholders' Meetings.

## 4.3. PLEDGES OF PURE REGISTERED SHARES BY MAIN SHAREHOLDERS

The Company is not aware of any pledge in respect of pure registered shares by the main shareholders.

## 4.4. NATURAL PERSONS OR LEGAL ENTITIES THAT MAY EXERCISE CONTROL OVER THE COMPANY

As of June 30, 2013, the individuals belonging to the Arnault family group, acting in concert with Groupe Arnault SAS, 93.2% of which is controlled by these individuals (after deducting shares deprived of voting rights), held directly and indirectly, 70.45% of the Company's share capital and 83.12% of its voting rights, these totals including shares deemed as equivalent to shares held as provided under Article L. 233-9 of the French Commercial Code.

As of the same date, Semyrhamis held 108,130,125 shares in the Company, representing 59.50% of its share capital and 71.55% of its voting rights. The main purpose of Semyrhamis is to hold Christian Dior shares.

The Arnault family group indirectly holds 100% of Semyrhamis' share capital.

As of June 30, 2013, the Arnault family group held, directly and indirectly, 70.45% of the share capital of Christian Dior.

# 5. Market for financial instruments issued by Christian Dior

## 5.1. MARKET FOR CHRISTIAN DIOR SHARES

The short May 1, 2013 to June 30, 2013 fiscal year featured signals from US and Chinese monetary authorities of an upcoming reduction in their accommodating monetary and credit policies.

Specifically, in anticipation of the Federal Reserve tapering its Treasury purchases, US government bond yields rose and the world's financial markets experienced increased volatility.

Stock markets had, overall, a good month of May followed by a challenging June.

In this volatile environment, the Christian Dior share price fell 6.3% between April 30, 2013 and June 30, 2013, compared to drops of 4.0% and 3.1%, respectively, for the DJ Euro Stoxx 50 and Euronext 100 indexes. Over the same period, the S&P 500 rose 0.5%, Japan's Topix fell 2.7%, and the Shanghai SSE 180 slipped 10.3%.

Christian Dior's closing share price on June 28, 2013 was 124 euros. As of the same date, Christian Dior's market capitalization was 22.5 billion euros.

### Market for issuer's shares

Christian Dior's shares are listed on Compartment A of NYSE Euronext Paris (Reuters: DIOR. PA, Bloomberg: CDI-FP, ISIN: FR0000130403).

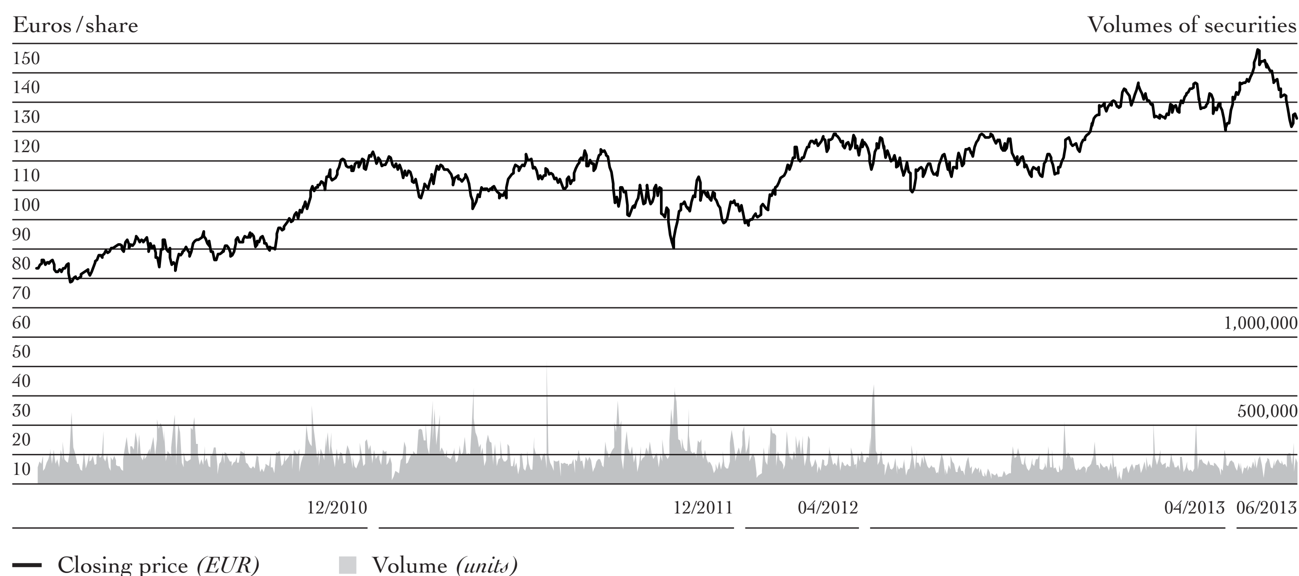
In addition, negotiable options based on the Christian Dior share are traded on Euronext-Liffe.

***Trading volumes and amounts on Euronext Paris and price trend over the last twelve months***

| | Opening price 1st day *(EUR)* | Closing price last day *(EUR)* | Highest share price [(a)] *(EUR)* | Lowest share price [(a)] *(EUR)* | Trading volume | Value of share capital traded *(EUR millions)* |
|---|---|---|---|---|---|---|
| July 2012 | 108.90 | 112.55 | 114.90 | 103.75 | 1,944,510 | 213 |
| August 2012 | 114.45 | 113.40 | 119.45 | 111.00 | 1,225,815 | 143 |
| September 2012 | 113.30 | 104.40 | 119.35 | 104.40 | 2,153,680 | 238 |
| October 2012 | 105.85 | 110.75 | 114.15 | 104.20 | 2,502,936 | 272 |
| November 2012 | 111.30 | 124.25 | 126.95 | 110.60 | 2,417,166 | 284 |
| December 2012 | 124.40 | 128.25 | 130.45 | 124.25 | 1,548,180 | 198 |
| January 2013 | 129.90 | 128.70 | 136.80 | 127.40 | 2,010,663 | 265 |
| February 2013 | 128.00 | 127.95 | 130.95 | 122.60 | 2,403,614 | 303 |
| March 2013 | 127.85 | 129.40 | 136.65 | 126.35 | 2,175,871 | 287 |
| April 2013 | 129.25 | 132.35 | 134.15 | 119.65 | 2,072,146 | 264 |
| May 2013 | 131.95 | 141.65 | 148.10 | 131.90 | 2,185,631 | 290 |
| June 2013 | 141.10 | 124.00 | 143.50 | 120.70 | 2,319,908 | 322 |

Source: NYSE Euronext.
(a) Share price during market trading.

### Price trend of the Christian Dior share and volume of stock traded in Paris




### Stock market capitalization

| *(EUR millions)* | |
|---|---|
| As of December 31, 2011 | 16,648 |
| As of April 30, 2012 | 20,690 |
| As of April 30, 2013 | 24,052 |
| As of June 30, 2013 | 22,534 |

## 5.2. BONDS ISSUED BY CHRISTIAN DIOR

Bonds issued by Christian Dior that were outstanding on June 30, 2013 are listed for trading as shown below:

### Bonds listed in Luxembourg

| | **Amount outstanding** *(in currency)* | **Year of issue** | **Year of maturity** | **Coupon** *(as %)* |
|---|---|---|---|---|
| EUR | 350,000,000 | 2009 | 2014 | 3.75 |
| EUR | 300,000,000 | 2011 | 2016 | 4.00 |

## 5.3. DIVIDEND

No dividend is proposed for the two-month fiscal year ended June 30, 2013.

### Dividend distribution in respect of fiscal years 2010 to 2013

| Fiscal year | Gross dividend per share [(a)] *(EUR)* | Dividend distribution *(EUR millions)* |
|---|---|---|
| June 30, 2013 (2 months) | - | - |
| April 30, 2013 | 2.90 | 527 |
| April 30, 2012 (4 months) | 1.10 | 200 |
| 2011 | 2.61 | 474 |
| 2010 | 2.11 | 383 |

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

**Gross dividend per share**
*(EUR)*

| | 2010 | 2011 | 04/30/12 | 04/30/13 |
|---|---|---|---|---|
| Gross dividend per share | 2.11 | 2.61 | 1.10 | 2.90 |

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.

## 5.4. CHANGE IN SHARE CAPITAL

As of June 30, 2013, Christian Dior's share capital amounted to 363,454,096 euros, consisting of 181,727,048 shares with a par value of 2 euros.

The number of shares remained unchanged during the fiscal year from May 1, 2013 to June 30, 2013.

## 5.5. PERFORMANCE PER SHARE

| *(EUR)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| Diluted Group share of earnings per share | 1.20 | 7.90 | 2.16 |
| Dividend | - | 2.90 | 1.10 |
| *Change compared to previous fiscal year* | *-* | *11%* [(a)] | *na* |
| Highest share price *(during normal trading hours)* | 148.10 | 136.80 | 119.70 |
| Lowest share price *(during normal trading hours)* | 120.70 | 98.08 | 91.89 |
| Share price as of the fiscal year-end date *(closing share price)* | 124.00 | 132.35 | 113.85 |
| *Change compared to previous fiscal year* | *-6%* | *+16%* | *+24%* |

(a) Percentage calculated with respect to the 12 month fiscal year ended December 31, 2011.

# 6. Main locations and properties

## 6.1. PRODUCTION

### 6.1.1. Wine and Spirits

The vineyards owned by the Group in France and internationally are as follows:

| *(in hectares)* | June 30, 2013 Total | June 30, 2013 Of which under production | April 30, 2013 Total | April 30, 2013 Of which under production |
|---|---|---|---|---|
| **France** | | | | |
| Champagne appellation | 1,857 | 1,717 | 1,857 | 1,717 |
| Cognac appellation | 245 | 171 | 245 | 173 |
| Vineyards in Bordeaux | 253 | 151 | 252 | 154 |
| **International** | | | | |
| California (United States) | 448 | 304 | 440 | 321 |
| Argentina | 1,398 | 899 | 1,398 | 882 |
| Australia, New Zealand | 555 | 476 | 525 | 481 |
| Brazil | 231 | 71 | 231 | 72 |
| Spain | 111 | 54 | 56 | 52 |
| China | 88 | - | 68 | - |

In the table above, the total number of hectares owned presented is determined exclusive of surfaces not useable 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 is approximately 1,050,000 square meters in France and 280,000 square meters abroad.

### 6.1.2. Fashion and Leather Goods

Louis Vuitton owns seventeen leather goods and shoe production facilities located primarily in France, although some significant workshops are also located near Barcelona in Spain, and in San Dimas, California. The company owns its warehouses in France; those located outside France are leased. Overall, production facilities and warehouses owned by the Group represent approximately 185,000 square meters.

Fendi owns its own manufacturing facility near Florence, Italy, as well as its company headquarters, the Fendi Palazzo, in Rome.

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 Strà and Vigonza in Italy.

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 122,000 square meters.

Guerlain acquired a 90,000 sq.m plot of land in Chartres in 2012, where it plans to build a new production site to replace its current site in the same region. The brand also owns another production site in Orphin, France.

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.

### 6.1.4. Watches and Jewelry

TAG Heuer leases all of its manufacturing facilities in La Chaux-de-Fonds and the Jura region of Switzerland.

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.

Bulgari owns its production facilities in Italy and Switzerland.

The facilities operated by this business group's remaining brands, Chaumet, Fred and De Beers, are leased.

### 6.1.5. Christian Dior Couture

In association with its Italian partners, Christian Dior Couture operates six production units for leather goods and footwear in Florence, Milan, and Padua.

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).

Through a joint venture with LVMH, Les Ateliers Horlogers (LAH), Christian Dior Couture owns a watch assembly unit in La Chaux-de-Fonds, Switzerland.

## 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, for a total surface area of approximately 8,000 square meters.

Céline and Loewe also own the buildings housing some of their stores in Paris and Spain.

With the exception of the Avenue Montaigne boutique in Paris, the Madrid boutique, a boutique in Saint-Tropez, a boutique in Tokyo and a boutique in Sydney, the stores wholly operated by Christian Dior Couture are leased. In 2011, Christian Dior Couture acquired a building in Seoul intended to house a boutique, with the opening planned for 2014. Christian Dior Couture owns a logistics center in Blois.

In the Selective Retailing business group:

- Le Bon Marché and Franck et Fils own the buildings in Paris that house their department stores, corresponding to a total sales area of about 70,000 square meters;
- DFS owns its stores in Guam, Saipan and Hawaii.

As of June 30, 2013, the Group's store network breaks down as follows:

| *(in number of stores)* | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|
| France | 445 | 437 | 413 |
| Europe (excluding France) | 933 | 939 | 921 |
| United States | 688 | 683 | 652 |
| Japan | 395 | 394 | 386 |
| Asia (excluding Japan) | 776 | 770 | 698 |
| Other | 228 | 225 | 193 |
| **TOTAL** | **3,465** | **3,448** | **3,263** |

| *(in number of stores)* | | **June 30, 2013** (2 months) | **April 30, 2013** (12 months) | **April 30, 2012** (4 months) |
|---|---|---|---|---|
| Christian Dior Couture | | 217 | 213 | 202 |
| Fashion and Leather Goods | | 1,306 | 1,304 | 1,238 |
| Perfumes and Cosmetics | | 99 | 99 | 87 |
| Watches and Jewelry | | 351 | 346 | 327 |
| Selective Retailing: | *- Sephora* | *1,413* | *1,407* | *1,326* |
| | *- Other, including DFS* | *62* | *62* | *69* |
| | Subtotal Selective Retailing | 1,475 | 1,469 | 1,395 |
| Other | | 17 | 17 | 14 |
| **TOTAL** | | **3,465** | **3,448** | **3,263** |

## 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. The Group also owns three buildings in New York (about 26,000 square meters) and a building in Osaka (about 5,000 square meters) that house subsidiaries.

Lastly, the Group owns investment property, in central Paris and in London, corresponding to a total surface area of 50,000 square meters and 10,000 square meters, respectively.

The property assets previously used for the business operations of La Samaritaine department store in Paris, i.e. approximately 60,000 square meters, are the focus of a redevelopment project, which will transform it into a complex essentially comprising 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 5 gives a true and fair picture of the business performance, profit or loss and financial position of the parent company and of all consolidated companies as well as a description of the main risks and uncertainties faced by all of these entities.

Paris, October 30, 2013

**Under delegation from the Group Managing Director**

Florian OLLIVIER

Chief Financial Officer

Design and production: Agence Marc Praquin

Christian Dior

30, avenue Montaigne – Paris 8e